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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)

2023 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 2023. 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

After enduring years of Covid disruptions, 2023 marked the beginning of putting the virus behind us and looking ahead. During the Covid pandemic, lockdowns, vaccinations, distancing measures, and travel restrictions caused significant disruptions to normal livelihoods and business operations, impacting economic growth. With communal immunity becoming the new normal, the focus turns to restoring productivity and rebuilding business activity. Global travel restrictions were gradually eased and eventually lifted, and governments faced the challenge of stimulating economic recovery. After the initial relief marking the end of Covid concern, the new challenge was to control the negative impacts such as high inflation resulting from low productivity, supply-demand imbalances, and labor shortages. In the first half of 2023, economic uncertainty led businesses to remain cautious about expanding their capacity, and higher costs of goods led to decreased profitability in many sectors. Despite government policies aimed at stimulating business activity, the lack of clear direction from key economic indicators and rising interest rates to curb unacceptable inflation levels caused businesses to adopt a wait-and-see approach. Like other countries, China also faced similar challenges, albeit to a lesser extent. However, China seemed to delay relaxing Covid restrictions, prioritizing health and safety over economic recovery. Production was slow to recover, and it wasn't until later in the first half of the year that the Chinese government adopted a more tolerant approach to coexisting with Covid in the community.

The uncertainty in the economy had a significant adverse impact on China's property sector. Contracted sales experienced a sharp decline and appeared to worsen further as the first half came to an end. The lack of cash flow from sales affected properties currently under development, leading to completion risks and an increase in the number of corporations facing financial distress or undergoing debt restructuring. Following a decline in contract sales in 2022, the first half of 2023 experienced even lower contracted sales, with monthly sales consistently declining. In terms of transaction volume, contracted sales for the sector in the first half of 2023 saw an average decline of 5.3% when compared to the same period in 2022. This decline in transaction volume can be attributed to the post-Covid recovery, reduced disposable incomes, and a pessimistic outlook on property investment due to unforeseeable near-term growth potential. The poor performance of contracted sales resulted in liquidity constraints and financial distress for many developers, regardless of their operational scale, further eroding confidence among potential buyers. The China Central Government continues to implement policies to mitigate further negativity and restore stability to the sector, especially for end users seeking their first home transactions. However, it will take more time for buyer sentiment to recover from low confidence towards corporate risk to enter purchase transactions. We anticipate the introduction of further policies targeting the property sector in the second half of the year but will need time to assess their effectiveness.

The Group continues to exercise caution after successfully addressing the maturity wall in 2022. Management's primary focus has been on effectively managing available liquidity and responsibly engaging with creditors to find mutually beneficial solutions given the current operating environment. Regarding creditor banks, the Group continues to utilise available resources to fulfill interest payments and gradually repay outstanding balances. Alternatively, the Group seeks to negotiate maturity extensions for later periods. In response to the government's directive to ensure project completion, the Group places utmost importance on delivering completed property projects to buyers. During 2022, the Group proactively undertook measures to restructure liabilities, resulting in the prevention of significant defaults in the past 12 months. These measures involved extending the maturity dates of ten tranches of USD-denominated senior notes and seven tranches of onshore Renminbi-denominated public and private bonds to beyond 12 months. Additionally, the Group adopted a paid-in-kind interest payment feature in lieu of cash interest for its USD-denominated senior notes which in hindsight turned out to be a noteworthy feature of the debt restructuring when factoring in today's tight liquidity situation. This paid-in-kind interest has been unique when compared to other debt restructuring proposals which was unable to obtain noteholder approvals. During the first half of 2023, management maintained a prudent approach to the liquidity situation by controlling expenses and reducing operating costs through employee streamlining and the consolidation of departments with overlapping functions. The Group also ceased further land banking and cut back on unnecessary expenditures.

Given the tight liquidity and low transaction volumes, the Group primarily directed its construction expenditure towards completing projects in advanced stages of development or those that have been presold for delivery. Although the number of projects has decreased, the Group still manages over 100 projects that are currently under development, which represents a significant scale despite the challenging environment. The strategic balance lies in focusing on completing deliveries while maintaining an ongoing development pipeline. This approach ensures that completed inventory is available for sale while providing certainty for future project completions, which potential buyers will value highly moving forward. Amidst market volatility, contracted sales have been more attainable in recent months for completed units with minimal to no completion risk. Currently, the Group has approximately 2.3 million square meters of completed gross floor area (GFA) available for sale, with an estimated sales value of approximately RMB33 billion.

In the first half of 2023, our hotel portfolio performance was a beacon of light amidst a clouded outlook for the sector. While traditional project development faced challenges due to liquidity and completion risk, hotel operations experienced a significant improvement, returning to pre-Covid levels as travel and leisure spending increased. Across the entire hotel portfolio, average occupancy levels reached as high as 60%, with more than 60 hotels achieving occupancy levels exceeding 90% during peak periods. In the first half, net operating profit amounted to RMB681 million, marking a significant improvement compared to the loss incurred during the same period or the entirety of 2022. Moreover, due to the positive cash flow generated by hotel assets during this period, there has been an increase in buyer inquiries and subsequent uptick in due diligence conducted by potential buyers. The Group will continue to divest non-core hotels and investment assets to generate liquidity for repayments and working capital purposes.

GOING FORWARD

As 2023 continues to remain challenging and the possibility of more developers facing financial stress, the Group will maintain its vigilance and act cautiously and responsibly, as it has done over the past 12 months. The objective is to remain focused on completing underdeveloped projects and selling assets to generate much-needed liquidity. Over the past year, the Group has expedited its plan to sell development and investment properties in both China and overseas, reallocating capital to addressing financial liabilities and project completions. Currently, the Group is conducting due diligence with buyers for several overseas projects, with an expected completion date by the end of the year. Given the market conditions, it is anticipated that losses will be incurred from these sales but are deemed necessary to secure much-needed liquidity during this period. Another significant milestone anticipated is the completion of a large-scale, multi-faceted development in London, known as One Nine Elms, by the end of the year. The One Nine Elms project will offer approximately 49,000 square meters of completed residential and serviced apartments for sale in a market that is more receptive to finished units with no completion risk.

In terms of financials, the Group will persist in exploring alternative financing and refinancing options to handle upcoming maturities and proactively preempt potential financial risks that may arise, formulating appropriate plans accordingly. Given the uncertain financial outlook, any available options will carry inherent risks, and it is highly likely that these options will come at a cost in the current market. However, risk management is of paramount importance to management in terms of fiduciary duty which requires the necessary planning and foresight to look ahead to address foreseeable risk. Management is confident if we continue to stay vigilant to resolve near-term issues that arise and navigate through this period of volatility, we can expect a gradual improvement in financial performance going forward.

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, the Group's revenue generated from property development decreased by 19% to RMB12.305 billion, from RMB15.149 billion for the corresponding period of the previous year. This revenue was based on delivery of 1,442,000 sq.m. of sale properties in the period which was approximately 24% less than the 1,885,000 sq.m. delivered in the previous period. Overall average selling price for the period was approximately RMB8,500 per sq.m. (1H2022: RMB8,000 per sq.m.).

Rental income from property investment increased by 2% to RMB416 million for the period, from RMB409 million in the first half of 2022. Revenue from hotel operations increased to RMB2.983 billion from RMB1.781 billion in the corresponding period of the previous year, primarily due to the rapid recovery of the tourism industry and business activity of the PRC after Covid pandemic in the first half of 2023.

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 2023, cost of sales of the Group was RMB13.182 billion, representing a decrease of 12% when compared with RMB14.985 billion in the previous period.

During the period, land and construction costs made up 87% of the total costs of property development. In terms of costs per sq.m., land and construction costs increased to RMB6,140 from RMB5,850. Capitalised interest included in the cost of sales amounted to RMB1.238 billion (1H2022: RMB1.197 billion), 10.1% as a percentage of revenue from sale of properties. The cost of sales also included RMB93.2 million (1H2022: RMB69.8 million) as levy taxes.

Gross Profit

During the period, the Group's overall gross profit amounted to RMB3.234 billion, as compared to RMB2.797 billion in the corresponding period of 2022. For property development, the gross profit margin for the period was 17.2%, as compared to 18.9% in the first half of 2022.

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. During the period, other income and other gains – net recorded a gain of RMB307 million in the first half of 2023 when there was a loss of RMB2.389 billion in the first half of 2022. The change was mainly due to no losses on disposals of subsidiaries and certain equity interests in a joint venture incurred in the first half of 2023.

Selling and Marketing Expenses and Administrative Expenses

In the first half of 2023, selling and marketing expenses of the Group decreased by 40% to RMB500 million from RMB832 million for the corresponding period of the previous year. During the period, administrative expenses was RMB2.356 billion (1H2022: RMB1.935 billion).

Finance Costs – net

Finance costs – net represent the total interest expenses incurred in the period, after deducting amounts capitalised to development costs. In the first half of 2023, finance costs – net decreased by 20% to RMB4.164 billion from RMB5.202 billion for the corresponding period of the previous year. This decrease was mainly due to a lower overall interest rate for the period and a decrease in foreign exchange losses (1H2023: RMB1.597 billion vs 1H2022: RMB2.157 billion). The total interest expenses incurred in the period was RMB5.031 billion (1H2022: RMB6.294 billion). Together with RMB1.238 billion charged to the cost of sales related to capitalised interest, the total finance costs incurred during the period amounted to RMB5.402 billion (1H2022: RMB6.399 billion).

Income Tax Expenses

Income tax expenses of the Group primarily includes land appreciation tax (LAT) and enterprise income tax. The total income tax expenses for the six months ended 30 June 2023 was RMB1.255 billion. Out of the amount, LAT accounted for RMB463 million (1H2022: RMB201 million) and enterprise income tax accounted for RMB674 million (1H2022: RMB262 million).

Profitability

The Group recorded a net loss of approximately RMB4.978 billion for the period ended 30 June 2023 as compared to a net loss of approximately RMB6.899 billion for the period ended 30 June 2022. The net loss for the period was mainly attributable to the decrease in recognised sales resulting from challenging operating conditions in the property sector and financial conditions that has affected market sentiment towards China property as well as foreign exchange loss caused by the depreciation of Renminbi against US Dollars.

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2023, 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 2023.

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 2023.

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 2023.

ACKNOWLEDGEMENTS

As always, I would like to express my sincere appreciation to the shareholders, directors, senior management, and employees for their unwavering support of the Group during these challenging times. I have personally interacted with and been involved with many of our key personnel who have remained committed to fulfilling their responsibilities despite the impacts of Covid, financing pressures, and weak market conditions. This interaction has instilled in me a strong belief that our experienced and loyal management will continue to guide the Group in the right direction having demonstrated resilience over the past few years. Lastly, I extend my heartfelt gratitude and appreciation to everyone who has played a pivotal role or been part of the Group's journey during these times.

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

Hong Kong, 28 August 2023

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 2023**	Audited 31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment		**45,078,558**	45,695,522
Right-of-use assets		**9,557,807**	9,853,365
Investment properties		**33,762,740**	33,749,600
Intangible assets		**1,036,558**	1,055,675
Interests in joint ventures		**8,501,666**	8,905,960
Interests in associates		**3,473,734**	3,517,585
Deferred income tax assets		**12,998,612**	12,974,345
Financial assets at fair value through other comprehensive income		**552,497**	554,318
Other financial assets		**608,519**	608,519
		115,570,691	116,914,889
Current assets			
Properties under development		**150,052,399**	149,427,062
Completed properties held for sale		**39,348,433**	41,229,767
Inventories		**953,982**	1,130,902
Trade and other receivables and prepayments	*5*	**39,919,262**	41,022,377
Contract assets		**929,189**	2,035,644
Tax prepayments		**4,872,136**	4,859,068
Restricted cash		**8,206,122**	10,124,207
Cash and cash equivalents		**1,779,542**	2,177,020
		246,061,065	252,006,047
Total assets		**361,631,756**	368,920,936

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2023**	Audited 31 December 2022
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,752,367**	3,752,367
Other reserves		**11,814,451**	12,224,336
Retained earnings		**33,343,720**	38,452,363
		48,910,538	54,429,066
Non-controlling interests		**12,642,823**	12,511,955
Total equity		**61,553,361**	66,941,021
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**87,722,181**	82,910,900
Lease liabilities		**344,517**	395,693
Deferred income tax liabilities		**10,684,551**	10,589,811
Other payables		**1,730,743**	864,787
		100,481,992	94,761,191
Current liabilities			
Accruals and other payables	*6*	**96,003,120**	96,051,670
Contract liabilities		**41,131,184**	46,210,007
Current income tax liabilities		**21,678,597**	20,758,206
Short-term borrowings		**5,708,764**	4,321,224
Current portion of long-term borrowings		**34,629,468**	39,426,640
Lease liabilities		**61,289**	66,996
Dividend payable		**369,981**	369,981
Derivative financial instruments		**14,000**	14,000
		199,596,403	207,218,724
Total liabilities		**300,078,395**	301,979,915
Total equity and liabilities		**361,631,756**	368,920,936

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June **2023**	2022
Revenue	*4*	**16,416,162**	17,782,073
Cost of sales		**(13,181,836)**	(14,984,911)
Gross profit		**3,234,326**	2,797,162
Other income	*7*	**132,611**	131,469
Other gains/(losses) – net	*8*	**174,016**	(2,520,604)
Selling and marketing expenses		**(499,864)**	(832,023)
Administrative expenses		**(2,356,102)**	(1,934,602)
Net impairment losses on financial and contract assets		**(99,202)**	(80,754)
Operating profit/(loss)		**585,785**	(2,439,352)
Finance costs – net	*9*	**(4,164,063)**	(5,202,252)
Share of results of joint ventures		**(362,858)**	657,461
Share of results of associates		**218,111**	(15,693)
Loss before income tax		**(3,723,025)**	(6,999,836)
Income tax (expenses)/credits	*10*	**(1,254,750)**	100,373
Loss for the period		**(4,977,775)**	(6,899,463)
(Loss)/profit attributable to:			
– Owners of the Company		**(5,108,643)**	(6,919,602)
– Non-controlling interests		**130,868**	20,139
		(4,977,775)	(6,899,463)
Basic and diluted losses per share for loss attributable to owners of the Company (expressed in RMB Yuan per share)		**(1.3614)**	(1.8441)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
	2023	2022
Loss for the period	**(4,977,775)**	(6,899,463)
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	**(1,821)**	1,274
Items that may be reclassified to profit or loss		
– Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**280**	(8,811)
– Currency translation differences	**(390,244)**	139,850
Other comprehensive loss for the period, net of tax	**(391,785)**	132,313
Total comprehensive income for the period	**(5,369,560)**	(6,767,150)
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(5,500,428)**	(6,787,289)
– Non-controlling interests	**130,868**	20,139
	(5,369,560)	(6,767,150)

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, 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 28 August 2023.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

For the six months ended 30 June 2023, the Group recorded a loss attributable to the owners of the Company of RMB5.109 billion. As at 30 June 2023, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB137.591 billion, out of which RMB48.138 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB9.986 billion. As at 30 June 2023, the Group had not repaid certain bank and other borrowings of RMB18.565 billion according to their scheduled repayment dates, and subsequent to 30 June 2023, the Group had not repaid certain bank and other borrowings of RMB1.228 billion 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 RMB33.879 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 12 months from 30 June 2023 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) 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;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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 12 months from 30 June 2023. 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 2023 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.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable 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 condensed consolidated interim financial statements.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2022 financial statements as described therein.

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 2023.

Standards	Subject
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts

None of the new or amended standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any new or amended standards or interpretations that is not yet effective for the current accounting period.

(All amounts in RMB Yuan thousands unless otherwise stated)

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 for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2023 and 2022 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2023					
Segment revenue	**12,305,037**	**508,432**	**3,026,091**	**939,349**	**16,778,909**
Recognised at a point in time	**9,874,767**	**–**	**–**	**–**	**9,874,767**
Recognised over time	**2,430,270**	**–**	**3,026,091**	**939,349**	**6,395,710**
Revenue from other sources – rental income	**–**	**508,432**	**–**	**–**	**508,432**
Inter-segment revenue	**–**	**(92,385)**	**(43,221)**	**(227,141)**	**(362,747)**
Revenue from external customers	**12,305,037**	**416,047**	**2,982,870**	**712,208**	**16,416,162**
(Loss)/profit for the period	**(4,533,268)**	**186,028**	**(420,504)**	**(210,031)**	**(4,977,775)**
Finance costs – net	**(3,538,819)**	**(94,809)**	**(456,400)**	**(74,035)**	**(4,164,063)**
Share of results of joint ventures	**(362,854)**	**–**	**–**	**(4)**	**(362,858)**
Share of results of associates	**220,302**	**–**	**–**	**(2,191)**	**218,111**
Income tax (expenses)/credits	**(1,289,888)**	**(55,506)**	**118,064**	**(27,420)**	**(1,254,750)**
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	**(153,677)**	**–**	**(815,704)**	**(113,647)**	**(1,083,028)**
Amortisation of incremental costs for obtaining contracts with customers	**(82,230)**	**–**	**–**	**–**	**(82,230)**
(Allowance for)/reversal of impairment losses on financial and contract assets	**(100,913)**	**603**	**(2,291)**	**3,399**	**(99,202)**

(All amounts in RMB Yuan thousands unless otherwise stated)

	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
(Loss)/profit for the period	(5,873,163)	241,333	(849,427)	(418,206)	(6,899,463)
Finance costs – net	(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, right-of-use assets and intangible 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 impairment losses on 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

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 2023					
Segment assets	**263,134,179**	**33,870,956**	**43,239,621**	**7,227,372**	**347,472,128**
Segment assets include:					
Interests in joint ventures	**8,500,351**	**–**	**–**	**1,315**	**8,501,666**
Interests in associates	**3,393,807**	**–**	**–**	**79,927**	**3,473,734**
Segment liabilities	**135,020,328**	**356,529**	**2,022,992**	**2,254,985**	**139,654,834**
As at 31 December 2022					
Segment assets	270,477,013	34,156,608	47,241,441	2,908,692	354,783,754
Segment assets include:					
Interests in joint ventures	8,904,640	–	–	1,320	8,905,960
Interests in associates	3,436,396	–	–	81,189	3,517,585
Addition to non-current assets (other than financial instruments and deferred income tax assets)	1,121,093	138,127	107,098	324,970	1,691,288
Segment liabilities	139,421,957	342,992	1,891,503	2,316,682	143,973,134

5. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2023	31 December 2022
Trade receivables – net	**2,818,156**	3,719,349
Other receivables – net	**24,118,752**	24,350,689
Prepayments	**5,091,685**	5,101,041
Capitalised costs to obtain sales contracts	**1,868,119**	1,879,444
Due from joint ventures	**4,127,952**	4,067,717
Due from associates	**1,894,598**	1,904,137
Total	**39,919,262**	41,022,377

(All amounts in RMB Yuan thousands unless otherwise stated)

As at 30 June 2023, 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 2023	31 December 2022
Trade receivables		
– Due from third parties	**2,529,514**	3,574,757
– Due from joint ventures	**457,584**	335,268
– Due from associates	**10,728**	10,337
	2,997,826	3,920,362
Less: loss allowance	**(179,670)**	(201,013)
	2,818,156	3,719,349

At 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2023	31 December 2022
Up to 1 year	**1,446,140**	2,482,424
1 year to 2 years	**615,761**	450,863
2 years to 3 years	**372,633**	379,567
Over 3 years	**563,292**	607,508
	2,997,826	3,920,362

(All amounts in RMB Yuan thousands unless otherwise stated)

6. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2023	31 December 2022
Amounts due to joint ventures	**9,656,549**	9,475,292
Amounts due to associates	**401,929**	541,336
Amounts due to entities jointly controlled by major shareholders of the Company	**2,205,663**	2,205,663
Amounts due to major shareholders	**291,274**	176,576
Amounts due to a shareholder of certain joint ventures (Note (a))	**5,802,443**	5,305,830
Construction payables (Note (b))	**36,624,704**	38,705,207
Other payables and accrued charges (Note (c))	**42,751,301**	40,506,553
Total	**97,733,863**	96,916,457
Less: non-current portion (Note (a))	**(1,730,743)**	(864,787)
Current portion	**96,003,120**	96,051,670

Notes:

(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	
	2023	2022
Interest income	**63,195**	65,933
Other operating income	**41,186**	58,436
Forfeited deposits from customers	**22,257**	2,913
Others	**5,973**	4,187
	132,611	131,469

8. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2023	2022
Fair value gains on investment properties – net	**–**	27,985
Gains/(losses) on disposals of subsidiaries	**30,139**	(1,003,640)
Losses on disposal of certain equity interests in a joint venture	**–**	(1,576,357)
Gains on disposals of property, plant and equipment	**4,095**	1,052
Gains/(losses) on disposals of intangible assets	**4,198**	(588)
Fair value losses on other financial assets	**–**	(54,239)
Others	**135,584**	85,183
	174,016	(2,520,604)

9. FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
Interest expenses:		
– bank borrowings	**2,015,850**	2,101,342
– domestic bonds	**610,790**	668,352
– senior notes	**1,178,861**	1,472,864
– other borrowings and others	**1,221,651**	2,044,099
– lease liabilities	**4,272**	7,422
	5,031,424	6,294,079
Net foreign exchange losses	**1,596,524**	2,156,944
Less: finance costs capitalised	**(2,463,885)**	(3,248,771)
	4,164,063	5,202,252

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INCOME TAX EXPENSES/(CREDITS)

	Six months ended 30 June	
	2023	2022
Current income tax		
– enterprise income tax (Note (b))	**673,826**	262,215
– PRC land appreciation tax (Note (c))	**463,097**	201,052
Deferred income tax	**117,827**	(563,640)
	1,254,750	(100,373)

(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 2022: 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 2023, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (six months ended 30 June 2022: 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

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).