廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 2777)

2022 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022. The condensed consolidated interim financial information appended at the end of this announcement forms an integral part of this announcement. The interim results have been reviewed by the audit committee of the Company.

BUSINESS REVIEW

A review of first half of 2022 was unlike past interim financial year reviews. The first half of 2022 continued to be plagued by Covid lockdowns and economic uncertainty, but amidst the continued negative backdrop, the fragility of China's property sector became more and more apparent as an increasing amount of our peers were unable to pay interest, service principal repayments and inevitably undertook various forms of debt restructuring with varying outcomes. The general focus in the property sector during the first half was on managing liquidity and mitigating credit risk associated with liabilities in China and offshore US-dollar denominated debt, unable to be refinanced or repaid. The unfavourable credit environment, coupled with challenging operating conditions has meant many developers' liquidity remained tight as contracted sales also saw a significant decline. During this period, negative overhang and an increasing possibility of a slowdown in China's economy, led to an overwhelming consensus that China's Central Government would intervene to avoid a spiral downturn. As of the end of August 2022, there were numerous positive stimulus measures introduced to stimulate the economy such as a reduction in China's PBOC five-year loan prime rate by 35 points in total, as well as specific property sector targeted policies including reduction in required down payment deposits for property purchasers and/or removal of home purchase restrictions in certain cities. Whilst there were periods of optimism after introduction of these policies, we can expect more intervention in the second half of 2022 to improve operating conditions and ensure a stable economic outlook.

Unprecedent times require unprecedent measures. There were a few major successful corporate actions completed by the Group in the first half involving asset sales and debt restructuring exercises that ultimately defined the Group from its peers. Senior management formulated a highly complicated and comprehensive liability management exercise to holistically address the financial risk faced by the Group that was unprecedented. The result was a successful restructuring of multiple tranches of debt obligations that averted default and improved immediate operating cash flow for the Group as outlined further below.

Faced with uncertainty over available liquidity and impending maturity walls of debt due in 2022, management took a more proactive approach to manage risk of the Group and allow time for operating conditions to normalise after disruptions from Covid to subside. The Group underwent an asset sales plan that involved sales of offshore and onshore projects. In April, the Group completed a sale of Vauxhall Square in London for a consideration of GBP95.7 million. The sale of Vauxhall Square allowed the Group to offset maturing liabilities due in 2022 and realise some additional liquidity for working capital purposes. In addition to the sale of Vauxhall Square, the Group also sold its 50% ownership of One Thames City (OTC), a similarly located project in London, for a consideration of HKD2.66 billion. The sale proceeds of OTC project was a sizeable transaction that allowed the Group to further reduce its immediate liabilities that otherwise would have been unable to be repaid at maturity. In China, the Group sold a hotel in Fuzhou for a consideration of RMB430 million. The hotel sale was part of an active program to monetize available investment properties to generate additional liquidity that is expected to continue as interest in income generating assets become an attractive investment for long-term investors.

In addition to undertaking asset sales, the Group also proactively engaged noteholders and creditors offshore and in China to discuss amicable solutions to revolving upcoming maturities to avoid a potential default given market liquidity in the financing market is no longer available. The approach senior management underwent was analysing possible options available based on the nature of credit investors and type of debt financing. Overall, up to the date of the announcement, the Group managed to extend or refinance approximately USD4.9 billion or equivalent offshore senior notes, and RMB3.35 billion domestic bonds. The extent of refinancing was unprecedented and was reflective of the Group's proactive approach to addressing the risks and investors appreciation of the market environment.

With regards to offshore refinancing, the Group firstly successfully extended USD0.61 billion senior notes due in January 2022. The extension allowed time to formulate a holistic restructuring of all 10 outstanding USD senior notes with an aggregate notional value of approximately USD4.9 billion excluding accrued interest. In determining the appropriate restructuring proposal, the Group engaged with various investors to determine what would be considered acceptable and fair terms in the current environment. To successfully complete the holistic restructuring of all senior notes, each of the individual tranches needed to receive over 75% approval from noteholders (in terms of notional amounts) with a quorum of no less than two-thirds participation. If under any circumstance, one of the 10 tranches did not pass the required threshold, the holistic restructuring could not proceed given there are cross-default provisions or prior technical breaches that needed to be waived. Ultimately, the Group was able to receive the necessary approval to pass all 10 notes individually, enabling all outstanding USD senior notes to be successfully restructured and waive any outstanding deficiencies under the existing terms of the notes. The final proposal that was adopted by noteholders was to collapse the 10 notes into three new notes ("New Notes") maturing in 2025, 2027 and 2028 with partial amortisation of notional beginning from the 2-year anniversary of the completed restructuring. All New Notes carry the same cash interest rate of 6.5% p.a., or 7.5% p.a. paid-in-kind for the first 18-months, which is lower than the prior senior notes with an average interest rate of 8.74% p.a.. After completion of the bond restructuring, the Group's immediate cash flows and maturity profile improved significantly as near-term maturities were extended with an option to also defer interest payments on all notes due within the next 18-months till the 2-year anniversary of the restructuring.

In the first half of 2022, a similar bond extension was undertaken onshore with maturities in April and May domestic bond maturities of RMB1.95 billion and RMB1.40 billion were extended for 1-year with an amortisation schedule. Historically, extensions of domestic bonds were difficult and onerous as the investor base are generally more fragmented and uncertain, however, with investors more pragmatic about possible options on repayment and the Group's successful restructuring of USD senior notes, investors have been more supportive of the Group's efforts in agreeing to term out near-term maturities. In the second half of 2022, the Group will continue actively engage investors to further improve its liquidity profile.

With the ongoing focus on managing liquidity and improving the overall maturity profile, the Group's earnings in the first half have inevitably been negatively affected. The Group's first half earnings have been impacted by a need to undertake a sale of assets to generate liquidity, fluctuations in foreign exchange, and lower delivery of contracted sales recognised. In the first half, gross profit margins were lower because of sales of properties recognised with lower profitability in-line with the trend in the sector. Despite the impact from unforeseen market conditions experienced today, over the longer term, management expects the recovery in China and key offshore regions will offset over time and the quality of the assets owned by the Group will see a future recovery in earnings.

GOING FORWARD

Management has made some key decisions during the past 12-months to ensure the Group survives the current headwinds and be able to remain a significant. The Group has significant assets that carry substantial value, such as our high-quality hotel portfolio, offshore assets strategically located in prime locations, and sizeable land bank in China in tier-1 and tier-2 cities. The Group will continue to focus on generating contract sales by developing and completing its high-quality land bank to unlock value. Development of projects will focus on end user demands with a rapid development cycle to maximise efficiency of capital investment. With ample land bank available for development in the medium-term, land acquisitions will remain prudent. The Group will also focus on a disciplined capital expenditures plan to maintain sufficient liquidity.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derived from property development, rental of investment properties and hotel operation. During the period, due to the continual slump of the real estate industry in the PRC and the delay in construction progress affected by COVID-19 pandemic, the Group's revenue generated from property development decreased by 58% to RMB15.149 billion, from RMB35.946 billion for the corresponding period of last year. This revenue was based on delivery of 1,885,000 sq.m. of sale properties in the period which was approximately 54% less than the 4,098,000 sq.m. delivered in the previous period. Overall average selling price for the period was approximately RMB8,000 per sq.m. (1H2021: RMB8,800 per sq.m.).

Rental income from property investment decreased by 23% to RMB409 million, from RMB533 million in the first half of 2021. Revenue from hotel operations decreased to RMB1.781 billion from RMB2.500 billion in the previous period, primarily due to the impact of the continuous COVID-19 pandemic in the second quarter of the year, and the stringent lockdowns and travel restrictions as imposed in the PRC.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The components of cost of sales include land and construction costs, capitalised finance costs and levy taxes. In the first half of 2022, cost of sales of the Group was RMB14.985 billion, representing an decrease of 52% when compared with RMB30.923 billion in the previous period.

During the period, land and construction costs made up 90% of the total costs of property development. In terms of costs per sq.m., land and construction costs decreased to RMB5,850 from RMB6,190. Capitalised interest included in the cost of sales amounted to RMB1.197 billion, 7.9% as a percentage of revenue from sale of properties. The cost of sales also included RMB69.8 million (1H2021: RMB236 million) as levy taxes.

Gross Profit

Overall gross margin of property development for the period was 18.9%, as compared to 22.3% in the corresponding period of 2021. The decrease was due to the adjustments made on average selling price to accelerate the pace of sales which subsequently affected the Group's gross profit margin. The top five cities ranked by revenue in the period, Hainan, Beijing, Ganzhou, Cangzhou and Chongqing, accounted for 42.2% of the total revenue. The gross margins of these cities were 27%, 53%, 24%, 11% and 43% respectively.

Other Income and Other Gains – net

Other income and other gains – net mainly consists of interest income, revaluation gains and fair value gains on investment properties, as well as gains or losses on disposals of subsidiaries and certain equity interests in a joint venture. During the period, other income and other gains – net decreased to a loss of RMB2.389 billion in the first half of 2022 from a gain of RMB2.164 billion in the first half of 2021. The decrease was mainly due to losses on disposal of subsidiaries, certain equity interests in a joint venture and lower fair value gains on investment properties.

Selling and Marketing Expenses and Administrative Expenses

During the period, selling and marketing expenses of the Group decreased by 44% to RMB832 million from RMB1.482 billion in the first half of 2021, while administrative expenses decreased to RMB1.934 billion from RMB2.727 billion in the corresponding period of 2021. The decrease was due to the stringent cost control by the Group. As a percentage of revenue, the selling and marketing expenses increased to 4.7% from 3.8% in the first half of 2021, was mainly due to the significant decrease in the revenue from property development. The main component of administrative expenses was staff costs.

Finance Costs – net

Finance costs – net being interest expenses incurred in the period after deduction of amounts capitalised to development costs, increased by 226% to RMB5.202 billion (1H2021: RMB1.595 billion) mainly due to the foreign exchange losses of RMB2.157 billion (1H2021: foreign exchange gains of RMB540 million) due to the depreciation of exchange rate of RMB to US dollars in first half of 2022. Total interest expenses incurred in the period decreased from RMB6.461 billion in the previous corresponding period to RMB6.294 billion. Together with RMB1.197 billion charged to the cost of sales related to capitalised interest, the total finance costs incurred during the period amounted to RMB6.399 billion (1H2021: RMB3.878 billion).

Share of Results of Associates and Joint Ventures

The share of results of associates were mainly derived from the Group's 50% interests in Beijing CCCc R&F No.10 Mansion. The share of results of joint ventures were mainly from the Group's 45% interests in Guangzhou R&F The Grand City project, 65% interests in Guangzhou R&F New City and 50% interests in Shanghai Jiayuwan. These four projects mentioned had a combined turnover of RMB8.286 billion.

Income Tax Expenses

Land appreciation tax (LAT) of RMB201 million (1H2021: RMB880 million) and enterprise income tax of RMB262 million (1H2021: RMB1.765 billion) brought the Group's total income tax expenses for the period to RMB463 million (excluded deferred income tax). As a percentage of turnover of property development, LAT decreased to 1.3% from 2.5% for the corresponding period of 2021.

Profitability

The Group recorded a net loss of RMB6.899 billion for the period ended 30 June 2022 as compared to a net profit of approximately RMB3.181 billion for the period ended 30 June 2021. The net loss is mainly attributable to the decrease in revenue from property development and decline in gross profit margin recorded by the Group for the period ended 30 June 2022 as a result of the challenging conditions in the real estate industry, as well as the losses on disposals of subsidiaries and certain equity interests in a joint venture was recorded in the period.

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.10 per share).

Purchase, Redemption or Sale of Listed Securities of the Company

On 15 December 2021, the Company announced that a tender offer was being made to repurchase the US$265,000,000 5.75% senior notes due 2022 and US$460,000,000 5.75% senior notes due 2022 (consolidated and formed a single series) (the "2022 Notes") issued by Easy Tactic Limited, an indirect wholly-owned subsidiary of the Company. The tender offer was completed on 12 January 2022. The notes repurchased pursuant to the tender offer have been cancelled. As at 30 June 2022, an aggregate principal amount of US$608,631,000 of the 2022 Notes remain outstanding.

Save as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Model Code by Directors and Supervisors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has complied with the code provisions set out under the Corporate Governance Code as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

Audit Committee

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee on the accounting policies adopted by the Company.

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2022.

ACKNOWLEDGEMENTS

During these difficult times, I cannot emphasise enough the importance and level of commitment shown by our senior management and employees to work tirelessly to deliver on milestones for the benefit of all our stakeholders. After years of operating under Covid disruptions leading to endless travel and operation restrictions, our staff and senior managers have had to find alternative ways to ensure deliverables are achieved. I would like to thank all our employees for their commitment during the period, our shareholders for their unwavering support, and our business partners for their patience to together solidify a long-term partnership going forward.

By Order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the executive directors of the Company are Dr. Li Sze Lim, Mr. Zhang Li, Mr. Zhang Hui and Mr. Xiang Lijun; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2022**	Audited 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment		**46,209,570**	47,079,461
Right-of-use assets		**10,300,832**	10,764,837
Investment properties		**34,963,898**	34,943,304
Intangible assets		**1,124,032**	1,125,285
Interests in joint ventures		**9,032,560**	11,085,159
Interests in associates		**3,296,201**	3,323,709
Deferred income tax assets		**14,259,291**	13,365,510
Financial assets at fair value through other comprehensive income		**631,559**	632,762
Other financial assets		**972,406**	1,026,645
		120,790,349	123,346,672
Current assets			
Properties under development		**151,090,601**	150,791,203
Completed properties held for sale		**46,252,541**	50,172,331
Inventories		**1,583,902**	1,306,448
Trade and other receivables and prepayments	*5*	**42,265,410**	45,889,192
Contract assets		**1,109,222**	1,229,970
Tax prepayments		**4,140,543**	4,702,700
Restricted cash		**13,296,372**	14,845,225
Cash and cash equivalents		**2,023,543**	6,258,593
		261,762,134	275,195,662
Total assets		**382,552,483**	398,542,334

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2022	Audited 31 December 2021
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,752,367**	3,752,367
Other reserves		**12,378,996**	12,246,683
Retained earnings		**47,269,411**	54,189,013
		63,400,774	70,188,063
Non-controlling interests		**12,690,717**	12,670,578
Total equity		**76,091,491**	82,858,641
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**51,311,566**	66,635,262
Lease liabilities		**378,527**	392,542
Deferred income tax liabilities		**11,228,309**	10,959,434
Other payables		**534,987**	534,987
		63,453,389	78,522,225
Current liabilities			
Accruals and other payables	*6*	**98,109,926**	104,386,369
Contract liabilities		**50,371,031**	50,130,339
Current income tax liabilities		**19,140,558**	19,977,725
Short-term borrowings		**4,519,978**	8,323,963
Current portion of long-term borrowings		**70,413,036**	53,880,163
Lease liabilities		**69,093**	78,928
Dividend payable		**369,981**	369,981
Derivative financial instruments		**14,000**	14,000
		243,007,603	237,161,468
Total liabilities		**306,460,992**	315,683,693
Total equity and liabilities		**382,552,483**	398,542,334

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2022**	2021
Revenue	*4*	**17,782,073**	39,493,138
Cost of sales		**(14,984,911)**	(30,923,169)
Gross profit		**2,797,162**	8,569,969
Other income	*7*	**131,469**	491,354
Other gains – net	*8*	**(2,520,604)**	1,673,007
Selling and marketing expenses		**(832,023)**	(1,482,064)
Administrative expenses		**(1,934,602)**	(2,727,187)
(Allowance for)/reversal of impairment losses on financial and contract assets		**(80,754)**	27,512
Gains on bargain purchase		**–**	508,209
Operating (loss)/profit		**(2,439,352)**	7,060,800
Finance costs – net	*9*	**(5,202,252)**	(1,594,849)
Share of results of associates		**657,461**	35,728
Share of results of joint ventures		**(15,693)**	53,837
(Loss)/profit before income tax		**(6,999,836)**	5,555,516
Income tax credits/(expenses)	*10*	**100,373**	(2,374,495)
(Loss)/profit for the period		**(6,899,463)**	3,181,021
(Loss)/profit attributable to:			
– Owners of the Company		**(6,919,602)**	3,080,198
– Non-controlling interests		**20,139**	100,823
		(6,899,463)	3,181,021
Basic and diluted (losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB Yuan per share)		**(1.8441)**	0.8209

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
	2022	2021
(Loss)/profit for the period	**(6,899,463)**	3,181,021
Other comprehensive income		
Items that will not be reclassified to profit or loss		
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**1,274**	(12,445)
Items that may be reclassified to profit or loss		
– Share of other comprehensive income of joint ventures accounted for using the equity method	**(8,811)**	23,122
– Currency translation differences	**139,850**	(99,831)
Other comprehensive income for the period, net of tax	**132,313**	(89,154)
Total comprehensive income for the period	**(6,767,150)**	3,091,867
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(6,787,289)**	2,991,044
– Non-controlling interests	**20,139**	100,823
	(6,767,150)	3,091,867

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Pearl River New Town, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan (RMB), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 31 August 2022.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

For the six months ended 30 June 2022, the Group recorded a loss attributable to the owners of the Company of RMB6.920 billion. As at 30 June 2022, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB134.507 billion, out of which RMB82.661 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB15.32 billion. As at 30 June 2022, the Group had not repaid certain bank and other borrowings of RMB14.466 billion according to their scheduled repayment dates, and subsequent to 30 June 2022, the Group had not repaid certain bank and other borrowings of RMB317 million that are due for repayment from July and up to the date of approval of these condensed consolidated interim financial statements. Pursuant to the clauses of certain loan agreements of the Group, certain bank and other borrowings with an aggregate principal amount of RMB30.929 billion became repayable on demand.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing within the next 18 months from 30 June 2022 in assessing whether the Group will have sufficient financial sources to continue as a going concern and the appropriateness of the use of the going concern basis in the preparation of the condensed consolidated interim financial statements. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) In June 2022, the Group announced a consent solicitation by Easy Tactic Limited (a wholly-owned subsidiary of the Company) as issuer in respect of all its series of senior notes due 2022, 2023 and 2024 for the purposes of, among others, seeking waivers of existing or potential consequential events of default under the senior notes and extending the respective maturity dates to 2025, 2027 and 2028. The consent solicitation required each series of notes to be approved by a requisite percentage of noteholders in each standalone series and all series to be passed in order to be successfully completed. The consent solicitation was passed and completed in July 2022, whereby the Group successfully restructured all series of senior notes of an aggregate amount of USD4.944 billion, equivalent to RMB33.103 billion, into three series of notes maturing in 2025, 2027 and 2028. In addition to restructuring the maturity of the notes, the issuer also received approval from noteholders to elect a paid-in-kind option for its interest payments for the next 2-years. The consent solicitation exercise was a landmark exercise to wholistically address the short-term risk and liquidity impact due to the Group resulting from senior notes amidst an unprecedent market volatility as investors became averse to China risk and the sector. The successful outcome of the consent solicitation exercise was also reflective of investors' increasing realisation of the market situation and validation of the Group's sincerity in proactively addressing the current circumstances in a fair and transparent manner. After the senior notes restructuring, management continues to stay focused on assessing changes in market conditions and policies changes to remain vigilant to ensuring that they continue to implement a longer sustainable financial management plan;

(ii) 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 the opinion of the directors, the Group will be able to extend or refinance the borrowings upon their maturity based on recent successful outcomes that have been completed post year end. The recent successful discussions have formed a basis for similar discussions and have helped advance discussions on resolving near-term maturities. 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;

(iii) 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 encouraging to increase buyer interests and stimulate 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-sales volumes and amounts;

(All amounts in RMB Yuan thousands unless otherwise stated)

(iv) The Group will continue to seek 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;

(v) The Group has already made significant adjustments 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;

(vi) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group is confident that it will be able to reach an amicable solution to address the named litigation but also dispute claims referred in litigation where the outcome is not certain at this stage;

The directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 18 months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements of the Group for the period ended 30 June 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2021 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2022.

Standards	**Subject**
Amendments to HKFRS 3	References to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018-2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2022 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

Standards	**Subject**	**Effective for annual periods beginning on or after**
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4. SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in property development, property investment and hotel operations. Other services provided by the Group mainly represent property management. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of (loss)/profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2022					
Segment revenue	**15,153,910**	**459,251**	**1,859,877**	**787,440**	**18,260,478**
Recognised at a point in time	**10,325,141**	**–**	**–**	**–**	**10,325,141**
Recognised over time	**4,828,769**	**–**	**1,859,877**	**787,440**	**7,476,086**
Revenue from other sources – rental income	**–**	**459,251**	**–**	**–**	**459,251**
Inter-segment revenue	**(4,741)**	**(50,185)**	**(78,473)**	**(345,006)**	**(478,405)**
Revenue from external customers	**15,149,169**	**409,066**	**1,781,404**	**442,434**	**17,782,073**
Profit/(loss) for the period	**(5,873,163)**	**241,333**	**(849,427)**	**(418,206)**	**(6,899,463)**
Finance costs – nets	**(4,463,462)**	**(96,615)**	**(565,577)**	**(76,598)**	**(5,202,252)**
Share of results of joint ventures	**659,070**	**–**	**–**	**(1,609)**	**657,461**
Share of results of associates	**(22,175)**	**–**	**–**	**6,482**	**(15,693)**
Income tax (expenses)/credits	**(338,682)**	**(64,966)**	**457,884**	**46,137**	**100,373**
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	**(165,451)**	**–**	**(633,197)**	**(24,362)**	**(823,010)**
Amortisation of incremental costs for obtaining contracts with customers	**(81,440)**	**–**	**–**	**–**	**(81,440)**
Fair value losses on other financial assets	**(54,239)**	**–**	**–**	**–**	**(54,239)**
(Allowance for)/reversal of allowance for impairment losses of financial and contract assets	**(74,976)**	**(892)**	**978**	**(5,864)**	**(80,754)**
Fair value gains on investment properties – net of tax	**–**	**10,664**	**–**	**–**	**10,664**

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2021					
Segment revenue	35,946,375	637,025	2,635,355	1,017,712	40,236,467
Recognised at a point in time	28,296,170	–	–	–	28,296,170
Recognised over time	7,650,205	–	2,635,355	1,017,712	11,303,272
Revenue from other sources – rental income	–	637,025	–	–	637,025
Inter-segment revenue	–	(103,774)	(135,710)	(503,845)	(743,329)
Revenue from external customers	35,946,375	533,251	2,499,645	513,867	39,493,138
Profit/(loss) for the period	2,955,965	1,093,345	(547,172)	(321,117)	3,181,021
Finance costs – net	(1,160,672)	(113,085)	(314,641)	(6,451)	(1,594,849)
Income tax (expenses)/credits	(1,862,732)	(724,464)	126,038	86,663	(2,374,495)
Share of results of associates	14,487	3,124	–	18,117	35,728
Share of results of joint ventures	56,950	–	–	(3,113)	53,837
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	(216,790)	–	(736,140)	(48,701)	(1,001,631)
Gains on bargain purchase	508,209	–	–	–	508,209
Amortisation of incremental costs for obtaining contracts with customers	(256,851)	–	–	–	(256,851)
Reversal of/(allowance for) impairment losses on financial and contract assets	32,049	–	(5,050)	513	27,512
Revaluation gains on investment properties transferred from completed properties held for sale – net of tax	–	222,398	–	–	222,398
Fair value gains on investment properties – net of tax	–	331,278	–	–	331,278

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2022					
Segment assets	**280,203,174**	**35,035,395**	**48,428,006**	**3,022,652**	**366,689,227**
Segment assets include:					
Interests in joint ventures	**9,028,680**	**–**	**–**	**3,880**	**9,032,560**
Interests in associates	**3,214,548**	**–**	**–**	**81,653**	**3,296,201**
Segment liabilities	**146,196,830**	**101,998**	**1,738,221**	**1,810,496**	**149,847,545**
As at 31 December 2021					
Segment assets	295,421,229	35,013,291	50,162,331	2,920,566	383,517,417
Segment assets include:					
Interests in joint ventures	11,079,591	–	–	5,568	11,085,159
Interests in associates	3,242,250	–	–	81,459	3,323,709
Addition to non-current assets (other than financial instruments and deferred income tax assets)	2,257,969	145,551	863,515	437,663	3,704,698
Segment liabilities	151,798,177	46,469	1,712,892	2,349,608	155,907,146

5. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022	31 December 2021
Trade receivables – net	**4,519,789**	5,442,939
Other receivables – net	**23,908,514**	23,061,364
Prepayments	**6,297,223**	7,873,346
Capitalised costs to obtain contracts	**1,808,013**	1,729,869
Due from joint ventures	**3,327,042**	5,145,475
Due from associates	**2,404,829**	2,636,199
Total	**42,265,410**	45,889,192

(All amounts in RMB Yuan thousands unless otherwise stated)

As at 30 June 2022, trade receivables were mainly derived from sale of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2022	31 December 2021
Trade receivables – current portion		
– Due from third parties	**4,374,034**	5,282,950
– Due from joint ventures	**358,033**	368,646
– Due from associates	**10,345**	10,891
	4,742,412	5,662,487
Less: loss allowance	**(222,623)**	(219,548)
	4,519,789	5,442,939

At 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2022	31 December 2021
Up to 1 year	**2,926,682**	3,863,671
1 year to 2 years	**710,989**	896,145
2 years to 3 years	**447,488**	459,734
Over 3 years	**657,253**	442,937
	4,742,412	5,662,487

(All amounts in RMB Yuan thousands unless otherwise stated)

6. ACCRUALS AND OTHER PAYABLES

	As at **30 June 2022**	As at 31 December 2021
Amounts due to joint ventures	**8,750,365**	8,199,049
Amounts due to associates	**289,626**	281,368
Amounts due to entities jointly controlled by major shareholders of the Company	**1,834,031**	2,177,038
Amounts due to major shareholders	**151,015**	42,111
Amounts due to a shareholder of certain joint ventures (Note (a))	**5,543,137**	5,213,413
Construction payables (Note (b))	**45,122,998**	50,694,180
Other payables and accrued charges (Note (c))	**36,953,741**	38,314,197
Total	**98,644,913**	104,921,356
Less: non-current portion (Note (a))	**(534,987)**	(534,987)
Current portion	**98,109,926**	104,386,369

Note:

(a) The balance was secured by the Group's shares in certain wholly-owned subsidiaries, the Group's right to receive the economic benefits deriving from one property development project and the guarantee provided by the Company.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals, salary payables and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

7. OTHER INCOME

	Six months ended 30 June	
	2022	2021
Interest income	**65,933**	354,960
Other operating income	**58,436**	70,152
Forfeited deposits from customers	**2,913**	53,072
Dividends income from financial assets at far value through other comprehensive income	**–**	5,610
Others	**4,187**	7,560
	131,469	491,354

8. OTHER GAINS – NET

	Six months ended 30 June	
	2022	2021
Revaluation gains on investment properties transferred from completed properties held for sale	**–**	296,531
Fair value gains on investment properties – net	**27,985**	438,393
(Losses)/gains on disposals of subsidiaries	**(1,003,640)**	802,099
Losses on disposal of certain equity interests in a joint venture	**(1,576,357)**	–
Gains on disposals of property, plant and equipment	**1,052**	–
(Losses)/gains on disposals of intangible assets	**(588)**	14,657
Fair value losses on other financial assets	**(54,239)**	–
Remeasurement gains on previously held equity interest in a joint venture	**–**	87,499
Others	**85,183**	33,828
	(2,520,604)	1,673,007

9. FINANCE COSTS – NET

	Six months ended 30 June	
	2022	2021
Interest expenses:		
– bank borrowings	**2,101,342**	2,654,861
– domestic bonds	**668,352**	747,445
– senior notes	**1,472,864**	1,541,328
– other borrowings and others	**2,044,099**	1,504,235
– lease liabilities	**7,422**	12,958
	6,294,079	6,460,827
Early redemption premium for senior notes	**–**	7,965
Net foreign exchange losses/(gains)	**2,156,944**	(539,848)
Less: finance costs capitalised	**(3,248,771)**	(4,334,095)
	5,202,252	1,594,849

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
Current income tax		
– enterprise income tax (Note (b))	**262,215**	1,765,293
– PRC land appreciation tax (Note (c))	**201,052**	879,774
Deferred income tax	**(563,640)**	(270,572)
	(100,373)	2,374,495

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2021: Nil).

(b) Enterprise income tax

Enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of the applicable income tax rates for the period ended 30 June 2022, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (six months ended 30 June 2021: 25%, 20% and 24%) on their profits, respectively.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

11. DIVIDENDS

	Six months ended 30 June	
	2022	2021
No interim dividend declared (2021: RMB0.10 per ordinary share)	**–**	375,237

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.10 per share).