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SUNac 融創中國
SUNAC CHINA HOLDINGS LIMITED
融創中國控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01918)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS HIGHLIGHTS

For the six months ended 30 June 2024:

- Contracted sales amount of the Group and its joint ventures and associates was approximately RMB26.28 billion;
- As at 30 June 2024, attributable land bank of the Group and its joint ventures and associates was approximately 97.38 million sq.m.;
- Revenue of the Group was approximately RMB34.28 billion, representing a decrease of approximately 41.4% as compared to the same period last year;
- Gross loss of the Group was approximately RMB1.81 billion, representing a decrease in loss of approximately 41.2% as compared to the same period last year;
- Loss attributable to owners of the Company was approximately RMB14.96 billion, representing a decline in loss of approximately 2.7% as compared to the same period last year;
- As at 30 June 2024, cash balance of the Group was approximately RMB25.68 billion (cash balance of the Group and its joint ventures and associates was approximately RMB53.83 billion);
- As at 30 June 2024, equity attributable to owners of the Company was approximately RMB47.96 billion; and
- As at 30 June 2024, total borrowings of the Group were approximately RMB277.43 billion.

The board (the “Board”) of directors (the “Directors”) of Sunac China Holdings Limited (the “Company”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited	
		Six months ended 30 June	
	Note	2024	2023
		RMB'000	RMB'000
Revenue	3	34,279,616	58,472,750
Cost of sales	9	(36,088,266)	(61,551,516)
Gross loss		(1,808,650)	(3,078,766)
Other income and gains	10	2,529,694	1,885,839
Selling and marketing costs	9	(1,113,005)	(2,290,757)
Administrative expenses	9	(1,780,002)	(2,550,632)
Other expenses and losses	11	(6,398,392)	(6,418,210)
Net impairment losses under expected credit loss model		(1,110,822)	(465,066)
Operating loss		(9,681,177)	(12,917,592)
Finance income	12	102,795	127,565
Finance expenses	12	(6,486,933)	(5,538,562)
Finance expenses – net		(6,384,138)	(5,410,997)
Share of post-tax (losses)/profits of associates and joint ventures accounted for using the equity method, net	4	(1,296,787)	2,653,473
Loss before income tax		(17,362,102)	(15,675,116)
Income tax credits/(expenses)	13	697,076	(1,391,036)
Loss and total comprehensive loss for the period		(16,665,026)	(17,066,152)

	Unaudited	
	Six months ended 30 June	
<i>Note</i>	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss and total comprehensive loss		
attributable to:		
– Owners of the Company	(14,957,186)	(15,366,849)
– Non-controlling interests	(1,707,840)	(1,699,303)
	<u>(16,665,026)</u>	<u>(17,066,152)</u>
 Loss per share attributable to owners		
of the Company (expressed in		
RMB per share):		
	<i>14</i>	
– Basic	<u>(1.79)</u>	<u>(2.86)</u>
– Diluted	<u>(1.79)</u>	<u>(2.86)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

	<i>Note</i>	30 June 2024 (Unaudited) <i>RMB'000</i>	31 December 2023 (Audited) <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		63,166,797	65,613,235
Investment properties		22,567,365	22,098,863
Right-of-use assets		12,991,086	13,925,833
Intangible assets		2,860,627	2,949,617
Deferred tax assets		35,879,689	33,482,587
Investments accounted for using the equity method	4	66,014,613	69,251,089
Financial assets at fair value through profit or loss		10,467,374	11,397,419
Other receivables	5	54,629	50,758
Prepayments	6	527,255	530,887
Other non-current assets		–	50,000
		214,529,435	219,350,288
Current assets			
Properties under development		461,915,719	477,359,149
Completed properties held for sale		96,447,373	99,222,220
Inventories		550,185	567,532
Trade and other receivables	5	59,614,295	52,818,525
Contract costs		4,527,412	4,812,288
Amounts due from related companies		69,907,753	70,393,635
Prepayments	6	14,283,425	15,021,667
Prepaid income tax		12,787,229	13,057,567
Financial assets at fair value through profit or loss		1,697,676	628,210
Restricted cash		20,294,474	17,566,748
Cash and cash equivalents		5,389,001	7,056,374
Other current assets		26,013	–
		747,440,555	758,503,915
Total assets		961,969,990	977,854,203

	<i>Note</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		754,645	734,205
Other reserves		43,354,862	42,893,656
Retained earnings		3,853,344	18,801,056
		<u>47,962,851</u>	<u>62,428,917</u>
Non-controlling interests		18,295,335	21,356,948
Total equity		<u>66,258,186</u>	<u>83,785,865</u>
LIABILITIES			
Non-current liabilities			
Borrowings	8	83,931,049	96,633,862
Derivative financial instruments		2,037,053	2,108,145
Lease liabilities		479,628	430,313
Deferred tax liabilities		12,535,757	15,594,359
Other payables	7	54,956	55,624
		<u>99,038,443</u>	<u>114,822,303</u>
Current liabilities			
Trade and other payables	7	289,386,355	281,957,998
Contract liabilities		186,078,780	194,809,944
Amounts due to related companies		49,693,069	46,758,490
Current income tax liabilities		71,909,325	70,888,803
Borrowings	8	193,494,251	181,199,711
Lease liabilities		150,313	141,306
Provisions		5,961,268	3,489,783
		<u>796,673,361</u>	<u>779,246,035</u>
Total liabilities		<u>895,711,804</u>	<u>894,068,338</u>
Total equity and liabilities		<u>961,969,990</u>	<u>977,854,203</u>

NOTES

1 GENERAL INFORMATION

Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the businesses of property development and investment, cultural and tourism city construction and operation, property management services and other services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

Below new and amended standards became effective for annual reporting periods commencing on 1 January 2024 and adopted by the Group for the first time in 2024:

- *Classification of Liabilities as Current or Non-current – Amendments to HKAS 1;*
- *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);*
- *Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16;*
- *Non-current Liabilities with Covenants – Amendments to HKAS 1; and*
- *Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.*

The new and amended standards listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 2024 and have not been early adopted by the Group. The Group is in the process of making an assessment of the impact of these new standards and amendments to existing standards upon initial application.

	Effective for the financial year beginning on or after
<i>Lack of Exchangeability – Amendments to HKAS 21</i>	1 January 2025
<i>Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7</i>	1 January 2026
<i>Presentation and Disclosure in Financial Statements – HKFRS 18</i>	1 January 2027
<i>Subsidiaries without Public Accountability: Disclosures – HKFRS 19</i>	1 January 2027
<i>Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 and HKAS 28</i>	To be determined

(c) Going concern basis

The Group incurred a net loss of approximately RMB16.67 billion for the six months ended 30 June 2024 and, as at 30 June 2024, the Group had net current liabilities of approximately RMB49.23 billion.

As at 30 June 2024, the Group's current and non-current borrowings amounted to approximately RMB193.49 billion and RMB83.93 billion respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB25.68 billion. As at 30 June 2024, the Group had not repaid borrowings in principal amount of approximately RMB106.96 billion in aggregate according to their scheduled repayment dates, and as a result, borrowings in principal amount totalling of approximately RMB57.44 billion might be demanded for early repayment. Up to the date of approval of this interim condensed consolidated financial information, the Group had not repaid borrowings in principal amount of approximately RMB114.32 billion in aggregate according to their scheduled repayment dates and as a result, borrowings in principal amount totalling of approximately RMB53.96 billion might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In light of the above, the Directors have carefully considered the Group's expected cash flow projections for the next 18 months from 30 June 2024 and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure. The Group has continued to implement the following plans and measures regarding various factors:

- On 30 December 2022, onshore corporate bonds extension was completed by Sunac Real Estate Co., Ltd. ("Sunac Real Estate"), a wholly-owned subsidiary of the Group, where the repayment period has been extended 3 to 4 years with the interest rates remaining unchanged; in June 2024, the Group revised the repayment arrangement for bonds by adjusting the principal and interest payable in June 2024 and September 2024 under the original holistic debt extension proposal to be repayable in December 2024, and it has been persistently promoting an integrated, long-term solution;
- The Company's offshore debt restructuring plan has been successfully completed and the restructuring took effect on 20 November 2023. The creditors fully discharged the existing indebtedness of the Company in exchange for the issue of the new notes, the convertible bonds, the mandatory convertible bonds and for the existing shares of Sunac Services Holdings Limited ("Sunac Services", Stock Code: 01516);
- The Group has been actively negotiating with other lenders on the extension of borrowings, and up to the date of approval of this interim condensed consolidated financial information, extension of loans of approximately RMB36.05 billion has been agreed. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans case-by-case. Having considered the market environment, the successful extension of certain loans, the Group's credit history and longstanding relationships with the relevant lenders, the Group is confident that it will have the extension agreements for relevant outstanding loans gradually signed or have the relevant issues gradually resolved in other comprehensive ways;
- The Group is actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from asset management companies or financial institutions, special loan for guaranteed home delivery and ancillary borrowings, business cooperation with partners, asset disposal, etc., and up to the date of approval of this interim condensed consolidated financial information, the Group has endeavoured to achieve certain business cooperation and has obtained additional financing or additional capital inflows in the above areas. In June 2024, the National Financial Regulatory Administration and the Ministry of Housing and Urban-Rural Development jointly issued the Circular on Further Leveraging the Urban Real Estate Financing Coordination Mechanism to Satisfy the Reasonable Financing Needs of Real Estate Projects (《關於進一步發揮城市房地產融資協調機制作用滿足房地產項目合理融資需求的通知》), which put forward a number of measures to optimise and improve the urban coordination mechanism, aiming to enhance the efficiency and quality of project delivery and support more accurately the reasonable financing needs of real estate projects. The Group will also endeavour to seize such opportunities to further seek new facilities or additional funds;

- The Group has been actively communicating with creditors to resolve the pending onshore lawsuits. Up to the date of approval of this interim condensed consolidated financial information, the Group has completed the settlement arrangements with certain creditors. The Group will continue to pursue diligently to reach an amicable settlement as soon as possible, taking account of the availability of financial resources to the Group, so as to deal with the litigations which have not yet come to a definitive conclusion at this stage;
- The Group has adjusted its organizational structure to be more flat to reducing the management levels, reducing the headcount, enhance management efficiency and effectively control costs and expenses; and
- The Group will always actively assume the primary responsibility, respond to the government's call for guaranteed home delivery, and continue to strive to complete the delivery. The government has been constantly adjusting and optimising its real estate regulation and control policies and introducing supportive policies, with a view to stabilising market expectations and facilitating the gradual recovery of the market. The Group will proactively keep up with the current policy window and make full use of the industry support policies, resolutely complete the task of guaranteeing property project delivery, and proactively resolve debt risks in an orderly manner.

In the Directors' opinion, in view of the above plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 18 months from 30 June 2024. Accordingly, the Directors consider that the preparation of this interim condensed consolidated financial information as at 30 June 2024 on a going concern basis is appropriate.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on:

- (i) whether sufficient funds can be raised to repay onshore and offshore public debts, if unable to raise sufficient funds, whether new solutions can be reached with bondholders;
- (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings;
- (iii) whether new and additional financing resources will be available as and when required; and
- (iv) whether asset value is realisable, sales targets are achievable and sales business will be more stable in the future.

Since 2022, the real estate market in mainland China has gone through adjustment with time and depth beyond previous expectations. There is uncertainty as to the stabilization and recovery of the Group's sales and the continued support from banks and the Group's lenders, hence, there is significant uncertainty as to the Group's ability to implement the above plans and measures.

If the Group is unable to achieve the above plans and measures and unable to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this interim condensed consolidated financial information.

3 SEGMENT INFORMATION

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assess the performance of the Group organised as follows:

- Property development
- Cultural and tourism city construction and operation
- Property management
- All other segments

In 2024, the Group combined the fitting and decoration services into the property development segment to better reflect the Group's updated business strategies and the development phases of various businesses. The segment information of 2023 was restated correspondingly.

Other segments mainly include film and culture investment and office building rentals. The results of these operations are included in the "all other segments" column.

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, finance expenses and income tax expenses, which is defined as segment results. The segment results exclude the fair value gains or losses on financial assets at fair value through profit or loss ("FVPL") and derivative financial instruments and disposal gains or losses on financial assets at FVPL, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, prepaid income tax and financial assets at FVPL, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding derivative financial instruments, deferred tax liabilities and current income tax liabilities.

The Group's revenue is mainly attributable to the market in the PRC and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

The segment results are as follows:

	Six months ended 30 June 2024				
	Property development <i>RMB'000</i>	Cultural and tourism city construction and operation <i>RMB'000</i>	Property management <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenue	28,078,816	2,477,833	3,483,728	332,492	34,372,869
Inter-segment revenue	-	-	(93,253)	-	(93,253)
Revenue from external customers	<u>28,078,816</u>	<u>2,477,833</u>	<u>3,390,475</u>	<u>332,492</u>	<u>34,279,616</u>
Net impairment losses under expected credit loss model	(942,899)	-	(167,923)	-	(1,110,822)
Net fair value losses on investment properties	-	(48,000)	(6,666)	(3,949)	(58,615)
Interest income	332,336	-	3,365	-	335,701
Finance income	72,570	2,905	26,742	578	102,795
Share of post-tax losses of associates and joint ventures accounted for using the equity method, net	(1,267,374)	(6,278)	(2,846)	(20,289)	(1,296,787)
Segment results	<u>(9,161,385)</u>	<u>(72,873)</u>	<u>506,728</u>	<u>(40,796)</u>	<u>(8,768,326)</u>
Other information					
Capital expenditure	<u>194,255</u>	<u>309,848</u>	<u>25,155</u>	<u>20,329</u>	<u>549,587</u>

As at 30 June 2024

	Property development <i>RMB'000</i>	Cultural and tourism city construction and operation <i>RMB'000</i>	Property management <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment assets	790,473,899	89,482,092	11,737,377	9,444,654	901,138,022
Investments accounted for using the equity method	63,069,064	1,309,337	53,476	1,582,736	66,014,613
Total segment liabilities	776,334,465	23,440,027	4,521,927	4,933,250	809,229,669
Six months ended 30 June 2023 (Restated)					
	Property development <i>RMB'000</i>	Cultural and tourism city construction and operation <i>RMB'000</i>	Property management <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenue	52,139,145	2,718,351	3,396,051	296,519	58,550,066
Inter-segment revenue	–	–	(77,316)	–	(77,316)
Revenue from external customers	52,139,145	2,718,351	3,318,735	296,519	58,472,750
Net impairment losses under expected credit loss model	(436,811)	–	(28,255)	–	(465,066)
Net fair value losses on investment properties	–	(266,260)	(1,442)	(15,992)	(283,694)
Interest income	877,334	–	15,295	–	892,629
Finance income	86,341	–	41,224	–	127,565
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	2,817,369	3,935	3,115	(170,946)	2,653,473
Segment results	(6,855,147)	(1,092,146)	626,433	(375,847)	(7,696,707)
Other information					
Capital expenditure	864,703	784,814	85,881	7,244	1,742,642

As at 31 December 2023 (Restated)

	Property development <i>RMB'000</i>	Cultural and tourism city construction and operation <i>RMB'000</i>	Property management <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment assets	<u>804,604,846</u>	<u>93,350,588</u>	<u>12,998,348</u>	<u>8,334,638</u>	<u>919,288,420</u>
Investments accounted for using the equity method	<u>66,279,142</u>	<u>1,315,616</u>	<u>56,683</u>	<u>1,599,648</u>	<u>69,251,089</u>
Total segment liabilities	<u>771,747,108</u>	<u>23,866,852</u>	<u>4,904,335</u>	<u>4,958,736</u>	<u>805,477,031</u>

Reportable segment results are reconciled to total loss as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total segment results	(8,768,326)	(7,696,707)
Depreciation and amortisation	(1,603,752)	(1,699,510)
Finance expenses	(6,486,933)	(5,538,562)
Other income and gains	–	23,246
Other expenses and losses	(503,091)	(763,583)
Income tax credits/(expenses)	697,076	(1,391,036)
Loss for the period	<u>(16,665,026)</u>	<u>(17,066,152)</u>

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total segment assets	901,138,022	919,288,420
Deferred tax assets	35,879,689	33,482,587
Other assets	24,952,279	25,083,196
Total assets	<u>961,969,990</u>	<u>977,854,203</u>
Total segment liabilities	809,229,669	805,477,031
Deferred tax liabilities	12,535,757	15,594,359
Other liabilities	73,946,378	72,996,948
Total liabilities	<u>895,711,804</u>	<u>894,068,338</u>

4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Joint ventures	50,141,652	53,400,856
Associates	15,872,961	15,850,233
	<u>66,014,613</u>	<u>69,251,089</u>

4.1 Investments in joint ventures

An analysis of the movement of equity investments in joint ventures is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At beginning of period	53,400,856	58,327,840
Increasing:		
– New investments in joint ventures	1,205,500	211,310
– Subsidiaries becoming joint ventures	–	235,436
Decreasing:		
– Disposal and capital decreasing of joint ventures	(2,035,073)	(1,803,898)
– Impact on asset acquisition transactions	(1,166,569)	(408,672)
Share of (losses)/profits of joint ventures, net	(1,221,902)	1,746,508
Dividends from joint ventures	(41,160)	(728,139)
At end of period	<u>50,141,652</u>	<u>57,580,385</u>

4.2 Investments in associates

An analysis of the movement of equity investments in associates is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At beginning of period	15,850,233	17,375,156
Increasing:		
– New investments in associates	81,000	–
– Subsidiaries becoming associates	34,356	–
Decreasing:		
– Disposal of associates	(16,647)	(9,745)
– Impact on asset acquisition transactions	–	(1,401,172)
Share of (losses)/profits of associates, net	(74,885)	906,965
Dividends from associates	(1,096)	(9,231)
At end of period	<u>15,872,961</u>	<u>16,861,973</u>

5 TRADE AND OTHER RECEIVABLES

The amounts recognised in the consolidated balance sheet are as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current –		
Other receivables (iii)	56,322	53,223
Less: loss allowance	(1,693)	(2,465)
	<u>54,629</u>	<u>50,758</u>
Current –		
Trade receivables from contracts with customers (i)	4,529,505	4,179,618
Amounts due from non-controlling interests and their related parties (ii)	24,772,114	25,821,874
Notes receivables	15,436	49,718
Deposits receivables	5,687,515	6,105,497
Other receivables (iii)	31,324,376	22,292,493
	<u>66,328,946</u>	<u>58,449,200</u>
Less: loss allowance	(6,714,651)	(5,630,675)
	<u>59,614,295</u>	<u>52,818,525</u>

As at 30 June 2024 and 31 December 2023, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

Notes:

- (i) Trade receivables mainly arise from sales of properties and rendering of property management services. The consideration in respect of sales of properties is paid by customers in accordance with the credit terms agreed in the property sale contracts. Property management services income is received in accordance with the term of the relevant property service agreements and is due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of delivery of goods and dates of rendering of services is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 90 days	941,785	989,181
91-180 days	516,745	411,680
181-365 days	1,179,794	982,214
Over 365 days	1,891,181	1,796,543
	<u>4,529,505</u>	<u>4,179,618</u>

- (ii) The amounts due from non-controlling interests and their related parties were unsecured, interest free and had no fixed repayment terms.
- (iii) Other receivables mainly included the receivables from disposal of equity interests, receivables from project demolition, the cash advance for land use rights acquisition, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

6 PREPAYMENTS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current –		
Prepayments for equity transactions	490,999	490,999
Prepayments for purchase of property, plant and equipment (“PP&E”)	36,256	39,888
	527,255	530,887
Current –		
Prepaid value-added taxes and other taxes	5,574,864	5,923,545
Prepayments for land use rights acquisitions	5,322,293	6,032,386
Prepayments for construction costs	1,705,846	1,489,733
Others	1,680,422	1,576,003
	14,283,425	15,021,667

7 TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current –		
Other payables (iv)	54,956	55,624
Current –		
Trade payables (i)	111,963,333	109,523,789
Interests payable	33,617,738	23,278,904
Notes payables (v)	24,786,065	25,791,750
Amounts due to non-controlling interests and their related parties (ii)	24,497,867	24,505,637
Considerations payables for acquisition of equity investments	10,698,425	11,325,663
Other taxes payable	10,192,892	11,378,425
Consideration payables arising from non-controlling shareholders’ put option (iii)	1,333,308	1,354,701
Payroll and welfare payables	1,139,051	1,218,486
Other payables (iv)	71,157,676	73,580,643
	289,386,355	281,957,998

Note:

- (i) At 30 June 2024, the ageing analysis of trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 90 days	5,433,618	28,364,386
91-180 days	5,133,259	8,137,013
181-365 days	30,587,297	17,501,182
Over 365 days	70,809,159	55,521,208
	<u>111,963,333</u>	<u>109,523,789</u>

- (ii) The amounts due to non-controlling interests and their related parties are unsecured and have no fixed repayment date.
- (iii) Several put options were granted to the non-controlling shareholders of certain subsidiaries of the Group which they have the right to sell their remaining equity interests in the relevant subsidiaries to the Group at any time. The financial liabilities being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option were recognised and included in other payables.
- (iv) As at 30 June 2024, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB10.22 billion (as at 31 December 2023: RMB10.97 billion). The remaining balances mainly included deposits from customers, deposits on construction projects, deed tax and maintenance funds received on behalf of customers, amounts due to equity investment partners and accrued expenses.
- (v) As at 30 June 2024, the overdue notes payable is RMB24.79 billion.

8 BORROWINGS

	30 June 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Non-current		
Secured,		
– Bank and other institution borrowings	225,900,655	225,954,040
– Senior notes	27,489,597	25,626,047
– Corporate bonds	10,529,042	10,529,042
– Private domestic corporate bonds	4,085,366	4,085,366
– Convertible bonds	1,350,064	1,348,366
	269,354,724	267,542,861
Unsecured,		
– Bank and other institution borrowings	2,235,716	2,884,350
	271,590,440	270,427,211
Less: current portion of non-current borrowings	(187,659,391)	(173,793,349)
	83,931,049	96,633,862
Current		
Secured,		
– Bank and other institution borrowings	5,389,416	5,994,828
Unsecured,		
– Bank and other institution borrowings	445,444	1,411,534
	5,834,860	7,406,362
Current portion of non-current borrowings	187,659,391	173,793,349
	193,494,251	181,199,711
Total borrowings	277,425,300	277,833,573

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Costs of properties sold	26,766,825	51,498,038
Value-added tax surcharges	146,389	176,545
Staff costs	2,489,865	3,167,350
Net impairment losses on properties	4,107,338	4,454,530
Advertisement and promotion costs	635,684	1,505,280
Depreciation and amortisation*	1,603,752	1,699,510

* Depreciation and amortisation expense of RMB1.27 billion has been charged to “cost of sales” for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB1.35 billion).

10 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Gains from disposal of subsidiaries	1,930,157	303,789
Interest income	335,701	892,629
Gains from disposal of joint ventures and associates	3,580	389,225
Net gains on disposal of financial assets at FVPL	–	23,246
Others	260,256	276,950

11 OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Provision for litigation and other contingent liabilities	3,251,128	869,384
Losses on project demolition	790,043	–
Losses from disposal of PP&E, investment properties, right-of-use assets and intangible assets	447,798	981,862
Losses from disposal of joint ventures and associates	362,782	1,347,574
Losses from disposal of subsidiaries	313,512	289,511
Net fair value losses on derivative financial instruments	302,447	–
Net fair value losses on financial assets at FVPL	119,273	763,583
Net losses on disposal of financial assets at FVPL	81,371	–
Net fair value losses on investment properties	58,615	283,694
Impairment provisions for intangible assets	294	–
Impairment provisions for PP&E	–	1,220,414
Others	671,129	662,188
	<u>6,398,392</u>	<u>6,418,210</u>

12 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance expenses:		
Interest expenses	15,838,370	13,319,003
Interest expenses for lease liabilities	27,170	26,918
Less: capitalised finance costs	(9,689,871)	(11,050,470)
	<u>6,175,669</u>	<u>2,295,451</u>
Net exchange losses	311,264	3,243,111
	<u>6,486,933</u>	<u>5,538,562</u>
Finance income:		
Interest income on bank deposits	(102,795)	(127,565)
	<u>6,384,138</u>	<u>5,410,997</u>

13 INCOME TAX (CREDITS)/EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Corporate income tax		
– Current income tax	1,712,739	2,291,023
– Deferred income tax	(3,108,722)	(263,688)
	<u>(1,395,983)</u>	<u>2,027,335</u>
Land appreciation tax	698,907	(636,299)
	<u>(697,076)</u>	<u>1,391,036</u>

14 LOSSES PER SHARE

(a) Basic

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period, excluding shares purchased for the share award scheme.

	Six months ended 30 June	
	2024	2023
Loss attributable to owners of the Company (RMB'000)	<u>14,957,186</u>	<u>15,366,849</u>
Weighted-average number of ordinary shares in issue (thousand)	8,423,015	5,448,884
Adjusted for shares repurchased for share award scheme (thousand)	<u>(76,325)</u>	<u>(76,325)</u>
Weighted-average number of ordinary shares for basic earnings per share (thousand)	<u>8,346,690</u>	<u>5,372,559</u>

(b) Diluted

For the six months ended 30 June 2024 and 2023, diluted loss per share was the same as the basic loss per share as potential ordinary shares arising from awarded shares were not treated as dilutive as the vesting of awarded shares would not increase the loss per share.

15 DIVIDENDS

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

EXTRACTS OF REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company's independent auditor has disclaimed a conclusion in its report on review of interim condensed consolidated financial information of the Group for the six months ended 30 June 2024, an extract of which is as follows:

BASIS FOR DISCLAIMER OF CONCLUSION

Multiple Uncertainties Relating To Going Concern

As disclosed in note 2(I) to the interim condensed consolidated financial information, the Group incurred a net loss of approximately RMB16.67 billion for the six months ended 30 June 2024 and, as at 30 June 2024, the Group had net current liabilities of approximately RMB49.23 billion. The Group's current and non-current borrowings amounted to approximately RMB193.49 billion and RMB83.93 billion as at 30 June 2024 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB25.68 billion. As at 30 June 2024, the Group had not repaid borrowings in principal amount of approximately RMB106.96 billion in aggregate according to their scheduled repayment dates, and as a result, borrowings in principal amount totalling of approximately RMB57.44 billion might be demanded for early repayment. Up to the date of this report, the Group had not repaid borrowings in principal amount of approximately RMB114.32 billion in aggregate according to their scheduled repayment dates and as a result, borrowings in principal amount totalling of approximately RMB53.96 billion might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons as disclosed in note 29(B) to the interim condensed consolidated financial information.

Nevertheless, the interim condensed consolidated financial information have been prepared on a going concern basis. The Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position, and have developed debt solutions which are set out in note 2(I) to the interim condensed consolidated financial information. The validity of going concern assumption on which the interim condensed consolidated financial information have been prepared depends upon the successful implementation of these plans and measures, which are subject to multiple uncertainties, including (i) whether sufficient funds can be raised to repay onshore and offshore public debts, if the Group is unable to raise sufficient funds,

whether new solutions can be reached with bondholders; (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings; (iii) whether new and additional financing resources will be available as and when required and (iv) whether asset value is realised, sales targets are achievable and sales business will be more stable in the future. The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

As a result of the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form a conclusion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2(I) to the interim condensed consolidated financial information, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2023 relating to the going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2023 are presented as corresponding figures in the interim condensed consolidated balance sheet as at 30 June 2024.

DISCLAIMER OF CONCLUSION

Because of the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on this interim condensed consolidated financial information described in the "Basis for Disclaimer of Conclusion" paragraphs above, we do not express a conclusion on the interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1 Revenue

For the six months ended 30 June 2024, most of the Group's revenue came from sales of residential and commercial properties business, and the other revenue came from cultural and tourism city construction and operation, property management and other businesses.

As at 30 June 2024, the Group's real estate development business is mainly located in core cities in the Yangtze River Delta, Bohai Rim, South China, Central regions and Western regions, which are divided into 9 major regional groups for management, namely the Beijing region (including Beijing, Qingdao and Ji'nan, etc.), North China region (including Tianjin, Harbin and Dalian, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Zhengzhou, etc.), South China region (including Guangzhou and Sanya, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Chengdu-Chongqing region (including Chongqing and Chengdu, etc.) and Yun Gui region (including Kunming, Guiyang and Xishuangbanna, etc.).

Total revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB34.28 billion, representing a decrease of 41.4% compared with the total revenue of approximately RMB58.47 billion for the six months ended 30 June 2023.

For the six months ended 30 June 2024, the total revenue of the Group and its joint ventures and associates was approximately RMB79.09 billion, representing a decrease of approximately RMB68.72 billion (approximately 46.5%) as compared with the total revenue of approximately RMB147.81 billion for the six months ended 30 June 2023, of which approximately RMB44.28 billion was attributable to owners of the Company, representing a decrease of approximately RMB48.57 billion (approximately 52.3%) as compared to approximately RMB92.85 billion for the six months ended 30 June 2023.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2024		2023	
	<i>RMB billion</i>	<i>%</i>	<i>RMB billion</i>	<i>%</i>
Revenue from sales of properties	28.08	81.9%	52.14	89.1%
Cultural and tourism city construction and operation income	2.48	7.2%	2.72	4.7%
Property management income	3.39	9.9%	3.32	5.7%
Revenue from other business	0.33	1.0%	0.29	0.5%
Total	<u>34.28</u>	<u>100.0%</u>	<u>58.47</u>	<u>100.0%</u>

Total gross floor area delivered during the period
(*in million sq.m.*)

2.785

4.817

For the six months ended 30 June 2024, revenue from sales of properties decreased by approximately RMB24.06 billion (approximately 46.1%) as compared with that for the six months ended 30 June 2023. Total area of delivered properties decreased by 2.032 million square meters (“sq.m.”) (approximately 42.2%) as compared with that for the six months ended 30 June 2023, the decrease in revenue from sales of properties was basically consistent with the decrease in the delivered area.

2 Cost of Sales

Cost of sales mainly includes the costs incurred directly in the course of property development for the Group’s properties sold.

For the six months ended 30 June 2024, the Group’s cost of sales was approximately RMB36.09 billion, representing a decrease of approximately RMB25.46 billion (approximately 41.4%) as compared to the cost of sales of approximately RMB61.55 billion for the six months ended 30 June 2023, mainly due to the decrease in the delivery area of the properties.

3 Gross Loss

For the six months ended 30 June 2024, the Group's gross loss was approximately RMB1.81 billion, representing a decrease of approximately RMB1.27 billion as compared with the gross loss of approximately RMB3.08 billion for the six months ended 30 June 2023. Decrease in gross loss was mainly due to the impact of the decreased proportion of loss projects carried forward from the Group's property sales revenue during the period.

For the six months ended 30 June 2024, the Group's gross profit margin was approximately minus 5.3%, remaining flat as compared to the six months ended 30 June 2023.

For the six months ended 30 June 2024, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of approximately RMB1.19 billion. The Group's gross profit would have been approximately RMB2.39 billion and gross profit margin would have been approximately 7.0% for the six months ended 30 June 2024 without taking into account such impact of fair value adjustments and provision for impairment of properties on gross profit.

4 Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs decreased by approximately 51.5% from approximately RMB2.29 billion for the six months ended 30 June 2023 to approximately RMB1.11 billion for the six months ended 30 June 2024. The decrease in selling and marketing costs was in line with the decrease in the Group's contracted sales for the six months ended 30 June 2024.

The Group's administrative expenses decreased by approximately RMB0.77 billion from approximately RMB2.55 billion for the six months ended 30 June 2023 to approximately RMB1.78 billion for the six months ended 30 June 2024.

5 Other Income and Gains

For the six months ended 30 June 2024, the Group recognised other income and gains of approximately RMB2.53 billion, which mainly comprised gains from the disposal of subsidiaries, joint ventures and associates of approximately RMB1.93 billion, and interest income received from joint ventures and associates, etc. of approximately RMB0.34 billion. The Group recorded an increase in other income and gains of approximately RMB0.64 billion as compared with that for the six months ended 30 June 2023 of approximately RMB1.89 billion, mainly due to the increasing of gains from the disposal of subsidiaries, joint ventures and associates.

6 Other Expenses and Losses

For the six months ended 30 June 2024, other expenses and losses recognised by the Group amounted to approximately RMB6.40 billion, mainly including the provision for litigations and other contingent liabilities of approximately RMB3.25 billion, the losses on project demolition of approximately RMB0.79 billion, the losses of approximately RMB0.68 billion from the disposal of subsidiaries, joint ventures and associates and the losses of approximately RMB0.45 billion from the disposal of various assets. For the six months ended 30 June 2023, other expenses and losses recognised by the Group amounted to approximately RMB6.42 billion, mainly including the losses of approximately RMB1.64 billion from the disposal of subsidiaries, joint ventures and associates, the provision for impairment of long-term assets of approximately RMB1.22 billion, the losses of approximately RMB0.98 billion from the disposal of various assets, the provision for litigations of approximately RMB0.87 billion and fair value losses from financial assets at FVPL of approximately RMB0.76 billion.

7 Net Impairment Losses under Expected Credit Loss Model

For the six months ended 30 June 2024, the Group made provisions for expected credit losses of approximately RMB1.11 billion on amounts due from related companies, amounts due from non-controlling interests and their related parties and other receivables, representing an increase of approximately RMB0.64 billion as compared with that of approximately RMB0.47 billion for the six months ended 30 June 2023.

8 Operating Loss

Concluding from the above analysis, the Group's operating loss decreased by approximately RMB3.24 billion from approximately RMB12.92 billion for the six months ended 30 June 2023 to the operating loss of approximately RMB9.68 billion for the six months ended 30 June 2024, mainly due to the following reasons:

- (i) gross loss decreased by approximately RMB1.27 billion;
- (ii) selling and marketing costs and administrative expenses decreased by approximately RMB1.95 billion;
- (iii) net impairment losses under expected credit loss model increased by approximately RMB0.64 billion; and
- (iv) other income and gains increased by approximately RMB0.64 billion.

9 Finance Income and Expenses

The Group's finance expenses increased by approximately RMB0.95 billion from approximately RMB5.54 billion for the six months ended 30 June 2023 to approximately RMB6.49 billion for the six months ended 30 June 2024, and finance income decreased by approximately RMB0.03 billion from approximately RMB0.13 billion for the six months ended 30 June 2023 to approximately RMB0.10 billion for the six months ended 30 June 2024 at the same time, mainly due to the following reasons: (i) a decrease in proportion of capitalised interests in total interest expenses in line with the develop process of the Group's property development projects as compared to that of the six months ended 30 June 2023, which led to an increase of approximately RMB3.88 billion in expensed interest from approximately RMB2.30 billion for the six months ended 30 June 2023 to approximately RMB6.18 billion for the six months ended 30 June 2024; and (ii) due to the change in trend of foreign exchange rates fluctuations, the exchange gains and losses of the Group decreased by approximately RMB2.93 billion from net exchange losses of approximately RMB3.24 billion for the six months ended 30 June 2023 to net exchange losses of approximately RMB0.31 billion for the six months ended 30 June 2024.

10 Share of Post-tax (Losses)/Profits of Investments Accounted for Using the Equity Method, Net

For the six months ended 30 June 2024, the Group's recognised share of post-tax losses of investments accounted for using the equity method, net decreased by approximately RMB3.95 billion from recognised share of post-tax profits of approximately RMB2.65 billion for the six months ended 30 June 2023 to recognised share of post-tax losses of approximately RMB1.30 billion for the six months ended 30 June 2024, mainly due to the decrease in revenue and operating profit of the Group's joint ventures and associates during the period.

11 Loss

Loss of the Group attributable to owners of the Company decreased by approximately RMB0.41 billion from approximately RMB15.37 billion for the six months ended 30 June 2023 to approximately RMB14.96 billion for the six months ended 30 June 2024.

The table below sets out loss attributable to owners of the Company and non-controlling interests for the stated periods:

	Six months ended 30 June	
	2024	2023
	<i>RMB billion</i>	<i>RMB billion</i>
Loss during the period	16.67	17.07
Attributable to:		
Owners of the Company	14.96	15.37
Non-controlling interests	1.71	1.70
	16.67	17.07

12 Cash Status

The Group operates in a capital-intensive industry and the Group's liquidity requirements relate to meeting its working capital requirements, funding the development of its new property projects and servicing its debt. The funding sources of the Group mainly include proceeds from the pre-sale and sale of properties, and to a lesser extent, capital contributions from shareholders, share issuances and loans.

The Group's cash balances (including restricted cash) increased to approximately RMB25.68 billion as at 30 June 2024 from approximately RMB24.62 billion as at 31 December 2023.

Currently, the Group is taking the initiative in mitigating risks, and will continue to focus on completion and delivery of its property projects and the improvement of sales performance, so as to secure the steady business growth and sustainable operation of the Group.

13 Borrowings and Securities

As at 30 June 2024, the total borrowings of the Group were approximately RMB277.43 billion, representing a decrease of approximately RMB0.40 billion as compared to approximately RMB277.83 billion as at 31 December 2023. Approximately RMB274.74 billion (as at 31 December 2023: approximately RMB273.54 billion) of the Group's total borrowings were secured or jointly secured by the Group's properties under development, completed properties held for sale, etc. (total amount was approximately RMB398.82 billion (as at 31 December 2023: approximately RMB414.03 billion)) and disposal gains of certain equities or assets of the Group's subsidiaries.

14 Gearing Ratio

The gearing ratio is calculated by dividing the net debt by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) and lease liabilities less cash balances (including restricted cash). Total capital is calculated by adding total equity and net debt. As at 30 June 2024, the Group's gearing ratio was approximately 79.2%, representing an increase as compared to approximately 75.2% as at 31 December 2023.

The Group's gearing ratio experienced fluctuations, mainly due to the significant reduction in the recognised revenue as a result of the market downturn and the provision for contingent liabilities at the same time.

15 Interest Rate Risk

As the Group has no material interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Long-term borrowings include borrowings issued at variable rates and borrowings issued at fixed rates, of which borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates while borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the liabilities stated at carrying amounts, categorised by maturity dates.

	As at 30 June 2024 RMB billion	As at 31 December 2023 RMB billion
Floating interests		
Less than 12 months	53.26	46.27
1-5 years	6.66	12.35
Over 5 years	0.36	2.61
	<hr/>	<hr/>
Subtotal	60.28	61.23
	<hr/>	<hr/>
Fixed interests		
Less than 12 months	140.23	134.93
1-5 years	66.39	70.75
Over 5 years	10.53	10.92
	<hr/>	<hr/>
Subtotal	217.15	216.60
	<hr/>	<hr/>
Total	277.43	277.83
	<hr/> <hr/>	<hr/> <hr/>

The Group will continue to pay attention to and monitor interest rate risks.

16 Foreign Exchange Risks

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Given that some of the Group's bank deposits, financial assets at fair value through profit or loss, derivative financial instruments, senior notes, convertible bonds and other borrowings are denominated in US dollars or Hong Kong dollars, the Group is exposed to foreign exchange risks. For the six months ended 30 June 2024, the Group recorded an exchange loss in the amount of approximately RMB0.31 billion due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign exchange risks.

17 Contingent Liabilities

(a) *Guarantee on mortgage facilities*

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was approximately RMB79.92 billion as at 30 June 2024 as compared with approximately RMB79.98 billion as at 31 December 2023. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months after the properties' delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

(b) *Litigation*

Up to the date of approval of this interim condensed consolidated financial information, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of projects and other matters. Among them, there were about 368 cases with individual amounts exceeding RMB50 million, and the aggregated amounts of these cases amounted to approximately RMB139.94 billion, which mainly includes unpaid borrowings and outstanding construction payables. The Directors have assessed the impact of the above litigation matters and accrued provision for litigations and interests payable on the interim condensed consolidated financial information for the six months ended 30 June 2024 of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations.

Chairman's Statement

Dear Shareholders and Investors,

In the first half of 2024, the real estate market downturn continued. The government increased its efforts to intensively launch a number of supportive policies to stabilize market expectations, strive to promote the stable and healthy development of the real estate market. With the support of the government policies, the Group continued to make every effort to implement various tasks such as guaranteed home delivery, revitalizing assets and resolving debt risks, and made proactive progress.

The Group has always taken the guaranteed home delivery as its primary operational objective, actively responded to the government's requirements for guaranteed home delivery, actively implemented the primary responsibilities, and actively utilised the financing resources such as special loans for guaranteed home delivery, supporting financing and application for "whitelist" to support the development and construction of property projects and the smooth completion and delivery of property projects. In the first half of 2024, the Group completed the delivery of approximately 58,000 houses in 52 cities by unremitting efforts. In the second half of 2024, the Group will continue to make its best, actively undertake guaranteed home delivery support policies, take multiple measures at the same time, and achieve delivery targets of more than 170,000 houses for the full year.

In the first half of 2024, the Group continued to proactively resolve its debt risks, and its overall debt remained stable. Given that the market recovery continued to fall short of expectations, the Group has rolled over the principal and interest payments on its onshore public debentures, which would have been paid in June and September 2024, to the end of the year, and at the same time promoted comprehensive and long-term solutions; most of the Group's project-level loans maintain a normal status. For some of the financing that needs to be extended due to the market decline, the Group continues to actively communicate with financial institutions to promote solutions. As the real estate market downturn continued and the adjustment depth and time exceeded expectations, in the second half of 2024, the Group will continue to actively communicate with creditors on current debt problems and potential debt pressures, seek extension and overall solutions, and strive to maintain the stability of debt fundamentals. At the same time, we will also continue to focus on reducing the cost of existing financing. In the second half of 2024, the Group will continue to deepen the overall principal-to-principal communication and cooperation with core financial institutions, and seek flexible and diverse solutions to resolve debt risks and revitalize assets. At the same time, we will closely follow the new financing support policies of the industry, and actively promote the adoption of new policies to support debt risk resolution, guaranteed home delivery and asset revitalization.

In the first half of 2024, the Group's revenue was approximately RMB34.28 billion, representing a decrease of approximately 41.4% as compared to the same period last year, and its gross loss was approximately RMB1.81 billion, representing a decrease in loss of approximately 41.2% as compared to the same period last year. The loss attributable to owners of the Company was approximately RMB14.96 billion, representing a decrease in loss of approximately 2.7% as compared to the same period last year. As at the end of June 2024, the net assets attributable to owners of the Company amounted to approximately RMB47.96 billion, indicating that the asset base was stable.

As at the end of June 2024, the Group, together with its joint ventures and associates, had a total land bank of approximately 145 million sq.m. (attributable land bank was approximately 97.38 million sq.m.), of which the unsold land bank was approximately 100 million sq.m. (attributable land bank was approximately 65 million sq.m.). Adequate land bank is a solid foundation to support the Group's gradual resumption of normal operations.

In the first half of 2024, the operating performance of Sunac Services Holdings Limited ("Sunac Services", stock code: 01516.HK) of the Group's property management sector was improving steadily, achieving a revenue of approximately RMB3.48 billion and gross profit of approximately RMB0.89 billion, both representing a stable year-on-year growth. The management scale of Sunac Services remained stable, with GFA under management of approximately 282 million sq.m., and the number of property owners under management exceeded 1.6 million. Sunac Services has consistently adhered to a market strategy focused on and deep-rooted in core cities, with revenue from basic property management services in 40+ core cities accounting for more than 80% of total revenue.

In the first half of 2024, the Group's cultural tourism sector (theme park, commercial, hotel and ice and snow) achieved a revenue of approximately RMB2.48 billion, performing sound in overall operation and particularly with the revenue of the ice and snow segment amounting to approximately RMB0.42 billion, representing an increase of approximately 13% as compared to the same period last year.

Looking forward, the Group estimates that there is still uncertainty as to when the market will pick up. The Company is still suffering great pressures and challenges from fulfilling its core tasks such as guaranteed home delivery and resolving debt risks in short term. However, with the support of the Central Government's ever-intensifying policies, as the overall economy bottoms out and market confidence recovers, it is believed that the long-term supply and demand of the real estate market will return to balance and the market will gradually stabilize. The Group will maintain our long-term confidence and sufficient patience and make long-term arrangements and preparations. With the assistance and support from all parties, we will continue to make every effort to strive to ensure the expeditious completion of the guaranteed home delivery, with the core objective of stabilizing and enhancing our net assets, and steadily promote various work such as the resolution of debt risks and the asset revitalization, so as to gradually advance the Group back to the track of healthy development.

Summary of Land Bank

As at 30 June 2024, the Group and its joint ventures and associates had a total land bank of approximately 145 million sq.m. and attributable land bank of approximately 97.38 million sq.m.. The breakdown of land bank by city is as follows:

Urban circle	City	Attributable land bank <i>0'000 sq.m.</i>	Total land bank <i>0'000 sq.m.</i>
Yangtze River Delta	Wenzhou	208.4	244.9
	Shanghai	176.6	238.3
	Hangzhou	174.6	328.3
	Xuzhou	132.4	147.1
	Wuxi	129.1	208.6
	Shaoxing	96.9	183.7
	Changzhou	69.1	97.9
	Haiyan	68.7	68.7
	Nantong	64.0	96.3
	Ningbo	62.7	100.3
	Suzhou	59.0	100.6
	Others	267.4	567.3
		Subtotal	1,508.9
Bohai Rim	Qingdao	655.3	820.2
	Tianjin	544.4	591.3
	Harbin	198.9	216.4
	Taiyuan	156.3	241.4
	Jinan	137.2	185.2
	Dalian	136.5	137.0
	Shenyang	107.0	178.6
	Beijing	95.4	141.0
	Yantai	75.4	124.3
	Tangshan	73.2	93.0
	Langfang	65.7	78.1
	Others	140.3	194.7
		Subtotal	2,385.6

Urban circle	City	Attributable land bank 0'000 sq.m.	Total land bank 0'000 sq.m.
Southern China	Jiangmen	179.2	199.6
	Qingyuan	141.5	151.2
	Hainan Province	137.3	151.6
	Guangzhou	120.3	243.9
	Huizhou	70.1	73.6
	Zhaoqing	64.0	64.0
	Zhongshan	61.9	61.9
	Others	241.7	408.8
	Subtotal	1,016.0	1,354.6
Western regions	Chongqing	839.1	1,286.6
	Meishan	720.5	1,047.8
	Xishuangbanna	237.2	276.4
	Chengdu	201.7	255.2
	Xi'an	186.5	308.2
	Guiyang	178.9	319.1
	Kunming	177.7	324.7
	Nannning	137.5	258.3
	Guilin	133.7	239.1
	Dali	118.7	197.8
	Yinchuan	83.3	94.1
	Liuzhou	71.1	159.0
	Others	430.7	919.6
Subtotal	3,516.6	5,685.9	

Urban circle	City	Attributable land bank <i>0'000 sq.m.</i>	Total land bank <i>0'000 sq.m.</i>
Central regions	Wuhan	566.9	1,016.1
	Zhengzhou	214.3	288.3
	Changsha	170.0	224.7
	Xinxiang	121.3	121.3
	Xianning	56.9	81.3
	Others	181.8	339.4
	Subtotal	1,311.2	2,071.1
Total	9,738.3	14,494.8	

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

Purchase, Sale or Redemption of Company's Listed Securities

The Company has adopted a share award scheme (the "Share Award Scheme") on 8 May 2018 (the "Adoption Date"), details of which are set out in the announcement of the Company dated 8 May 2018. During the period from the Adoption Date to 30 June 2019, the trustee of the Share Award Scheme purchased on the open market a total of 94,653,000 shares of the Company ("Shares") at a total consideration of approximately HK\$2.57 billion pursuant to the rules of the Share Award Scheme and the terms of the trust deed. Since 30 June 2019 and for the six months ended 30 June 2024, the trustee of the Share Award Scheme did not purchase any Shares.

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

Significant Investment, Material Acquisitions and Disposals

1. Restructuring Cooperation of the Target Company

On 8 February 2024, Sunac Real Estate Group Co., Ltd.* (融創房地產集團有限公司), Global Sunac Exhibition & Travel Group Co., Ltd.* (環球融創會展文旅集團有限公司), Chengdu Minglu Enterprise Management Consulting Co., Ltd.* (成都銘麓企業管理諮詢有限公司) (collectively, the “Sunac Parties”), Guotou Zhongdian (Xianyang) Science Park Co., Ltd.* (國投中電(咸陽)科技園有限公司) (“GTZD”) and the relevant parties entered into an agreement, pursuant to which, GTZD agreed to take up 70% equity interest in and the debts of Sichuan Sancha Lake International Tourism Resort Co., Ltd.* (四川三岔湖長島國際旅遊度假中心有限公司) (the “Target Company”) by way of the restructuring cooperation at a total consideration of approximately RMB3,974 million, comprising (i) the consideration for the 70% equity interest in the Target Company (approximately RMB3,129 million); and (ii) the consideration for the debts owed by the Target Company and Chongqing Yujinhong Enterprise Management Partnership (Limited Partnership)* (重慶渝錦鴻企業管理合夥企業(有限合夥)) to the Sunac Parties (approximately RMB845 million). Immediately following the completion of the restructuring cooperation, the Target Company has ceased to be a subsidiary of the Company. Please refer to the announcement of the Company dated 9 February 2024 for details.

2. Disposal of Shijiazhuang Central Business District Project

On 18 March 2024, Shijiazhuang Heya Real Estate Development Co., Ltd.* (石家莊和雅房地產開發有限公司) (an indirect wholly-owned subsidiary of the Company), Shijiazhuang Zhengtai Construction Development Co., Ltd.* (石家莊正太建設發展有限公司) (the “Cooperation Partner”) and Shijiazhuang Central Business District Development Co., Ltd.* (石家莊市中央商務區開發有限公司) (“Central Business District”) entered into an agreement, pursuant to which, the Cooperation Partner agreed to take up 80% equity interest in the Central Business District at a consideration of approximately RMB814 million. Approximately RMB148 million of the consideration will be offset by the Group’s debts owed to the Cooperation Partner, and the remaining approximately RMB666 million (subject to adjustments) will be settled in cash by the Cooperation Partner. Such cash consideration will be utilised by the Group mainly for constructing and guaranteeing the delivery of properties in Shijiazhuang. Please refer to the announcement of the Company dated 18 March 2024 for details.

3. Disposal of the Chongqing College Town Project

On 7 April 2024, Chongqing Sunac Real Estate Co., Ltd.* (重慶融創地產有限公司) and Hainan Baochuang Investment Co., Ltd.* (海南葆創投資有限責任公司) (each a subsidiary of the Company), Chongqing Xiangyu Real Estate Co., Ltd.* (重慶象嶼置業有限公司) (“Xiangyu Real Estate”) and its related party, AVIC Trust Co., Ltd.* (中航信託股份有限公司) and its subsidiary Zhaoqing Yixin Enterprise Management Co., Ltd.* (肇慶市翼新企業管理有限公司), Chongqing Qixinzecheng Enterprise Management Partnership (Limited Partnership)* (重慶齊信澤成企業管理合夥企業(有限合夥)) and Xiang Rong He (Chongqing) Real Estate Co., Ltd.* (象融合(重慶)置業有限公司) (“Target Project Company”) signed an agreement, pursuant to which, Xiangyu Real Estate and its related party shall ultimately acquire the 51% equity interest of Target Project Company and the related debts through the transaction arrangement as stated therein, at a total consideration of RMB540 million. Please refer to the announcement of the Company dated 8 April 2024 for details.

Subsequent Events

As at the date of this announcement, there was no other significant event that had an effect on the Group.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the guidelines for the Directors’ dealings in the securities of the Company. Following specific enquiries of all the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code in relation to their securities dealings during the six months ended 30 June 2024, if any.

Compliance with the Corporate Governance Code

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 to the Listing Rules as its own code on corporate governance and had, throughout the six months ended 30 June 2024, complied with all applicable code provisions under the Corporate Governance Code.

The Board recognises the importance and benefits of good corporate governance practices and has adopted certain corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members have regular discussions about the business strategies and performance of the Group. They, together with the relevant senior executives of the Group, have also attended regular training on the Listing Rules and other regulatory requirements. The Company has established an internal reporting practice throughout the Group in order to monitor the operation and business development of the Group.

Audit Committee

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the Listing Rules. The Audit Committee currently consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang, and is chaired by Mr. Poon Chiu Kwok who possesses the qualification of professional accountant. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and practices of the Group and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters concerning the audit, internal control and risk management systems and financial reporting, including the review of the unaudited interim results of the Group for the six months ended 30 June 2024.

Review of the Interim Results

The unaudited interim results for the six months ended 30 June 2024 have been reviewed by BDO Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Publication of the Interim Results Announcement and Interim Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunac.com.cn). The Company's interim report for the six months ended 30 June 2024 will be published on the aforementioned websites in due course.

Holders of securities and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Ms. MA Zhixia, Mr. TIAN Qiang, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; the non-executive director of the Company is Mr. LAM Wai Hon; and the independent non-executive directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang.

* *For identification purpose only*