



寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

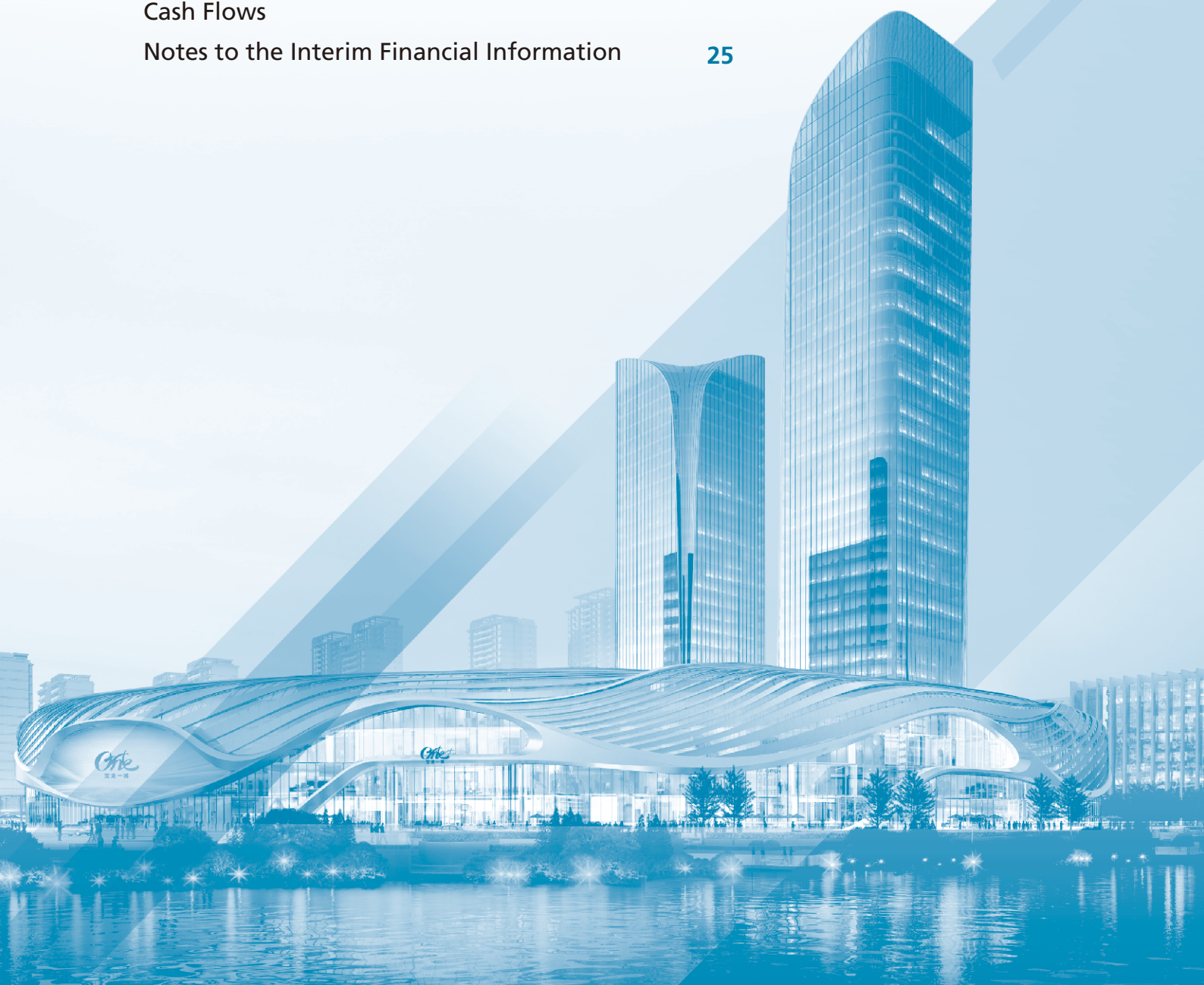
Stock code : 1238

2024 INTERIM REPORT

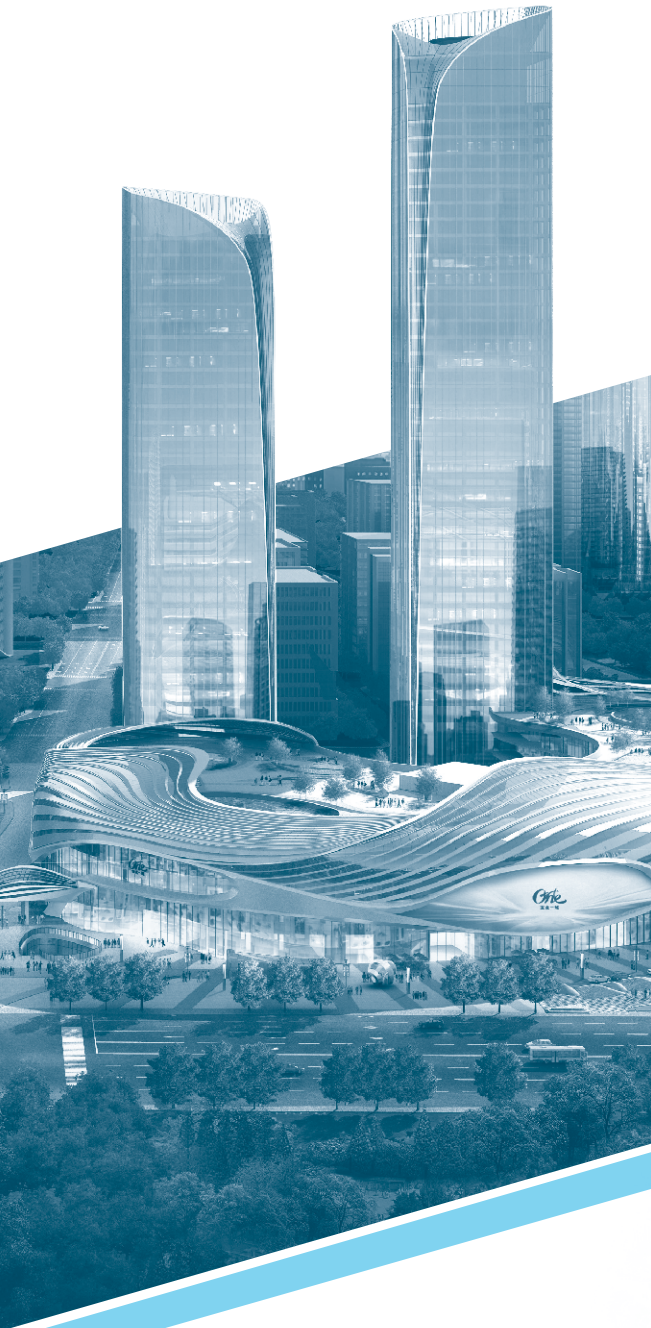


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Group Introduction



Powerlong Real Estate Holdings Limited (1238.HK) (the “**Company**” or “**Powerlong**”) and its subsidiaries (collectively, the “**Group**”) are dedicated to developing and operating comprehensive commercial real estate projects. On 14 October 2009, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). On 30 December 2019, Powerlong Commercial Management Holdings Limited (9909.HK) (“**Powerlong CM**”), a subsidiary of the Company, was listed on the Main Board of the Stock Exchange as the first service provider in commercial management and operation on the Stock Exchange that operates based on an asset-light model.

As at 30 June 2024, the Group’s commercial projects cover the series of “Powerlong One Mall”, “Powerlong City”, “Powerlong Plaza” and “Powerlong Land” products, while its residential projects cover various formats including middle and high class commodity housings and villas, complemented by high-standard office buildings, hotel and apartment projects with comprehensive service support. With its diversified and multi-dimensional business scope, Powerlong has been improving the retail supporting facilities and thereby enhancing the quality of local cities. From supporting the urbanization of the People’s Republic of China (“**China**” or the “**PRC**”) to its integration into the Yangtze River Delta, Powerlong has always followed closely the strategic direction at the PRC’s national level and focused on city clusters which enjoy policy support under the PRC’s macro strategy and which are highly vivid in their economic development. While fulfilling the growing demand for complex real estate in the PRC, Powerlong has created various job opportunities to the society and realized people’s demands and dreams for their lives.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Board, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group’s corporate development and driven its evolvement along the way. The Group will continue to be committed to being a responsible enterprise and following a path of high-quality development. It will adhere to the corporate mission of “creating space full of love”, follow the corporate values of “simple, truthful, prosper together, forward forever”, and continue to live up to the corporate philosophy of “honest, modest, innovative and devoted”. It will firmly gather the wisdom and power of all fellow folks of Powerlong, with the same goals and paths and embracing difficulties, to contribute to fostering the steady and healthy development and virtuous cycle of the industry, with a view to continually creating further values for the corporation, the society and the country.

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board*)
 Mr. Hoi Wa Fong (*Chief executive officer*)
 Mr. Xiao Qing Ping
 Ms. Shih Sze Ni Cecilia
 Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu
 Ms. Liu Xiao Lan (*appointed on 27 March 2024*)

AUDIT COMMITTEE

Mr. Ngai Wai Fung (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu
 Ms. Liu Xiao Lan (*appointed on 27 March 2024*)

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (*Chairman*)
 Mr. Hoi Wa Fong
 Mr. Ding Zu Yu
 Ms. Liu Xiao Lan (*appointed on 27 March 2024*)

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu
 Ms. Liu Xiao Lan (*appointed on 27 March 2024*)

JOINT COMPANY SECRETARIES

Ms. Hai Di
 Ms. Leung Wai Yan

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Leung Wai Yan

REGISTERED OFFICE

P.O. Box 309
 Ugland House
 Grand Cayman KY1-1104
 Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Unit 3303, 33rd Floor
 West Tower, Shun Tak Centre
 168-200 Connaught Road Central
 Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
 1399 Xinzhen Road
 Minhang District
 Shanghai
 PRC
 Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
 Suite 3204, Unit 2A
 Block 3, Building D
 P.O. Box 1586
 Gardenia Court
 Camana Bay
 Grand Cayman, KY1-1100
 Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
 Industrial and Commercial Bank of China Limited
 Agricultural Bank of China Limited
 Bank of China Limited
 Tai Fung Bank Limited
 The Bank of East Asia Limited
 China CITIC Bank Corporation Limited
 China Construction Bank Corporation
 Ping An Bank Co., Ltd.
 China Minsheng Banking Corp., Ltd.

AUDITOR

Elite Partners CPA Limited^(Note)
 Certified Public Accountants
 Level 23, YF Life Tower,
 33 Lockhart Road, Wan Chai,
 Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Note: Elite Partners CPA Limited has resigned as auditor of the Company with effect from 3 September 2024. Further announcement in relation to the appointment of the Company's new auditor will be made by the Company as and when appropriate.

Management Discussion and Analysis

MARKET REVIEW

Since the beginning of this year, in the face of the more complex, challenging and uncertain international environment, the economy of the PRC continued to recover and showed a positive trend. The economic operation was generally stable while making progress steadily, with long-standing positive fundamentals. The trend of high-quality development has not changed. In the real estate sector, the market was undergoing a stage of intense adjustments. Under the general policy keynote of “residential properties are for dwellings instead of speculation”, implementation of city-specific policies that support the rigid and upgraders’ housing needs, timely delivery of products and stabilizing people’s livelihood, the trend of easing policies continued. With the proposal of “coordinated research on policies and measures to digest inventory housing and optimize incremental housing”, policies became more focused on stabilizing the market and destocking. Demand-side easing policies were primarily about gradually lifting restrictions on purchases, loans and sales, reducing down payments, lowering home loan interest rates, lowering transaction taxes, relaxing the requirements of residency, fostering absorption of talents, increasing the support for home purchases with provident fund, provision of subsidies for home purchases and so forth, thereby effectively lowering the barriers and costs of home purchases and fostering the release of demand for home purchases. On enterprises’ side, the main theme of policies was still to guard against and resolve risks facing real estate enterprises, to deeply promote the “white-list” policy, more precisely support the reasonable financing needs of real estate projects and reduce the operating pressure of real estate enterprises. By adequately assessing the situation, real estate enterprises focused on “ensuring timely delivery of products and stabilizing operation”, discharging corporate responsibilities and fostering the steady and healthy development of the real estate market.

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operational and residential property management; and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.

Property Development

As a result of the continuous impact of the severe operating environment in the real estate industry, for the six months ended 30 June 2024, the contracted sales of the Group together with its associates and joint ventures amounted to approximately RMB7,332 million (for the six months ended 30 June 2023: RMB17,610 million). For the six months ended 30 June 2024, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 690,941 square meters (for the six months ended 30 June 2023: 1,135,462 square meters).



Management Discussion and Analysis

Set forth below is the distribution of contracted sales of the Group for the six months ended 30 June 2024:

For the six months ended 30 June 2024

Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	282,113	1,845,300	6,541
Residential	408,828	5,486,279	13,420
Total	690,941	7,331,579	10,611

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2024, the Group had an aggregate gross floor area ("GFA") of approximately 8,226,773 square meters (as at 31 December 2023: approximately 8,215,509 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 0.1% as compared with that as at 31 December 2023.

During the six months ended 30 June 2024, the Group (together with its associates and joint ventures) completed and commenced operation of one new shopping mall, with the successful opening of Hangzhou Gongshu Powerlong Plaza on 24 May 2024, and one asset-light project operated and managed by the Group, namely Taizhou Duqiao Powerlong Plaza, was successfully opened on 13 January 2024. As at 30 June 2024, the Group held and managed 61 shopping malls and managed 9 asset-light shopping malls, with the number of shopping malls in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-operated brand chain hotels.

As at 30 June 2024, the Group owned seven international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Hotel W Xiamen (廈門W酒店), Four Points by Sheraton Taicang Suzhou (蘇州太倉寶龍福朋喜來登酒店), Four Points by Sheraton Chengyang Qingdao (青島城陽寶龍福朋喜來登酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪庭大酒店), and also owned and operated eleven self-owned brand chain hotels, namely ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店), ARTELS+ Xinxiang (新鄉藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店), ARTELS+ Collection Yancheng (鹽城寶龍藝悅精選酒店), JUNTELS Tai'an (泰安寶龍藝珺酒店), JUNTELS Pan'an Jinhua (金華磐安寶龍藝珺酒店) and JUNTELS Shaoxing (紹興柯橋藝珺酒店).

Land Bank

The Group will adhere to the "1+N" development strategy, focusing on the Yangtze River Delta while paying attention to and exploring other premium regions that offer opportunities. In key regional hubs, the Group will strengthen market tracking and research, adhere to more precise and fine-tuned product positioning, and strictly comply with the principle of value investment in acquiring land bank.

As at 30 June 2024, the Group had a quality land bank amounting to a total GFA of approximately 18.56 million square meters, of which approximately 15.17 million square meters were properties under development and construction and approximately 3.39 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2024, approximately 59.9% of the Group's land bank was located in the Yangtze River Delta region.

Management Discussion and Analysis

OUTLOOK

It is envisaged that in the second half of 2024, the real estate industry will focus on “stabilizing the market and destocking”, better integrating development and security, and continually preventing and resolving risks in key areas. In order to adapt to the new changes in the supply and demand patterns in the real estate market and meet people’s new expectations for quality housing, in future, it will accelerate the formulation of a new model of real estate development, adhere to the principle of integration of digesting inventory housing and optimizing incremental housing, level up the construction and supply of affordable housing, and actively support the acquisition of inventory commodity housing for affordable housing while continuing to improve the “market+safeguarding” housing supply system, to better meet residents’ rigid housing needs and upgraders’ housing needs. It is envisaged that more easing demand-side policies will be launched. Efforts to cater to the reasonable needs for enterprise-side financing will continue with more refined implementation. Review and management of ‘white-list’ projects will be strengthened, enhancing capital protection for affordable housing, urban village transformation and public infrastructure construction for “normal-use and emergency”. In a stage where the real estate industry is gradually building a new model of development, the real estate enterprises will continue to adhere to “ensuring timely delivery of products and stabilizing operation”, continue to strengthen refined management and control, and make efforts to uplift product strengths and service capability, actively explore new models of development that match their own strengths, and strive to achieve ongoing sound operation and high-quality development.

Faced with the challenges and opportunities presented by intense adjustments in the real estate industry in China, the Group proposed the development theme of “rekindling passion and bringing success with constant effort” in mid-2024, with a focus on the key tasks of “rekindling passion, one strategy for one city and comprehensive responsibility” for the second half of 2024. The Group will accumulate team vitality, reach consensus and interpret goals, achieve big wins by accumulating small wins, make overall planning, execute timely communication between the upper and lower levels, resolutely implement strategies, make every effort to explore resources, strive for marketing performance, and take responsibility all the way to the end. In the adversity of a difficult macro-environment, the Group will always adhere to stable operations, stick to the bottom-line of “ensuring delivery”, remain committed to being a responsible enterprise, uphold the principles of quality and accountability, focus on construction of good houses, continue to enhance its refined management, fully tap the differentiation advantage of product quality details, control costs in a scientific manner, continuously optimize products and services, continuously enhance its strengths in terms of products and brand, and form core advantages and competitiveness of the enterprise. The confidence of all staff members, and their cohesion, endurance, and unwavering efforts to tackling problems and difficulties, will continuously drive the sound development of the enterprise and the virtuous cycle of the industry.

The Group will continue to adhere to prudent expansion of its premium land bank and adhere to the “1+N” development strategy, focusing on the Yangtze River Delta while paying attention to and exploring other premium regions that offer opportunities, so as to lay solid foundation for its sustainable and healthy operation and high-quality sustainable development. In key regional hubs, the Group will strengthen market tracking and research, adhere to more precise and fine-tuned product positioning, and strictly comply with the principle of value investment in acquiring land bank.

The Group will continue to integrate and consolidate its advantageous resources and strive to implement its plan of high-quality opening within the year. Powerlong CM, a subsidiary of the Company, will continue to adhere to the strategic layout of focusing on the Yangtze River Delta and proactively respond to the changes in the market and consumption with a focus on “making every effort for tenant sourcing to undertake fine operation, implementing classification management to enhance value and attaching importance to the construction of talent echelon”. Powerlong CM will make breakthroughs from the ideas of sourcing traditional brands to innovate tenant sourcing resources, improve the refined management level of project operation and stimulate the vitality and enthusiasm of its operation team. Powerlong CM will implement classification management for projects in operation and polish service details of benchmarking projects. Powerlong CM will devise customized tenant sourcing adjustment plans for projects during incubation and projects pending improvement, so as to comprehensively improve the project management level and competitiveness. Powerlong CM will promote the construction of talent echelon in multiple dimensions, focus on cultural construction and continue to optimize organizational efficiency, so as to build a first-class business operation team in the industry.

Management Discussion and Analysis

In active response to liquidity pressure, the Group will continue to adopt a series of liquidity management measures, expedite collection of sales proceeds and other receivables, extend the debt maturity of certain borrowings, continually optimize financing structure, lower financing costs, and foster a holistic solution for its offshore debts, seek to revitalize stock assets, strengthen asset management, uplift occupancy rate and rental rate, streamline organizational structure to enhance efficiency, control operating expenses and administrative costs, continue to stabilize its operation, ensure the timely delivery of property development projects, and secure cash resources for the sustainable development of the Group.

The Group will proactively promote the parallel development of both its talents and the enterprise, and call for employees' pragmatism and revamped re-definition of themselves. The Group will mobilize individuals for the betterment of their self-worth; re-engineer process for the enhancement of working efficiency; and provide multi-dimensional incentives for building an elite team. The Group will continue to uphold a human resources strategy of "unlocking potential and pooling of talent" and establish a platform and create opportunities for the career development of its staff, with a view to realizing mutual growth and benefits.

Adhering to the initial intention of being a corporate citizen with social responsibilities, the Group will remain committed to being a responsible enterprise and following a path of high-quality sustainable development. It will adhere to the corporate mission of "creating space full of love", follow the corporate values of "simple, truthful, prosper together, forward forever", and continue to live up to the corporate philosophy of "honest, modest, innovative and devoted". It will firmly gather the wisdom and power of all fellow folks of Powerlong, with the same goals and paths and embracing difficulties, to contribute to fostering the steady and healthy development and virtuous cycle of the industry, with a view to continually creating further values for the corporation, the society and the country.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income from property sales, rental income from investment properties, income from provision of commercial operational services and residential property management services and income from other property development related businesses. For the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB15,651 million (for the six months ended 30 June 2023: approximately RMB12,299 million), representing an increase of approximately 27.3% as compared with the corresponding period in 2023. This was mainly attributable to the increase in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2024, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered for the six months ended 30 June 2024 amounted to approximately RMB13,027 million (for the six months ended 30 June 2023: approximately RMB9,827 million), representing an increase of approximately 32.6% as compared with the corresponding period in 2023. This was mainly attributable to the increase in the delivery of residential properties and commercial properties.

Management Discussion and Analysis

Set forth below are the details regarding the properties sold and delivered during the six months ended 30 June 2024:

		For the six months ended 30 June 2024		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	132,805	1,218	9,171
	Residential	604,056	8,660	14,336
Hainan	Commercial	1,219	9	7,383
	Residential	71,341	966	13,541
Guangdong-Hong Kong-Macau Bay Area	Commercial	3,600	40	11,111
	Residential	27,209	410	15,069
Others	Commercial	63,024	380	6,029
	Residential	168,558	1,344	7,974
Total		1,071,812	13,027	12,154
Commercial		200,648	1,647	8,208
Residential		871,164	11,380	13,063

Rental Income from Investment Properties and Income from Provision of Commercial Operational Services and Residential Property Management Services

For the six months ended 30 June 2024, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB973 million (for the six months ended 30 June 2023: approximately RMB941 million), representing an increase of approximately 3.4% as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, income from provision of commercial operational services and residential property management services was mainly derived from projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB1,202 million (for the six months ended 30 June 2023: approximately RMB1,087 million), representing an increase of approximately 10.6% as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services amounting to approximately RMB2,175 million (for the six months ended 30 June 2023: approximately RMB2,028 million), representing an increase of approximately 7.2% as compared with the corresponding period in 2023. This was mainly attributable to the economies of scale brought by the increasing GFA of properties held for investment and commercial and residential properties managed by the Group.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation and the provision of consultation services. For the six months ended 30 June 2024, the Group recorded income from other property development related businesses amounting to approximately RMB449 million (for the six months ended 30 June 2023: approximately RMB444 million), representing an increase of approximately 1.1% as compared with the corresponding period in 2023.

Management Discussion and Analysis

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2024, cost of sales amounted to approximately RMB13,634 million (for the six months ended 30 June 2023: approximately RMB8,752 million), representing an increase of approximately 55.8% as compared with the corresponding period in 2023, which was mainly due to the increase in the GFA of properties sold and delivered and the increase in the provision of impairment for the relevant property projects, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, gross profit amounted to approximately RMB2,017 million (for the six months ended 30 June 2023: approximately RMB3,548 million), representing a decrease of approximately 43.2% as compared with the corresponding period in 2023, which was mainly due to the increase in the impairment provisions for the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry. Gross profit margin decreased by 15.9 percentage points from 28.8% for the six months ended 30 June 2023 to 12.9% for the six months ended 30 June 2024, which was mainly attributable to the increase in the impairment provisions for the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry.

Fair Value Losses on Investment Properties

For the six months ended 30 June 2024, the Group recorded fair value losses of approximately RMB729 million (for the six months ended 30 June 2023: fair value losses of approximately RMB465 million). The fair value losses increased by approximately RMB264 million as compared with the corresponding period in 2023, mainly due to the continued downward trend of the real estate market and insufficient socio-economic domestic demand, leading to the decrease in demand for shopping malls leasing.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2024, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB901 million (for the six months ended 30 June 2023: approximately RMB1,056 million), representing a decrease of approximately 14.7% as compared with the corresponding period in 2023, which was mainly attributable to the decrease in the scale of projects sales and management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of (Loss)/Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2024, the Group recorded share of post-tax loss of investments accounted for using the equity method of approximately RMB553 million as compared with share of post-tax profit of approximately RMB739 million for the corresponding period in 2023, representing a turnaround from the share of post-tax profit to the share of post-tax loss, which was mainly due to the net loss from joint ventures and associates.

Income Tax Expense

Income tax expense of the Group amounted to approximately RMB1,088 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately RMB791 million), representing an increase of approximately 37.5% as compared with the corresponding period in 2023, which was mainly due to the increase in the PRC corporate income tax and PRC land appreciation tax expenses.

(Loss)/Profit Attributable to Owners of the Company

For the six months ended 30 June 2024, the loss attributable to owners of the Company amounted to approximately RMB2,623 million (for the six months ended 30 June 2023: profit attributable to owners of the Company of approximately RMB94 million), representing a turnaround as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, basic loss per share was approximately RMB63.3 cents (for the six months ended 30 June 2023: basic earnings per share of approximately RMB2.3 cents), representing a turnaround as compared with the corresponding period in 2023.

Management Discussion and Analysis

Core losses (being the profit/(losses) excluding the fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review)^(Note) for the six months ended 30 June 2024 reached approximately RMB1,351 million (for the six months ended 30 June 2023: core earnings of approximately RMB1,484 million), representing a turnaround as compared with the corresponding period in 2023.

Core losses attributable to owners of the Company (being the profit/(losses) excluding the attributable fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review)^(Note) for the six months ended 30 June 2024 reached approximately RMB1,937 million (for the six months ended 30 June 2023: core earnings attributable to owners of the Company of approximately RMB1,280 million), representing a turnaround as compared with the corresponding period in 2023.

(Note: The Group believes that the presentation of core earnings/(losses), being a non-HKFRS measure, will facilitate the evaluation of financial performance of the Group by excluding potential impact of certain non-operating and non-recurring items. Such non-HKFRS measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-HKFRS measure should not be construed as an inference that the Group's future results will be unaffected by these items.)

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB7,640 million in total as at 30 June 2024 (as at 31 December 2023: approximately RMB9,246 million), representing a decrease of approximately 17.4% as compared with that as at 31 December 2023.

Borrowings

Total borrowings of the Group as at 30 June 2024 was approximately RMB58,441 million (as at 31 December 2023: approximately RMB58,820 million), representing a decrease of approximately 0.6% as compared with that as at 31 December 2023. The Group's borrowings comprise bank and other borrowings of approximately RMB33,717 million, corporate bonds of approximately RMB6,410 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,139 million, assets-backed securities (the "ABS") of approximately RMB207 million and senior notes of approximately RMB15,968 million.

Out of the total borrowings, approximately RMB29,597 million was repayable within one year, while approximately RMB28,844 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2024, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 96.4% (as at 31 December 2023: approximately 89.6%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2024 amounted to approximately RMB2,017 million (for the six months ended 30 June 2023: approximately RMB2,330 million), representing a decrease of approximately 13.4% as compared with the corresponding period in 2023. The decrease was mainly due to the decrease in total borrowings of the Group as compared with the corresponding period in 2023. The effective interest rate decreased from 6.36% for the six months ended 30 June 2023 to 5.85% for the six months ended 30 June 2024, due to the Group's tightened control over finance costs. The Group will continue to enhance its stringent control over finance costs.

Management Discussion and Analysis

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements respectively.

Pledge of Assets

As at 30 June 2024, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB64,944 million (as at 31 December 2023: RMB78,831 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2024 amounted to approximately RMB35,767 million (as at 31 December 2023: approximately RMB37,288 million). The ABS of RMB207 million (as at 31 December 2023: RMB203 million) were secured by the trade receivables of the Group. The senior notes issued by the Company were guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 30 June 2024, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees provided by the Group is analysed as below:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	18,144,981	18,800,618
Guarantees for borrowings of joint ventures and associates	1,186,685	1,373,057
	19,331,666	20,173,675

Commitments

(1) Commitments for property development expenditures

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contracted but not provided for		
– Property development activities	7,887,350	8,428,038
– Acquisition of land use rights	1,290,257	1,476,172
	9,177,607	9,904,210

(2) Lease commitments

As at 30 June 2024, the Group did not have any material short-term lease commitment.

Management Discussion and Analysis

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2024 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB24,995 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to the shareholders of the Company (the "**Shareholders**") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had not authorized any plans for any other material investments or additions of capital assets as at 30 June 2024.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2024, the Group employed a total of 8,488 full-time employees (as at 31 December 2023: 9,234 employees). The total staff costs of the Group incurred were approximately RMB947 million for the six months ended 30 June 2024. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

On 23 February 2024, the Company and members of an ad hoc group of holders of certain loan facilities to which the Company is an obligor and certain senior notes issued or guaranteed by the Company (collectively, the "**In-Scope Debt**") entered into a restructuring support agreement (the "**RSA**") in relation to the restructuring of the In-Scope Debt by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company (the "**Restructuring**"). As at 18 July 2024, creditors holding approximately 88% of the In-Scope Debt have acceded to the RSA. For further details, please refer to the announcements of the Company dated 29 November 2023, 21 December 2023, 23 February 2024, 22 March 2024, 26 March 2024, 28 April 2024 and 18 July 2024. As at the date of this report, the Restructuring has not yet become effective.

Disclosure of Interests

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2024, the interests and short positions of each director (the "Director(s)") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares				Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of a controlled corporation	Other interests		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	–	1,836,902,000	44.37%
Mr. Hoi Wa Fong	8,988,000	503,400	–	597,568,000 (Note 3)	607,059,400	14.66%
Mr. Xiao Qing Ping	911,700	–	–	–	911,700	0.02%
Ms. Shih Sze Ni Cecilia	503,400	606,556,000	–	–	607,059,400	14.66%
Mr. Zhang Hong Feng	184,300	–	–	–	184,300	0.004%
Ms. Hoi Wa Fan	61,470,000	–	226,623,000 (Note 4)	–	288,093,000	6.96%

Notes:

1. These percentages have been compiled based on the total number of issued shares of the Company (i.e. 4,140,403,000 shares) as at 30 June 2024.
2. These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong. Pursuant to the SFO, Mr. Hoi Kin Hong is deemed to be interested in the shares held by Skylong Holdings Limited.
3. These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 100% owned by TMF (Cayman) Ltd. in its capacity as the trustee of the Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held under the Sky Infinity Trust.
4. These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which are wholly and beneficially owned by Ms. Hoi Wa Fan. Pursuant to the SFO, Ms. Hoi Wa Fan is deemed to be interested in the shares held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd.

Disclosure of Interests

(2) Long position in shares of associated corporation of the Company

Name of Directors	Name of associated corporation	Number of ordinary shares				Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
		Personal interests	Interests of spouse	Interests of a controlled corporation	Other interests		
Mr. Hoi Wa Fong	Powerlong CM	–	–	23,572,000 (Note 2)	1,500,000 (Note 3)	25,072,000	3.90%
Ms. Shih Sze Ni Cecilia	Powerlong CM	–	25,072,000 (Note 4)	–	–	25,072,000	3.90%

Notes:

- These percentages have been compiled based on the total number of issued shares of Powerlong CM (i.e. 642,900,000 shares) as at 30 June 2024.
- Huihong Management (PTC) Limited (“**Huihong Management**”), the trustee of Huihong Trust, is wholly owned by Mr. Hoi Wa Fong. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held by Huihong Management.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 100% owned by TMF (Cayman) Ltd. in its capacity as the trustee of the Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held under the Sky Infinity Trust.
- Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares of Powerlong CM held by Mr. Hoi Wa Fong.

Save as disclosed above, as at 30 June 2024, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2024, the interests or short positions of the persons or corporations, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	43.61%
TMF (Cayman) Ltd. (Note 4)	Trustee	597,568,000	14.43%
Sky Infinity Family Limited (Note 4)	Interest in controlled corporation	597,568,000	14.43%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	597,568,000	14.43%
Wason Holdings Limited	Beneficial owner	260,526,000	6.29%
Walong Holdings Limited	Beneficial owner	209,444,000	5.06%

Notes:

- All the interests represent long positions.
- These percentages have been compiled based on the total number of issued shares of the Company (i.e. 4,140,403,000 shares) as at 30 June 2024.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- Sky Infinity Holdings Limited is wholly-owned by Sky Infinity Family Limited, which is in turn 100% owned by TMF (Cayman) Ltd. in its capacity as the trustee of the Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any other person or corporation, other than a Director or chief executive of the Company, who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The board of Directors (the “**Board**”) strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its Shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

COMPLIANCE WITH THE CG CODE

During the six months ended 30 June 2024, the Company had complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the “**CG Code**”).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities (including sale of treasury shares) of the Company during the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

To comply with code provision C.1.3 of the CG Code, relevant employees (as defined in the Listing Rules) of the Group, who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the six months ended 30 June 2024, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules to, amongst others, review the Group’s financial information and oversee the Group’s financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its chairman in performing the corporate governance functions of the Company.

The Audit Committee comprises four members who are the independent non-executive Directors, namely Dr. Ngai Wai Fung, Dr. Mei Jian Ping, Dr. Ding Zu Yu and Ms. Liu Xiao Lan. The chairman of the Audit Committee, Dr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2024 in conjunction with the Company’s management. In particular, the Audit Committee has discussed with the Company’s management regarding the preparation of the condensed consolidated financial statements of the Company for the six months ended 30 June 2024 in this interim report on a going concern basis. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The chairman of the Board, all the Directors, including the respective chairman of the Audit Committee, the remuneration committee and nomination committee of the Company, and the external auditor were present at the annual general meeting of the Company held on 14 June 2024.

Corporate Governance

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 8 July 2019

On 8 July 2019, the Company as the borrower entered into a facility agreement with a group of lenders in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$200,000,000 (which includes an accordion feature) (the **"2019 Term Loan Facility"**). The repayment date was subsequently extended by 24 months. Pursuant to the 2019 Term Loan Facility, it is an event of default, among other things, if the Company does not comply with the undertakings to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2019 Term Loan Facility are set out in the announcement of the Company dated 8 July 2019.

Facility Agreement dated 13 May 2020

On 13 May 2020, the Company as the borrower, Industrial and Commercial Bank of China (Macau) Limited (**"ICBC Macau"**) as the arranger, ICBC Macau and the financial institutions set out therein, as the original lenders and ICBC Macau as the agent, and other parties thereto, entered into a facility agreement (the **"May 2020 Facility Agreement"**) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the **"May 2020 Term Loan Facility"**). Pursuant to the May 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 13 May 2020 for further details of the May 2020 Term Loan Facility.

Facility Agreement dated 30 June 2020

On 30 June 2020, the Company as the borrower, China CITIC Bank International Limited, The Bank of East Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (**"HSBC"**) as the mandated lead arranger and bookrunner, the financial institutions set out therein, as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the **"June 2020 Facility Agreement"**) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$300 million equivalent (which includes incremental facilities) (the **"June 2020 Term Loan Facility"**). Pursuant to the June 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 30 June 2020 for further details of the June 2020 Term Loan Facility.

Facility Agreement dated 9 July 2021

On 9 July 2021, the Company as the borrower, The Bank of East Asia Limited, Macau Branch and Luso International Banking Limited (**"Luso Bank"**) as the mandated lead arranger and coordinator, the financial institutions set out therein, as the original lenders and Luso Bank as the agent, and other parties thereto, entered into a facility agreement (the **"July 2021 Facility Agreement"**) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the **"July 2021 Term Loan Facility"**). Pursuant to the July 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 July 2021 for further details of the July 2021 Term Loan Facility.

Corporate Governance

Facility Agreement dated 9 August 2021

On 9 August 2021, the Company as the borrower, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited, The Bank of East Asia Limited and HSBC as the mandated lead arranger and coordinator, the financial institutions set out therein as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the “**August 2021 Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$210 million equivalent (which includes incremental facilities) (the “**August 2021 Term Loan Facility**”). Pursuant to the August 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 August 2021 for further details of the August 2021 Term Loan Facility.

As at the date of this report, for the purpose of Part XV of the SFO, Mr. Hoi Kin Hong and Mr. Hoi Wa Fong in aggregate were interested in approximately 59.03% of the total number of issued shares of the Company.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed above, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended 30 June 2024.

CHANGE OF AUDITOR

Elite Partners CPA Limited has resigned as auditor of the Company with effect from 3 September 2024. Please refer to the Company’s announcement dated 3 September 2024 for details. Further announcement in relation to the appointment of the Company’s new auditor will be made by the Company as and when appropriate.

Interim Condensed Consolidated Balance Sheet

		30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property and equipment	6	6,589,281	6,611,465
Investment properties	7	80,792,206	78,946,839
Intangible assets		5,661	6,753
Goodwill		20,640	20,640
Investments accounted for using the equity method	8	9,270,800	9,563,660
Deferred income tax assets		2,869,754	2,576,795
Financial assets at fair value through profit or loss		1,138	514
Financial assets at fair value through other comprehensive income		50,098	50,322
Prepayments	9	455,734	550,628
		100,055,312	98,327,616
Current assets			
Properties under development	10	52,247,776	60,049,689
Completed properties held for sale	11	17,136,924	16,893,542
Contract assets		92,421	132,602
Trade receivables	12	1,504,494	2,087,543
Other receivables	13	22,500,224	22,475,540
Prepayments	9	3,369,695	3,663,957
Prepaid taxes		1,737,107	1,811,621
Financial assets at fair value through profit or loss		117,981	117,375
Restricted cash	14	1,215,523	1,511,490
Cash and cash equivalents	15	6,424,847	7,734,844
		106,346,992	116,478,203
Total assets		206,402,304	214,805,819
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	36,779	36,779
Other reserves	17	2,159,544	2,181,992
Retained earnings		33,626,523	36,249,392
		35,822,846	38,468,163
Perpetual Capital Instruments	18	–	578,942
Non-controlling interests		16,876,889	16,271,735
Total equity		52,699,735	55,318,840

Interim Condensed Consolidated Balance Sheet

		30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	28,843,851	29,436,754
Lease liabilities		2,891,002	2,640,658
Deferred income tax liabilities		7,322,869	7,428,169
		39,057,722	39,505,581
Current liabilities			
Borrowings	19	29,596,700	29,383,306
Trade and other payables	21	44,628,292	42,003,157
Contract liabilities	20	22,474,563	32,051,985
Current income tax liabilities		17,694,398	16,323,333
Lease liabilities		250,894	219,617
		114,644,847	119,981,398
Total liabilities		153,702,569	159,486,979
Total equity and liabilities		206,402,304	214,805,819

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim financial information on pages 19 to 56 were approved by the Board on 28 August 2024 and were signed on its behalf by:

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June

	Notes	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Revenue	5	15,651,245	12,299,291
Cost of sales	22	(13,634,123)	(8,751,680)
Gross profit		2,017,122	3,547,611
Fair value losses on investment properties – net	7	(728,527)	(464,536)
Selling and marketing costs	22	(316,377)	(393,423)
Administrative expenses	22	(584,465)	(662,303)
Net impairment losses on financial assets		(61,521)	(126,819)
Other income and (losses)/gains – net		(161,427)	5,437
Operating profit		164,805	1,905,967
Finance costs – net	23	(570,938)	(1,561,435)
Share of (losses)/profit of investments accounted for using the equity method	8	(552,972)	738,581
(Loss)/profit before income tax		(959,105)	1,083,113
Income tax expense	24	(1,087,607)	(791,193)
(Loss)/profit for the period		(2,046,712)	291,920
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	17	2,096	12,415
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	17	(168)	(169)
Total other comprehensive income for the period, net of tax		1,928	12,246
Total comprehensive (loss)/income for the period		(2,044,784)	304,166
(Loss)/profit attributable to:			
Owners of the Company		(2,622,869)	94,227
Holders of Perpetual Capital Instruments	18	–	31,283
Non-controlling interests		576,157	166,410
		(2,046,712)	291,920
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(2,620,941)	106,473
Holders of Perpetual Capital Instruments	18	–	31,283
Non-controlling interests		576,157	166,410
		(2,044,784)	304,166
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		(63.3)	2.3
– Diluted		(63.3)	2.3

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Holders of Perpetual Capital Instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		

Six months ended

30 June 2024 (Unaudited)

Balance at 1 January 2024

Comprehensive (expense)/income:

(Loss)/profit for the period

Other comprehensive income for the period

– Changes in the fair value of financial assets at fair value through other comprehensive income

– Currency translation differences

Total comprehensive (loss)/income for the period

Transactions with owners:

– Dividends

– Changes in ownership interests in subsidiaries without change of control

– Employee share award scheme

– Transfer of perpetual capital instruments

Total transactions with owners

Balance at 30 June 2024

	36,779	2,181,992	36,249,392	38,468,163	578,942	16,271,735	55,318,840
Comprehensive (expense)/income: (Loss)/profit for the period	-	-	(2,622,869)	(2,622,869)	-	576,157	(2,046,712)
Other comprehensive income for the period							
– Changes in the fair value of financial assets at fair value through other comprehensive income	-	(168)	-	(168)	-	-	(168)
– Currency translation differences	-	2,096	-	2,096	-	-	2,096
Total comprehensive (loss)/income for the period	-	1,928	(2,622,869)	(2,620,941)	-	576,157	(2,044,784)
Transactions with owners:							
– Dividends	-	-	-	-	-	(18,240)	(18,240)
– Changes in ownership interests in subsidiaries without change of control	-	(33,052)	-	(33,052)	-	43,013	9,961
– Employee share award scheme	-	8,676	-	8,676	-	4,224	12,900
– Transfer of perpetual capital instruments	-	-	-	-	(578,942)	-	(578,942)
Total transactions with owners	-	(24,376)	-	(24,376)	(578,942)	28,997	(574,321)
Balance at 30 June 2024	36,779	2,159,544	33,626,523	35,822,846	-	16,876,889	52,699,735

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Holders of Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		
Six months ended							
30 June 2023 (Unaudited)							
Balance at 1 January 2023	36,779	2,165,705	38,903,081	41,105,565	519,781	20,976,248	62,601,594
Comprehensive income:							
Profit for the period	–	–	94,227	94,227	31,283	166,410	291,920
Other comprehensive income for the period							
– Changes in the fair value of financial assets at fair value through other comprehensive income	–	(169)	–	(169)	–	–	(169)
– Currency translation differences	–	12,415	–	12,415	–	–	12,415
Total comprehensive income for the period	–	12,246	94,227	106,473	31,283	166,410	304,166
Transactions with owners:							
– Dividends	–	–	–	–	–	(538,624)	(538,624)
– Changes in ownership interests in subsidiaries without change of control	–	(39,663)	–	(39,663)	–	53,510	13,847
– Employee share award scheme	–	30,494	–	30,494	–	11,714	42,208
– Capita injection from non-controlling interests	–	–	–	–	–	22,509	22,509
– Disposal of subsidiary	–	–	–	–	–	(171,682)	(171,682)
Total transactions with owners	–	(9,169)	–	(9,169)	–	(622,573)	(631,742)
Balance at 30 June 2023	36,779	2,168,782	38,997,308	41,202,869	551,064	20,520,085	62,274,018

The above interim condensed consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	2024 Unaudited RMB'000	2023 Unaudited RMB'000
	<i>Note</i>	
Cash flows from operating activities		
Cash generated from operations	2,240,754	4,381,098
PRC corporate income tax paid	(210,983)	(454,258)
PRC land appreciation tax paid	(205,872)	(216,809)
Interest paid	(1,043,631)	(2,348,509)
Cash generated from operating activities	780,268	1,361,522
Cash flows from investing activities		
Net cash inflow in disposal of subsidiaries	–	50,533
Purchases of property and equipment	(148,375)	(229,654)
Purchases of right-of-use assets	(107,962)	(1,236)
Purchases of intangible assets	(166)	(888)
Payments of construction fee and land use right of investment properties	(896,792)	(661,127)
Proceeds from disposal of property and equipment	171,632	60,396
Proceeds from disposal of investment properties	3,285	220,984
Cash advances made to joint ventures, associates and non-controlling interests	(2,660,135)	(3,799,431)
Collection of cash advances from joint ventures, associates and non-controlling interests	3,513,009	5,997,530
Interest received	42,097	62,617
Decreased in bank deposit	933	51
Cash (used in)/generated from investing activities	(82,474)	1,699,775
Cash flows from financing activities		
Proceeds from borrowings	24,982	1,831,824
Repayments of borrowings	(1,578,287)	(4,596,000)
Restricted cash (pledged for)/released from borrowings	(13,689)	1,094
Cash advances from parties controlled by ultimate controlling shareholders	225,151	397,317
Cash advances from joint ventures, associates and non-controlling interests	3,313,111	2,276,030
Repayment of cash advances to parties controlled by ultimate controlling shareholders	(1,368)	(861,907)
Repayments of cash advances to joint ventures, associates and non-controlling interests	(3,904,703)	(2,665,875)
Changes in ownership interests in subsidiaries without change of control	9,961	13,847
Dividends paid	(18,240)	–
Principal elements and interest expenses of lease payments	(65,003)	(103,446)
Cash used in financing activities	(2,008,085)	(3,707,116)
Decrease in cash and cash equivalents	(1,310,291)	(645,819)
Cash and cash equivalents at beginning of period	7,734,844	9,589,869
Exchange gains on cash and cash equivalents	294	2,934
Cash and cash equivalents at end of the period	6,424,847	8,946,984

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 October 2009.

This interim financial information for the six months ended 30 June 2024 has been approved for issue by the Board on 28 August 2024.

The interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2023.

In the current interim period, the Group has adopted, for the first time, the following revised HKFRSs for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in sales and lease back
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements
HK Interpretation 5 (2020)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The application of the revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

Notes to the Interim Financial Information

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year beginning on 1 January 2024 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21	Lack of exchangeability	1 January 2025
Amendment to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Going concern basis

For the six months ended 30 June 2024, the Group incurred net loss of RMB2,047 million. As at 30 June 2024, the Group recorded net current liabilities of RMB8,298 million. As at 30 June 2024, the Group's current and non-current borrowings amounted to RMB29,597 million and RMB28,844 million respectively, while the Group had cash and cash equivalents (excluding restricted cash) amounting to RMB6,425 million.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- The Company has appointed Haitong International Securities Company Limited as its financial adviser for its offshore debt restructuring. The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales to address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;
- The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have been conducive to encouraging an increase in buyers' interests and stimulating demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sale volumes and amounts;
- The Group will continue to seek for suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions; and

Notes to the Interim Financial Information

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going concern basis (continued)

- The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

On 23 February 2024, the Company and members of an ad hoc group of holders of certain loan facilities to which the Company is an obligor and certain senior notes issued or guaranteed by the Company (collectively, the "In-Scope Debt") entered into a restructuring support agreement (the "RSA") in relation to the restructuring of the In-Scope Debt by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company (the "Restructuring").

As at 18 July 2024, creditors holding approximately 88% of the In-Scope Debt have acceded to the RSA.

For further details, please refer to the announcements of the Company dated 29 November 2023, 21 December 2023, 23 February 2024, 22 March 2024, 26 March 2024, 28 April 2024 and 18 July 2024.

The Directors, taking into account the above plans and measures, are of the opinion that it is appropriate to prepare the consolidated financial statements for the six months ended 30 June 2024 on a going concern basis.

3 ESTIMATES

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2023, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no changes in the risk management department or in any risk management policies since year end.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2024 and 31 December 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)				
Financial assets:				
– Financial assets at fair value through profit or loss	106	58,540	60,473	119,119
– Financial assets at fair value through other comprehensive income	–	–	50,098	50,098
Total	106	58,540	110,571	169,217
At 31 December 2023 (Audited)				
Financial assets:				
– Financial assets at fair value through profit or loss	104	57,895	59,890	117,889
– Financial assets at fair value through other comprehensive income	–	–	50,322	50,322
Total	104	57,895	110,212	168,211

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2024 (31 December 2023: nil).

Notes to the Interim Financial Information

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent profit/(loss) earned by each segment without fair value (losses)/gains on financial assets measured at fair value through profit or loss, unallocated operating costs, finance costs – net and income tax expense.

The segment results and other segment items included in the consolidated statement of comprehensive income for the six months ended 30 June 2024 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Group RMB'000
Six months ended 30 June 2024					
(Unaudited)					
Gross segment revenue	13,027,028	1,082,941	1,332,942	450,801	15,893,712
Inter-segment revenue	-	(109,750)	(130,546)	(2,171)	(242,467)
Revenue	13,027,028	973,191	1,202,396	448,630	15,651,245
Share of post-tax losses of joint ventures and associates	(551,425)	-	(1,336)	(211)	(552,972)
Segment results	(306,910)	224,164	140,030	(132,297)	(75,013)
Fair value gains on financial assets measured at fair value through profit or loss					649
Unallocated operating costs					(313,803)
Finance cost – net (Note 23)					(570,938)
Loss before income tax					(959,105)
Income tax expense					(1,087,607)
Loss for the period					(2,046,712)
Depreciation and amortisation recognised as expenses	21,855	-	3,909	131,353	157,117
Fair value losses on investment properties – net (Note 7)	-	(675,617)	(52,910)	-	(728,527)

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the six months ended 30 June 2023 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Group RMB'000
Six months ended 30 June 2023					
(Unaudited)					
Gross segment revenue	9,827,335	1,045,218	1,274,830	444,971	12,592,354
Inter-segment revenue	–	(103,914)	(187,853)	(1,296)	(293,063)
Revenue	9,827,335	941,304	1,086,977	443,675	12,299,291
Share of post-tax profits/(losses) of joint ventures and associates	734,546	–	(73)	4,108	738,581
Segment results	2,411,737	469,604	136,089	(156,244)	2,861,186
Fair value losses on financial assets measured at fair value through profit or loss					(8,036)
Unallocated operating costs					(208,602)
Finance cost – net (Note 23)					(1,561,435)
Profit before income tax					1,083,113
Income tax expense					(791,193)
Profit for the period					291,920
Depreciation and amortisation recognised as expenses	31,867	–	4,739	116,178	152,784
Fair value losses on investment properties – net (Note 7)	–	(413,781)	(50,755)	–	(464,536)

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2024 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 30 June 2024 (Unaudited)						
Segment assets	100,907,684	81,164,223	5,454,386	12,104,116	(7,244,409)	192,386,000
Other assets						14,016,304
Total assets						206,402,304
Segment assets include:						
Interests in joint ventures and associates	9,270,067	-	733	-	-	9,270,800
Segment liabilities	56,478,447	2,546,936	2,941,773	4,920,994	(7,244,409)	59,643,741
Other liabilities						94,058,828
Total liabilities						153,702,569
Capital expenditure (six months ended 30 June 2024)	122,562	2,574,628	8,479	146,505	-	2,852,174

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2023 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 31 December 2023 (Audited)						
Segment assets	113,045,934	78,109,866	5,719,772	11,630,091	(8,220,455)	200,285,208
Other assets						14,520,611
Total assets						214,805,819
Segment assets include:						
Interests in joint ventures and associates	9,527,162	-	722	35,726	-	9,563,660
Segment liabilities	63,547,201	2,510,263	2,631,471	6,315,655	(8,220,455)	66,784,135
Other liabilities						92,702,844
Total liabilities						159,486,979
Capital expenditure (six months ended 30 June 2023) (unaudited)	9,076	957,565	2,795	253,994	-	1,223,430

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the interim condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises of additions to property and equipment (Note 6) and investment properties (Note 7).

Notes to the Interim Financial Information

6 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)			
Opening net book amount as at 1 January 2024	4,455,021	2,156,444	6,611,465
Additions	169,584	107,962	277,546
Disposals	(115,288)	(28,583)	(143,871)
Depreciation charges	(127,495)	(28,364)	(155,859)
Closing net book amount as at 30 June 2024	4,381,822	2,207,459	6,589,281
Six months ended 30 June 2023 (Unaudited)			
Opening net book amount as at 1 January 2023	4,275,139	2,259,463	6,534,602
Additions	258,088	7,777	265,865
Disposals	(75,004)	(28,229)	(103,233)
Depreciation charges	(112,978)	(37,877)	(150,855)
Closing net book amount as at 30 June 2023	4,345,245	2,201,134	6,546,379

As at 30 June 2024, property and equipment with a net book amount of RMB1,554,509,000 (31 December 2023: RMB1,805,144,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2024 was 5.76% (six months ended 30 June 2023: 6.12%).

Right-of-use assets mainly comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)			
Opening amount as at 1 January 2024	67,614,472	11,332,367	78,946,839
Additions	–	2,574,628	2,574,628
Transfers	1,477,126	(1,477,126)	–
Fair value (losses)/gains – net	(777,157)	48,630	(728,527)
Disposals	(734)	–	(734)
Closing amount as at 30 June 2024	68,313,707	12,478,499	80,792,206
Six months ended 30 June 2023 (Unaudited)			
Opening amount as at 1 January 2023	67,657,997	13,030,541	80,688,538
Additions	–	957,565	957,565
Fair value (losses)/gains – net	(656,283)	191,747	(464,536)
Disposals	(73,745)	–	(73,745)
Closing amount as at 30 June 2023	66,927,969	14,179,853	81,107,822

Investment properties as at 30 June 2024 and 31 December 2023 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2024 was 5.76% (six months ended 30 June 2023: 6.12%).

As at 30 June 2024, investment properties of RMB37,860,625,000 (31 December 2023: RMB46,407,394,000) were pledged as collateral for the Group's borrowings (Note 19).

(i) Valuation processes of the Group

The Group's investment properties were valued at 30 June 2024 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(ii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Completed investment properties comprise of commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the period.

Notes to the Interim Financial Information

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2024 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Investments accounted for using the equity method:		
Joint ventures	5,314,411	5,560,278
Associates	3,956,389	4,003,382
	9,270,800	9,563,660

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Share of (losses)/profits of associates and joint ventures accounted for using the equity method:		
Joint ventures	(270,625)	47,317
Associates	(282,347)	691,264
	(552,972)	738,581

Notes to the Interim Financial Information

9 PREPAYMENT

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Acquisition of land use rights (Note (a))	2,564,464	2,830,573
Others	1,260,965	1,384,012
	3,825,429	4,214,585
Less: non-current portion		
Prepayments for acquisition of investment properties	(455,734)	(550,628)
Current portion of prepayments	3,369,695	3,663,957

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have been obtained as at 30 June 2024 and 31 December 2023. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28(a)).

10 PROPERTIES UNDER DEVELOPMENT

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	16,489,090	17,636,546
– Interests capitalised	5,784,592	5,878,848
– Land use rights	29,974,094	36,534,295
	52,247,776	60,049,689

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2024, properties under development of approximately RMB22,216,038,000 (31 December 2023: RMB27,188,289,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2024 was 5.76% (six months ended 30 June 2023: 6.12%).

Notes to the Interim Financial Information

11 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 30 June 2024, completed properties held for sale of approximately RMB3,271,446,000 (31 December 2023: RMB3,398,602,000) were pledged as collateral for the Group's borrowings (Note 19).

12 TRADE RECEIVABLES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Trade receivables (Note (a))	1,831,083	2,401,005
– Third parties	1,767,873	2,331,515
– Related parties (Note 29 (d))	63,210	69,490
Less: loss allowance (Note (b))	(326,589)	(313,462)
	1,504,494	2,087,543

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

As at 30 June 2024 and 31 December 2023, the ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Within one year	1,078,408	1,667,020
Over one year	752,675	733,985
	1,831,083	2,401,005

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2024, a provision of RMB326,589,000 was made against the gross amounts of trade receivables (31 December 2023: RMB313,462,000).
- (c) The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.
- (d) The Group's trade receivables are mainly denominated in RMB.

Notes to the Interim Financial Information

13 OTHER RECEIVABLES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Deposits for acquisition of land use rights	72,000	75,000
Other receivables:	22,815,419	22,781,009
– Related parties (Note 29(d))	9,252,644	9,680,057
– Non-controlling interests	9,218,144	8,932,757
– Other amounts due from third parties	4,344,631	4,168,195
Less: loss allowance	(387,195)	(380,469)
	22,500,224	22,475,540

The Group's other receivables are mainly denominated in RMB.

Other receivables represent cash advances made to non-controlling interests, which are unsecured, interest free and repayable on demand.

Other receivables from third parties mainly consist of deposits for construction projects.

As at 30 June 2024 and 31 December 2023, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

Notes to the Interim Financial Information

14 RESTRICTED CASH

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Guarantee deposits for construction projects (Note (a))	1,013,663	1,303,454
Guarantee deposits for bank borrowings (Note (b))	40,916	41,185
Restricted cash – bank deposits	37,324	38,308
Others	123,620	128,543
	1,215,523	1,511,490
Denominated in:		
– RMB	1,215,523	1,511,490
	1,215,523	1,511,490

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 30 June 2024, the Group has placed cash deposits of approximately RMB40,916,000 (31 December 2023: RMB41,185,000) with designated banks as security for bank borrowings (Note 19).

Notes to the Interim Financial Information

15 CASH AND CASH EQUIVALENTS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Cash at bank and in hand:		
– Denominated in RMB	6,407,924	7,662,534
– Denominated in HK\$	13,900	22,683
– Denominated in US\$	2,967	49,519
– Denominated in MOP	56	108
	6,424,847	7,734,844

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2024 and 30 June 2024	30,000,000,000			
Issued and fully paid:				
Six month ended 30 June 2024 (Unaudited)				
As at 1 January 2024 and 30 June 2024	4,140,403,000	36,779	–	36,779
Six month ended 30 June 2023 (Unaudited)				
As at 1 January 2023 and 30 June 2023	4,140,403,000	36,779	–	36,779

Notes to the Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserves RMB'000 (Note (d))	Revaluation reserves RMB'000 (Note (c))	Capital injection by non- controlling interests RMB'000	Transaction with non- controlling interests RMB'000	Total RMB'000
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**Six month ended 30 June 2024
(Unaudited)**

At 1 January 2024	337,203	(1,795)	129,142	168,262	88,720	1,224,449	236,011	2,181,992
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(33,052)	(33,052)
Employee share award scheme	-	-	-	8,676	-	-	-	8,676
Changes in the value of financial assets at fair value through other comprehensive income	-	-	-	-	(168)	-	-	(168)
Currency translation differences	-	2,096	-	-	-	-	-	2,096
At 30 June 2024	337,203	301	129,142	176,938	88,552	1,224,449	202,959	2,159,544

**Six month ended 30 June 2023
(Unaudited)**

At 1 January 2023	337,203	(7,409)	128,542	118,174	89,072	1,224,449	275,674	2,165,705
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(39,663)	(39,663)
Employee share award scheme	-	-	-	30,494	-	-	-	30,494
Changes in the value of financial assets at fair value through other comprehensive income	-	-	-	-	(169)	-	-	(169)
Currency translation differences	-	12,415	-	-	-	-	-	12,415
At 30 June 2023	337,203	5,006	128,542	148,668	88,903	1,224,449	236,011	2,168,782

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

Notes to the Interim Financial Information

17 OTHER RESERVES (continued)

(c) Revaluation reserves

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value losses on FVOCI – gross	(224)	(225)
Tax charge – deferred income tax	56	56
Total other comprehensive income – net of tax	(168)	(169)

(d) Share-based compensation reserve

Powerlong Commercial Management Holding Limited (“Powerlong CM”), a subsidiary of the Group, was listed on the Stock Exchange on 30 December 2019 (the “listing”). On 24 November 2020, Powerlong CM granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled. Under the terms of the Shares Award Scheme, when the vesting conditions are fulfilled, 50% of the Awarded Shares shall be vested in June 2023 and 50% of the Awarded Shares shall be vested in June 2025 respectively.

On 31 December 2020, the Board of Powerlong CM announced the adoption of a share award scheme together with Huihong Management (together with certain others, constitute the Controlling Shareholders of Powerlong CM), as a means to recognise the contribution of, and to motivate and incentivise the key management of the Group.

On 21 September 2022, as the grant date, Powerlong CM resolved and conditionally agreed to transfer, and the eligible grantees conditionally agreed to subscribe for 25,000,000 shares from Huihong Management, at the subscription price of RMB1.1111 per share upon the terms and subject to the conditions under another share award scheme adopted by Powerlong CM on 10 September 2022 (the “2022 Share Award Scheme”). These shares (“Incentive Shares”) shall be transferred to eligible grantees after the relevant vesting conditions are fulfilled.

Under the terms of the 2022 Shares Award Scheme, when the vesting conditions are fulfilled, 100% of the Incentive Shares shall be vested not later than 31 December 2024. As at 30 June 2024, total number of 21,428,000 shares were subscribed by and transferred to the grantees (As at 31 December 2023: 12,463,000 shares).

Notes to the Interim Financial Information

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)			
Balance as at 1 January 2024	500,000	78,942	578,942
Transfer of perpetual capital instruments	(500,000)	(78,942)	(578,942)
Balance as at 30 June 2024	–	–	–
Six months ended 30 June 2023 (Unaudited)			
Balance as at 1 January 2023	500,000	19,781	519,781
Profit attributable to holders of perpetual capital instruments	–	31,283	31,283
Balance as at 30 June 2023	500,000	51,064	551,064

Perpetual capital instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

The perpetual capital instrument was reclassified as a debt instrument due to the early maturity of the instrument on 9 April 2024, triggered by cross default protection clauses.

Notes to the Interim Financial Information

19 BORROWINGS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	15,968,925	15,415,215
Corporate bonds (Note (b))	6,409,571	5,825,332
Commercial mortgage backed securities	2,138,541	2,177,484
Assets-backed securities	206,749	203,362
Bank borrowings (Note (c))	31,102,288	32,497,480
– secured	31,013,576	32,409,395
– unsecured	88,712	88,085
Other borrowings – secured (Note (d))	2,416,317	2,464,687
Less: current portion of non-current borrowings	(29,398,540)	(29,146,806)
	28,843,851	29,436,754
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (c))	85,000	85,000
Other borrowings – secured (Note (d))	113,160	151,500
Add: Current portion of long-term borrowings	29,398,540	29,146,806
	29,596,700	29,383,306
Total borrowings	58,440,551	58,820,060

(a) Senior notes

As at 30 June 2024, senior notes of RMB15,968,925,000 (31 December 2023: RMB15,415,215,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant as at 30 June 2024 and 31 December 2023.

The Group's senior notes are guaranteed and secured by pledges of certain subsidiaries and non-PRC joint ventures.

As disclosed in the Group's announcement dated 29 November 2023, interest in the amount of US\$15,916,250 on the 5.95% Senior Notes due April 2025 (ISIN: XS2250030090) issued by the Group was due and payable on 30 October 2023. As at 30 June 2024, the Group has not yet paid the related interest. The non-payment would result in an event of default under the terms of certain senior notes issued by the Group. The total amount of senior notes in default or cross-default was RMB15,968,925,000 as at 30 June 2024.

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(b) Corporate bonds

As at 30 June 2024, corporate bonds of RMB5,425,016,000 (31 December 2023: RMB5,344,969,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above options was insignificant as at 30 June 2024 and 31 December 2023.

As disclosed in the announcement of Shanghai Powerlong Industrial Development Co., Ltd. ("Shanghai Powerlong"), a subsidiary of the Group, dated 27 February 2024, on 27 February 2024, Shanghai Powerlong failed to fully repay as scheduled the principal amount of RMB35 million that fell due on 27 February 2024 and the interest corresponding to the aforesaid principal amount during the period from 27 August 2023 to 26 February 2024 of the first tranche of medium-term notes of 2020 (Bond name: 20 寶龍 MTN001; bond code: 102001657). As at 30 June 2024, Shanghai Powerlong has not yet paid the principal and related interest. The non-payment would result in an event of default under the terms of certain corporate bonds issued by Shanghai Powerlong. The total amount of corporate bonds in default or cross-default was RMB2,047,500,000 as at 30 June 2024.

(c) Bank borrowings

As at 30 June 2024, bank borrowings of RMB31,098,576,000 (31 December 2023: RMB32,494,395,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10), completed properties held for sale (Note 11) and restricted cash (Note 14); the secured bank borrowings of RMB6,719,117,000 (31 December 2023: RMB6,948,499,000) were additionally guaranteed by certain related parties (Note 29(b)(iii)).

As at 30 June 2024, the principal amount of certain bank borrowings of the Group had not been repaid on time, which together with the default or cross-default of offshore bonds issued by the Group, constituted default or cross-default of certain bank borrowings amounting to RMB4,142,608,000 in total.

(d) Other borrowings

As at 30 June 2024, borrowings from other non-bank financial institutions of RMB2,529,477,000 (31 December 2023: RMB2,616,187,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10) and completed properties held for sale (Note 11).

As at 30 June 2024, the Group had defaulted in the timely repayment of the principal amount of certain other borrowings, which constituted defaults on certain other borrowings in the total amount of RMB1,111,125,000.

20 CONTRACT LIABILITIES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Current contract liabilities		
– Related parties (Note 29 (d))	17,997	15,273
– Third parties	22,456,566	32,036,712
	22,474,563	32,051,985

Contract liabilities mainly represent the proceeds received from pre-sales of properties.

Notes to the Interim Financial Information

20 CONTRACT LIABILITIES (continued)

- (a) The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	10,237,641	7,684,526

- (b) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 30 June 2024 and 31 December 2023.

21 TRADE AND OTHER PAYABLES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Trade payables (Note (a))	14,971,636	13,672,727
– Related parties (Note 29 (d))	21,638	18,136
– Third parties	14,769,545	13,411,892
– Notes payable – third parties	180,453	242,699
Other payables and accruals	23,728,447	23,769,137
– Related parties (Note 29(d))	9,802,524	9,258,376
– Non-controlling interests	5,249,280	5,022,977
– Third parties (Note (b))	8,676,643	9,487,784
Value-added tax received in advance from customers	1,655,130	1,329,099
Dividend payables	352,990	352,990
Payables for retention fee	821,156	836,507
Interest payable	1,254,124	655,651
Other tax payable	1,821,297	1,345,671
Payables for acquisition of land use rights	23,512	41,375
	44,628,292	42,003,157

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

(a) As at 30 June 2024 and 31 December 2023, the ageing analysis of trade payables based on invoice date was as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Within one year	12,000,911	12,930,146
Over one year	2,970,725	742,581
	14,971,636	13,672,727

(b) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.

(c) The Group's trade and other payables are mainly denominated in RMB, except for the dividend payables of RMB352,990,000 (31 December 2023: 352,990,000) dominated in HK\$ and the interest payables of RMB32,752,000 (31 December 2023: RMB16,193,000) and RMB153,308,000 (31 December 2023: RMB64,989,000) denominated in US\$ and HK\$ respectively.

(d) The carrying amounts of trade and other payables approximate their fair value.

22 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	10,208,457	6,452,652
Write-down of properties under development and completed properties held for sale	2,069,322	825,268
Staff costs and other labour costs (including directors' emoluments)	864,975	1,129,556
Advertising costs	177,355	183,590
Depreciation and amortisation	157,117	152,784
Hotel operating expenses	149,822	156,145
Outsourced security, greening and cleaning and maintenance costs	140,363	165,580
Utilities	129,004	110,629
Properties taxes	121,463	93,187
Taxes and other levies	48,039	84,539
Office related expenses	20,059	20,863
Rental expense	4,176	13,875
Auditor's remuneration	–	3,135
Donations	22	185

Notes to the Interim Financial Information

23 FINANCE COSTS – NET

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Interest expense:		
– Borrowings	1,929,942	2,261,805
– Lease liabilities	86,748	68,079
	2,016,690	2,329,884
Less: finance costs capitalised	(1,552,672)	(1,549,506)
Foreign exchange losses on financing activities – net	149,017	843,674
	613,035	1,624,052
Finance costs		
Interest income of bank deposits	(42,097)	(62,617)
	570,938	1,561,435
Finance costs – net		

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Current income tax:		
– PRC corporate income tax	761,787	473,050
– PRC land appreciation tax	723,973	601,451
	1,485,760	1,074,501
Deferred income tax:		
– PRC corporate income tax	(320,976)	(200,567)
– PRC land appreciation tax	(77,177)	(82,741)
	(398,153)	(283,308)
	1,087,607	791,193

Notes to the Interim Financial Information

24 INCOME TAX EXPENSE (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the PRC ("PRC subsidiaries") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the interim financial information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

Notes to the Interim Financial Information

25 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2024 Unaudited	2023 Unaudited
(Loss)/profit attributable to owners of the Company (RMB'000)	(2,622,869)	94,227
Weighted average number of ordinary shares in issue (thousand shares)	4,140,403	4,140,403
Basic (loss)/earnings per share (RMB cents per share)	(63.3)	2.3

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2024, diluted (loss)/earnings per share is equal to basic (loss)/earnings per share (30 June 2023: same).

26 DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2024 was proposed by the Board (six months ended 30 June 2023: Nil).

27 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	18,144,981	18,800,618
Guarantees for borrowings of joint ventures and associates (Note (b))	1,186,685	1,373,057
	19,331,666	20,173,675

Notes to the Interim Financial Information

27 FINANCIAL GUARANTEE CONTRACTS (continued)

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

- (b) Amounts represent principal amounts of the loans of the joint ventures and associates guaranteed by the Group. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

28 COMMITMENTS

- (a) Commitments for property development expenditures

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contracted but not provided for:		
– Property development activities	7,887,350	8,428,038
– Acquisition of land use rights	1,290,257	1,476,172
	9,177,607	9,904,210

- (b) Leases commitments

As at 30 June 2024, the Group did not have any material short-term lease commitments.

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS

(a) Ultimate controlling shareholder and controlling shareholders

Name	Relationship
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company

(b) Transactions with related parties

- (i) During the six months ended 30 June 2024 and 2023, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Nature of transactions		
Controlled by the ultimate controlling shareholder		
Rental income	389	1,246
Purchase of office equipment and security intelligentisation system services from related parties	18,888	19,327
Companies significantly influenced by the Controlling Shareholder		
Purchase of digitalisation services	7,794	9,684
Joint ventures and associates		
Sales of construction materials	8,484	8,634
Interest income	2,137	11,311
Consultation services provided	10,525	9,443
Commercial operational services and residential properties management services provided	15,886	12,406

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,186,685,000 as at 30 June 2024 (31 December 2023: RMB1,373,057,000) (Note 27).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB6,719,117,000 as at 30 June 2024 (31 December 2023: RMB6,948,499,000) (Note 19(c)).
- (iv) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	10,597	10,629
– Pension costs	903	846
	11,500	11,475

(d) Balances with related parties

As at 30 June 2024 and 31 December 2023, the Group had the following material balances with related parties:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Companies controlled by the ultimate controlling shareholder	2,890	13,560
Joint ventures	43,358	42,715
Associates	16,962	13,215
	63,210	69,490
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	8,353,659	8,673,063
Associates	877,609	985,618
	9,252,644	9,680,057
Amounts due to related parties included in trade payables (Note (ii)):		
Companies controlled by the ultimate controlling shareholder	21,106	16,679
Joint ventures	532	430
Associates	–	1,027
	21,638	18,136
Amounts due to related parties included in other payables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	1,726,193	1,502,410
Joint ventures	3,064,347	2,975,017
Associates	5,011,984	4,780,949
	9,802,524	9,258,376

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Amounts due to related parties included in contract liabilities (Note (iv)):		
Joint ventures	8,446	3,164
Associates	9,551	12,109
	17,997	15,273

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 13), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) Amounts due to related parties included in contract liabilities mainly consist of advances paid for purchase of properties and consulting services.

Notes to the Interim Financial Information

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 23 February 2024, the Company and members of an ad hoc group of holders of certain loan facilities to which the Company is an obligor and certain senior notes issued or guaranteed by the Company (collectively, the "In-Scope Debt") entered into a restructuring support agreement (the "RSA") in relation to the restructuring of the In-Scope Debt by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company (the "Restructuring"). As at 18 July 2024, creditors holding approximately 88% of the In-Scope Debt have acceded to the RSA.

For further details, please refer to the announcements of the Company dated 29 November 2023, 21 December 2023, 23 February 2024, 22 March 2024, 26 March 2024, 28 April 2024 and 18 July 2024.