GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

2023
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors	Li Sze Lim Zhang Li Zhang Hui Xiang Lijun
Non-executive Directors	Zhang Lin Li Helen
Independent Non-executive Directors	Zheng Ercheng Ng Yau Wah Daniel Wong Chun Bong
Supervisors	Chen Liangnuan Zhao Xianglin Zhang Yucong
Authorized Representatives	Li Sze Lim Lee Michael
Company Secretary	Lee Michael
Registered Office in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in Hong Kong	Room 6303, The Center, No. 99 Queen's Road Central, Hong Kong
Auditor	BDO Limited Certified Public Accountants Registered Public Interest Entity Auditors 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H Share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website	www.rfchina.com

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.

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.

Li Sze Lim
Chairman

Hong Kong, 28 August 2023

OPERATION REVIEW

Contracted Sales

The Group's total contracted sales in the first half of 2023 were approximately RMB13.54 billion with 903,600 sq.m. sold. The average selling price was approximately RMB15,000 per sq.m.. The contracted sales were generated from 188 projects in 105 cities of 27 provinces (including municipalities and autonomous regions) and 4 overseas countries. On a provincial and regional basis, contracted sales of Guangdong, Hainan, Shandong, Tianjin, Beijing, Overseas, Shanxi, Hubei, Shaanxi and Hebei were the highest top 10, which contributed approximately RMB11.23 billion, accounting for 83% of total contracted sales of the Group. In term of city, contracted sales of tier-1 and the tier-2 cities accounted for 74% of total contracted sales. Tier-3 and below cities contributed 20% of total contracted sales and overseas contributed 6%. On the type of property basis, 66% of contracted sales were generated from high-rise residential properties, 2% from villa and 32% from commercial properties and others, including office, apartment and retail, etc..

Details of the Group's top 10 provinces and regions with the highest total contracted sales in the first half of 2023 are set out below:

Area	Approximate total value (RMB million)	Approximate total saleable area sold (Thousand sq.m.)
Guangdong	4,218.0	141.6
Hainan	1,858.1	87.0
Shandong	909.8	133.0
Tianjin	909.6	74.5
Beijing	846.0	46.8
Overseas	808.7	47.2
Shanxi	484.2	56.1
Hubei	421.7	36.4
Shaanxi	407.3	39.6
Hebei	366.5	28.6
	11,229.9	**690.8**

Details of the Group's first half of 2023 total contracted sales by geographical distribution are set out below:

Region	Approximate total value (RMB million)	Approximate total saleable area sold (Thousand sq.m.)
Northern China	3,408.5	329.6
Northwestern China	1,232.4	137.4
Southern China	4,244.9	145.0
Eastern China	888.0	62.2
Southwestern China	471.5	39.2
Hainan	1,858.1	87.0
Central Southern China	626.6	56.0
Overseas	808.7	47.2
Total	**13,538.7**	**903.6**

Projects Under Development

As at 30 June 2023, the Group's projects under development amounted to approximately 16,440,000 sq.m. total GFA with total saleable area of approximately 11,655,000 sq.m., details of which are set out below:

Area	Approximate total GFA (sq.m.)	Approximate total saleable area (sq.m.)
Northern China	2,558,000	1,630,000
Eastern China	1,184,000	761,000
Northwestern China	4,858,000	3,715,000
Southern China	4,529,000	3,326,000
Central Southern China	1,230,000	912,000
Southwestern China	786,000	402,000
Hainan	322,000	283,000
Overseas	684,000	381,000
Sub-total	**16,151,000**	**11,410,000**
Investment Properties	289,000	245,000
Total	**16,440,000**	**11,655,000**

PROPERTY INVESTMENT

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties and theme park etc.. The Group's investment properties portfolio as at 30 June 2023 is approximately 3,552,000 sq.m. in total GFA, among which total GFA of investment properties under operation is approximately 1,973,000 sq.m., and total GFA under development or planning is approximately 1,579,000 sq.m..

HOTEL OPERATION

As of 30 June 2023, the Group has 91 hotels under operation, with total GFA of 4,051,260 sq.m. and 28,164 hotel rooms. The 91 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. The Group has a total of 129 hotels, with 38 hotels under development and planning and 91 hotels under operation.

LAND BANK

During the period, the total saleable area of the new land was approximately 173,000 sq.m.. As at 30 June 2023, the Group's total land bank was 59,612,000 sq.m. and 45,964,000 sq.m. in GFA and saleable area, distributed across 89 cities and regions with details as below:

Location	Approximate total GFA (sq.m.)	Approximate total saleable area (sq.m.)
Development Properties		
Northern China	14,065,000	10,959,000
Eastern China	4,688,000	3,514,000
Northwestern China	12,559,000	9,495,000
Southern China	6,936,000	5,666,000
Central Southern China	6,331,000	5,261,000
Southwestern China	4,627,000	3,554,000
Hainan	2,594,000	2,255,000
Overseas	5,833,000	3,572,000
Sub-total	**57,633,000**	**44,276,000**
Investment Properties	1,979,000	1,688,000
Total	**59,612,000**	**45,964,000**

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.

The following table is the summary of revenue from property development:

City/Country	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average selling price (RMB/sq.m.)
Chongqing	1,852	218,160	8,500
Tangshan	1,168	92,880	12,600
Hainan	1,070	80,010	13,400
Yancheng	881	83,320	10,600
Wuxi	783	52,700	14,900
Xian	579	37,600	15,400
Shenyang	561	90,840	6,200
Beijing	561	13,170	42,600
Australia	539	111,130	4,900
Meixian	316	57,430	5,500
Shanghai	265	13,560	19,500
Suzhou	249	29,110	8,600
Malaysia	248	17,290	14,300
Shangrao	194	28,940	6,700
Tianjin	170	43,690	3,900
Cambodia	168	14,760	11,400
Dalian	165	19,640	8,400
Foshan	134	18,590	7,200
Qingdao	132	13,670	9,700
Changzhi	124	14,750	8,400
Jiujiang	121	15,670	7,700
Taiyuan	111	21,600	5,100
Harbin	108	15,810	6,800
Other*	1,806	337,680	5,300
Total	**12,305**	**1,442,000**	**8,500**

* Included City/Country with amount of turnover below RMB100 million.

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.

Financial Resources and Liquidity

As at 30 June 2023, the total cash and bank balances of the Group including restricted cash were RMB9.986 billion (31 December 2022: RMB12.301 billion). Some of the Group's subsidiaries are required to place a certain amount of the presales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties.

As at 30 June 2023, the Group's total borrowings were RMB128.060 billion (31 December 2022: RMB126.659 billion), of which due within 1 year, between 2 and 5 years and over 5 years were amounted to RMB40.338 billion, RMB74.779 billion and RMB12.943 billion respectively.

During the six months ended 30 June 2023, new bank borrowings of RMB266 million have been procured at interest rate was 5.53% while bank borrowings repaid amounted to RMB2.091 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2023 was 5.57% (31 December 2022: 5.69%).

The gearing ratio is measured by the net borrowings (total borrowing less total cash and cash equivalents and restricted cash) to total equity. As at 30 June 2023, the gearing ratio was 191.8% (31 December 2022: 170.8%).

The Group conducts its business primarily in Renminbi and non-Renminbi borrowings accounted for approximately 38% of total borrowings. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 30 June 2023, the Group has not entered into any foreign exchange hedging transactions.

As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate offshore USD senior notes, domestic bonds and other borrowings further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place.

Charge on Assets

As at 30 June 2023, assets with total carrying values of RMB108.227 billion and the Group's shares of certain subsidiaries were pledged to secure bank loans and other borrowings amounted to RMB72.235 billion (31 December 2022: RMB70.777 billion).

Contingent Liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2023, such guarantees totalled RMB81.355 billion, decreased by 12% from RMB92.129 billion as at 31 December 2022.

Employee and Remuneration Policies

As of 30 June 2023, the Group had approximately 26,344 employees. The total staff costs incurred were approximately RMB1.060 billion during the six months ended 30 June 2023. The Group provides competitive remuneration and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job related training is also provided from time to time.

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).

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2023 was as follows:

Class of shares	No. of shares	Percentage
H shares	3,752,367,344	100.00%
Total	3,752,367,344	100.00%

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the beneficial interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2023 were as follows:

		Number of shares				
Director/ Supervisor	Class of shares	Personal	Spouse or child under 18	Corporate interest	Total number of shares held at the end of the period	Approximate percentage of interests in the total share capital Note
Li Sze Lim	H share	1,066,092,672	5,000,000	16,000,000	1,087,092,672	28.97%
Zhang Li	H share	1,022,146,272	20,000,000		1,042,146,272	27.77%
Zhang Hui	H share	1,894,800			1,894,800	0.05%
Xiang Lijun	H share	1,800,000			1,800,000	0.05%
Li Helen	H share	3,600		1,000,000	1,003,600	0.03%
Ng Yau Wah, Daniel	H share		588,000		588,000	0.02%
Chen Liangnuan	H share	20,000,000			20,000,000	0.53%

Note:

The Company's total number of issued shares as at 30 June 2023 was 3,752,367,344 H shares.

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. ("Tianfu") (Note 1)	Corporate	N/A	15%
	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") (Note 2)	Corporate	N/A	34.64%
	Easy Tactic Limited ("Easy Tactic") (Note 3)	Corporate	N/A	N/A
Zhang Li	Fushengli (Note 2)	Corporate	N/A	34.64%
	Easy Tactic (Note 4)	Corporate	N/A	N/A
Li Helen	Easy Tactic (Note 5)	Corporate	N/A	N/A

Notes:

1. Tianfu is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Dr. Li Sze Lim.

2. Fushengli is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Dr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd.. Sparks Real Estate Holdings Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.

3. Dr. Li Sze Lim (a) has an interest in US$5,763,979 of the US$1,340,857,185 senior notes due 2025 issued by Easy Tactic (the "2025 Notes"); and (b) through his spouse, has an interest in (i) US$5,282,010 of the 2025 Notes; (ii) US$10,688,771 of the US$2,286,302,748 senior notes due 2027 issued by Easy Tactic (the "2027 Notes"); and (iii) US$121,874,886 of the US$1,666,047,220 senior notes due 2028 issued by Easy Tactic (the "2028 Notes").

4. Mr. Zhang Li has an interest in US$11,114,905 of the 2025 Notes.

5. Ms. Li Helen, through Pleasant View Limited which is 100% owned by her, has an interest in US$528,201 of the 2025 Notes, US$1,637,013 of the 2027 Notes and US$2,144,414 of the 2028 Notes.

Save as disclosed above, as at 30 June 2023, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, so far as the directors are aware, there are no persons (other than the directors, chief executive and supervisors of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

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.

BOARD COMPOSITION AND PRACTICE

The Board consists of nine members, including four executive directors: Dr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and chief executive officer, Mr. Zhang Hui and Mr. Xiang Lijun; two non-executive directors: Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Dr. Li Sze Lim); and three independent non-executive directors: Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong. Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertises to provide effective leadership of the Company according to the board diversity policy of the Company.

All directors have entered into a service contract with the Company for a specific term of three years. They are all subject to retirement from office by rotation and re-election at the general meeting once every three years in accordance with the Articles of Association.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted sufficient time and effort to serve the business affairs of the Company. All non-executive directors and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. The Company has received from each of the independent non-executive directors an annual confirmation of independence.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters they would like to discuss in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company has adopted the Model Code laid out in Appendix 10 to the Listing Rules 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (chairman of the remuneration committee), Dr. Li Sze Lim, and Mr. Ng Yau Wah, Daniel. The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

NOMINATION COMMITTEE

The nomination committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Dr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Wong Chun Bong. Dr. Li Sze Lim is the chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implementing the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board according to the Board diversity policy, identify and nominate candidates to fill causal vacancies of directors and make recommendations to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from general meetings, annual reports, interim reports, circulars and announcements as required under the Listing Rules, shareholders are encouraged to visit the website of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of directors of the Company are set out below:

1. Mr. Ng Yau Wah, Daniel has resigned as an independent non-executive director of Anchorstone Holdings Limited (stock code of Hong Kong Stock Exchange: 1592) with effect from 1 July 2023.

2. Mr. Wong Chun Bong has resigned as an independent non-executive director of each of Glory Sun Land Group Limited (stock code of Hong Kong Stock Exchange: 299) and Glory Sun Financial Group Limited (now known as Renze Harvest International Limited) (stock code of Hong Kong Stock Exchange: 1282) with effect from 31 July 2023.

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	7	**45,078,558**	45,695,522
Right-of-use assets	7	**9,557,807**	9,853,365
Investment properties	7	**33,762,740**	33,749,600
Intangible assets	7	**1,036,558**	1,055,675
Interests in joint ventures	8	**8,501,666**	8,905,960
Interests in associates	9	**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	5	**552,497**	554,318
Other financial assets	10	**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	11	**39,919,262**	41,022,377
Contract assets		**929,189**	2,035,644
Tax prepayments		**4,872,136**	4,859,068
Restricted cash	12	**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	13	**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	14	**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	15	**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	14	**5,708,764**	4,321,224
Current portion of long-term borrowings	14	**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

The notes on pages 25 to 47 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2023	 2022
Revenue	6	**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	16	**132,611**	131,469
Other gains/(losses) – net	17	**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	18	**(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	19	**(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)

The notes on pages 25 to 47 form an integral part of this condensed consolidated interim financial information.

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 income 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)

The notes on pages 25 to 47 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2023	3,752,367	12,224,336	38,452,363	54,429,066	12,511,955	66,941,021
Comprehensive income						
(Loss)/profit for the period	–	–	(5,108,643)	(5,108,643)	130,868	(4,977,775)
Other comprehensive income						
Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	(1,821)	–	(1,821)	–	(1,821)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	–	280	–	280	–	280
Currency translation differences	–	(390,244)	–	(390,244)	–	(390,244)
Total other comprehensive income, net of tax	–	(391,785)	–	(391,785)	–	(391,785)
Total comprehensive income for the period ended 30 June 2023	–	(391,785)	(5,108,643)	(5,500,428)	130,868	(5,369,560)
Changes in ownership interests in subsidiaries without change of control	–	(18,100)	–	(18,100)	–	(18,100)
Balance at 30 June 2023	3,752,367	11,814,451	33,343,720	48,910,538	12,642,823	61,553,361

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	3,752,367	12,246,683	54,189,013	70,188,063	12,670,578	82,858,641
Comprehensive income						
(Loss)/profit for the period	–	–	(6,919,602)	(6,919,602)	20,139	(6,899,463)
Other comprehensive income						
Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	1,274	–	1,274	–	1,274
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	–	(8,811)	–	(8,811)	–	(8,811)
Currency translation differences	–	139,850	–	139,850	–	139,850
Total other comprehensive income, net of tax	–	132,313	–	132,313	–	132,313
Total comprehensive income for the period ended 30 June 2022	–	132,313	(6,919,602)	(6,787,289)	20,139	(6,767,150)
Balance at 30 June 2022	3,752,367	12,378,996	47,269,411	63,400,774	12,690,717	76,091,491

The notes on pages 25 to 47 form an integral part of this condensed consolidated interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June 2023	2022
Cash flows from operating activities		
– Cash generated from operations	**1,910,293**	1,201,944
– Interest paid	**(1,907,699)**	(3,721,620)
– Enterprise income tax and land appreciation tax paid	**(224,319)**	(589,891)
Net cash used in operating activities	**(221,725)**	(3,109,567)
Cash flows from investing activities		
– Purchases of property, plant and equipment	**(297,488)**	(417,199)
– Purchases of intangible assets	**(343)**	(1,412)
– Additions of right-of-use assets	**(85)**	(609)
– Additions of investment properties	**(13,140)**	(1,389)
– Proceeds from disposals of property, plant and equipment	**4,914**	1,598
– Proceeds from disposals of land use rights	**14,500**	–
– Investments in financial assets at fair value through other comprehensive income, joint ventures and associates	**(10,430)**	–
– Acquisition of subsidiaries, net of cash acquired	**–**	(40,000)
– Disposal of subsidiaries, net of cash	**296,263**	694,515
– Cash receipts from the repayment of advances to related parties	**56,430**	140,346
– Cash advances to related parties	**(79,525)**	(67,475)
– Interest received	**63,195**	65,933
Net cash generated from investing activities	**34,291**	374,308
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	**1,471,502**	4,467,924
– Repayments of borrowings	**(3,099,291)**	(6,873,099)
– Repayments to a shareholder of a joint venture	**–**	(99,358)
– Repayments of principal of lease liabilities	**(28,462)**	(40,648)
– Decrease/(increase) in guarantee deposits for borrowings	**1,192,535**	(51,321)
– Cash advances from related parties	**275,530**	1,166,203
– Repayments to related parties	**(37,696)**	(96,833)
Net cash used in financing activities	**(225,882)**	(1,527,132)
Net decrease in cash and cash equivalents	**(413,316)**	(4,262,391)
Exchange gains	**15,838**	27,341
Cash and cash equivalents at the beginning of the period	**2,177,020**	6,258,593
Cash and cash equivalents at the end of the period	**1,779,542**	2,023,543

The notes on pages 25 to 47 form an integral part of this condensed consolidated interim financial information.

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:

2. BASIS OF PREPARATION (Continued)

Going concern basis (continued)

(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.

4. JUDGEMENTS AND ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain hotel or investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as appropriate.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2023					
Borrowings (Note (1))	**46,917,927**	**30,428,521**	**57,745,966**	**14,944,134**	**150,036,548**
Lease liabilities	**80,915**	**77,510**	**184,999**	**140,406**	**483,830**
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	**48,567,217**	**1,567,959**	**2,221,581**	**427,338**	**52,784,095**
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**67,909,448**	**–**	**–**	**–**	**67,909,448**
Guarantees in respect of borrowings of joint ventures and associates	**2,690,771**	**5,669,307**	**4,039,347**	**1,046,394**	**13,445,819**
Derivative financial instruments	**14,000**	**–**	**–**	**–**	**14,000**
At 31 December 2022					
Borrowings (Note (1))	51,184,735	18,973,158	64,382,973	17,156,240	151,697,106
Lease liabilities	87,844	80,781	215,318	163,608	547,551
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	46,526,638	1,432,974	1,592,042	410,307	49,961,961
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	77,864,071	–	–	–	77,864,071
Guarantees in respect of borrowings of joint ventures and associates	2,896,262	1,951,037	8,216,478	1,201,646	14,265,423
Derivative financial instruments	14,000	–	–	–	14,000

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2023 and 31 December 2022 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2023 and 31 December 2022 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks, trade and other receivables, contract assets and other financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

5.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

	As at	
	30 June 2023	31 December 2022
Total borrowings (Note 14)	**128,060,413**	126,658,764
Less: cash and cash equivalents	**(1,779,542)**	(2,177,020)
restricted cash	**(8,206,122)**	(10,124,207)
Net debt	**118,074,749**	114,357,537
Total equity	**61,553,361**	66,941,021
Gearing ratio	**192%**	171%

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022 by level of the inputs to valuation techniques used to measure fair value.

	As at 30 June 2023	As at 31 December 2022
Financial assets at FVOCI		
Level 1	**543,497**	545,318
Level 3	**9,000**	9,000
	552,497	554,318

	As at 30 Jun 2023	As at 31 December 2022
Financial assets at FVOCI		
Opening balance	**554,318**	632,762
Fair value losses recognised as other comprehensive income	**(1,821)**	(78,444)
Closing balance	**552,497**	554,318

(All amounts in RMB Yuan thousands unless otherwise stated)

6. 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)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

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 (continued):

	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)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

	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

(All amounts in RMB Yuan thousands unless otherwise stated)

7. CAPITAL EXPENDITURE

	Intangible assets	Investment properties *(Note (a))*	Property, plant and equipment: Other owned assets	Property, plant and equipment: Hotel buildings *(Note (b))*	Right-of-use assets
Six months ended 30 June 2023					
At 1 January 2023	**1,055,675**	**33,749,600**	**7,908,218**	**37,787,304**	**9,853,365**
Additions	**5,031**	**13,140**	**210,722**	**215,015**	**20,926**
Disposal of subsidiaries	**–**	**–**	**(17,980)**	**(259,259)**	**(80,121)**
Disposals	**(243)**	**–**	**(5,723)**	**(20,335)**	**(72,363)**
Transfer from properties under development	**–**	**–**	**–**	**–**	**85**
Depreciation and amortisation	**(23,905)**	**–**	**(244,555)**	**(663,237)**	**(179,483)**
Currency translation differences	**–**	**–**	**(2,975)**	**171,363**	**15,398**
At 30 June 2023	**1,036,558**	**33,762,740**	**7,847,707**	**37,230,851**	**9,557,807**
Six months ended 30 June 2022					
At 1 January 2022	1,125,285	34,943,304	8,172,622	38,906,839	10,764,837
Additions	35,957	1,389	273,461	129,827	11,363
Disposals of subsidiaries	–	–	–	(446,509)	(305,300)
Disposals	–	(8,161)	(31,793)	–	(11,289)
Fair value gains (included in other gains – net)	–	29,507	–	–	–
Depreciation and amortisation	(37,210)	–	(242,724)	(466,695)	(158,779)
Currency translation differences	–	(2,141)	19,173	(104,631)	–
At 30 June 2022	1,124,032	34,963,898	8,190,739	38,018,831	10,300,832

(a) Investment properties

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2022 by independent and professionally qualified valuers, who hold relevant recognised professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

As at 30 June 2023, management did not revaluate the investment properties considering that the carrying amount does not differ materially from that which would be determined using fair value.

(b) Hotel buildings

As at 30 June 2023, management did not revaluate the hotel buildings considering that the carrying amount does not differ materially from that which would be determined using fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2023	2022
At 1 January	**8,905,960**	11,085,159
Additions	**10,430**	145,000
Disposal	**–**	(2,416,473)
Share of results	**(362,858)**	657,462
Share of other comprehensive income	**(5)**	(66,188)
Elimination of unrealised profits	**(51,861)**	(372,400)
At 30 June	**8,501,666**	9,032,560

9. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2023	2022
At 1 January	**3,517,585**	3,323,709
Share of results	**218,111**	(15,693)
Dividend declared by an associate	**(6,660)**	–
Share of other comprehensive income	**285**	461
Elimination of unrealised profits	**(255,587)**	(12,276)
At 30 June	**3,473,734**	3,296,201

10. OTHER FINANCIAL ASSETS

As at 30 June 2023, the balance represented the Group's investments in certain PRC debt securities, which were measured at amortised cost less accumulated impairment. As at 30 June 2023, the fair value of such PRC debt securities, which was determined by reference to "China Bond Financial Valuation Center Co., Ltd", was approximately RMB609 million. The fair value is within level 1 of the fair value hierarchy.

	As at	
	30 June 2023	31 December 2022
Opening balance	**608,519**	1,026,645
Disposals	**–**	(432)
Fair value loss recognised in profit or loss	**–**	(417,694)
Closing balance	**608,519**	608,519

Other financial assets as at 30 June 2023 and 31 December 2022 are denominated in RMB.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. OTHER FINANCIAL ASSETS (Continued)

(a) Other financial assets include the following

	As at 30 June 2023	31 December 2022
Listed securities:		
– Bonds	**608,519**	608,519

(b) Amounts recognised in the consolidated profit and loss and other comprehensive income

During the period, the following losses were recognised in the consolidated profit and loss and other comprehensive income:

	As at 30 June 2023	31 December 2022
Listed securities:		
Losses recognised in profit or loss	**–**	(417,694)

11. 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

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

12. RESTRICTED CASH

As at 30 June 2023 and 31 December 2022, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 30 June 2023 and 31 December 2022, the Group's restricted cash mainly comprised guarantee deposits for construction of pre-sold properties, guarantee deposits for borrowings, guarantee deposits for interest of senior notes and others.

13. SHARE CAPITAL

	Number of shares (thousands)	**Share capital**
At 30 June 2023	3,752,367	3,752,367
At 31 December 2022	3,752,367	3,752,367

Share capital refers to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. BORROWINGS

	As at 30 June 2023	As at 31 December 2022
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured (Note (e))	**49,411,847**	50,096,535
– Unsecured (Note (f))	**3,697,639**	6,020,076
	53,109,486	56,116,611
Domestic bonds (Note (b))		
– Secured	**12,545,228**	12,769,598
– Unsecured	**558,000**	558,000
	13,103,228	13,327,598
Senior notes (Note (c))		
– Secured	**37,973,568**	35,459,059
Other borrowings (Note (d))		
– Secured (Note (e))	**17,214,594**	16,459,372
– Unsecured (Note (f))	**950,773**	974,900
	18,165,367	17,434,272
Total long-term borrowings	**122,351,649**	122,337,540
Less: current portion of long-term borrowings	**(34,629,468)**	(39,426,640)
	87,722,181	82,910,900
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Secured (Note (e))	**1,285,843**	75,902
	1,285,843	75,902
Other borrowings (Note (d))		
– Secured (Note (e))	**4,322,921**	4,145,322
– Unsecured (Note (f))	**100,000**	100,000
	4,422,921	4,245,322
Total short-term borrowings	**5,708,764**	4,321,224
Current portion of long-term borrowings	**34,629,468**	39,426,640
Total borrowings	**128,060,413**	126,658,764

(All amounts in RMB Yuan thousands unless otherwise stated)

14. BORROWINGS (Continued)

(a) Bank borrowings

Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2023	2022
At 1 January	**56,192,513**	60,371,510
Additions	**266,250**	971,108
Repayments	**(2,090,993)**	(3,540,742)
Foreign exchange losses	**27,559**	174,975
At 30 June	**54,395,329**	57,976,851

The effective interest rate of bank borrowings is 5.57% (six months ended 30 June 2022: 5.64%).

(b) Domestic bonds

In September 2022, the Company, as the issuer, successfully extended the weighted average maturity period of eight corporate bonds with an aggregate principal amount of approximately RMB13.5 billion from approximately four months to over three years through bondholders' meetings. Of which, the "2019 Public Bonds I", which had a bond balance of nil after the completion of the small redemption on 31 October 2022, was delisted from the Shanghai Stock Exchange in accordance with the relevant regulations.

As at 30 June 2023, the aggregate carrying amount of the Company's domestic bonds (including corporate bonds on stock exchange and bonds on inter-bank bond market) amounted to RMB13,103,228,000 with annualised coupon rates ranging from 6.3% to 7%.

As at 30 June 2023, the fair values of the 2016 public bonds, the 2018 public bonds and the 2019 public bonds amounted to RMB4,402,147,000 (31 December 2022: RMB4,428,397,000) in total. The fair values were determined with reference to the quoted price on the last trading day of the six months ended 30 June 2023. Such fair values are level 1 of the fair value hierarchy.

As at 30 June 2023, the fair values of the 2016 non-public bonds, the 2018 non-public bonds and the 2020 non-public bonds approximate their carrying amounts. The fair values were based on cash flows discounted at the borrowing rate of 5.79% and is level 2 of the fair value hierarchy.

The movements of domestic bonds are set out below:

	Six months ended 30 June	
	2023	2022
At 1 January	**13,327,598**	13,846,461
Redemption	**(333,558)**	(131,000)
Interest charged (Note 18)	**610,790**	668,352
Interest paid or included in other payables	**(501,602)**	(462,549)
At 30 June	**13,103,228**	13,921,264

14. BORROWINGS (Continued)

(c) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

On 11 July 2022, a subsidiary of the Group, Easy Tactic Limited ("Easy Tactic") as issuer, successfully restructured all series of senior notes with an aggregate principal amount of USD4,943,631,000, equivalent to RMB33,102,553,000, into three new series of notes ("Senior Notes") with maturities in 2025, 2027 and 2028 respectively, through a consent solicitation. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. As at 30 June 2023, the principal amount, interest rates, and maturity dates of the Senior Notes are as follows:

Series	Principal (USD'000)	Interest rate	Maturity
Group A	1,340,857	6.5% Cash/7.5% PIK*	11 July 2025
Group B	2,286,303	6.5% Cash/7.5% PIK*	11 July 2027
Group C	1,666,047	6.5% Cash/7.5% PIK*	11 July 2028
	5,293,207		

* PIK – Payment-in-kind

As at 30 June 2023, the Senior Notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The movements of senior notes are set out below:

	Six months ended 30 June	
	2023	2022
At 1 January	**35,459,059**	32,022,591
PIK interest	**1,296,313**	–
Redemption	**–**	(739,432)
Interest charged (Note 18)	**1,178,861**	1,472,864
Interest paid or included in other payables	**(1,379,410)**	(1,399,116)
Foreign exchange losses	**1,418,745**	1,652,101
At 30 June	**37,973,568**	33,009,008

The carrying amounts of the Group's senior notes are denominated in USD.

The fair values of the senior notes as at 30 June 2023 amounted to RMB3,198,974,000 (31 December 2022: RMB7,466,914,000). The fair value is determined by reference to the price quotations published by Bloomberg on the last trading date of the period ended 30 June 2023 and is within level 1 of the fair value hierarchy.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. BORROWINGS (Continued)

(d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2023	2022
At 1 January	**21,679,594**	22,598,826
Additions	**1,533,388**	3,499,329
Disposal of a subsidiary	**–**	(515,352)
Repayments	**(1,212,937)**	(4,599,477)
Interest charged	**1,221,651**	1,398,990
Interest paid or included in other payables	**(1,221,651)**	(1,270,579)
Foreign exchanges losses	**588,243**	225,720
At 30 June	**22,588,288**	21,337,457

The carrying amounts of other borrowings as at 30 June 2023 are denominated in RMB, USD, GBP, AUD and KRW.

The effective interest rate of these funding arrangements ranged from 3.99% to 36% (six months ended 30 June 2022: 3.99% to 36%).

(e) As at 30 June 2023, bank and other borrowings totaling RMB72,235,205,000 (31 December 2022: RMB70,777,131,000) of the Group were secured by the following assets and the Group's shares of certain subsidiaries:

	As at	
	30 June 2023	31 December 2022
Right-of-use assets	**2,086,057**	2,182,563
Property, plant and equipment	**28,030,244**	29,372,979
Investment properties	**19,306,729**	19,293,700
Properties under development	**51,476,232**	47,948,866
Completed properties held for sale	**5,721,870**	6,132,449
Restricted cash	**1,605,482**	2,798,159
	108,226,614	107,728,716

(f) The majority of unsecured bank and other borrowings are guaranteed by the Company and certain subsidiaries of the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023	As at 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.

16. OTHER INCOME

	Six months ended 30 June 2023	Six months ended 30 June 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

17. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June 2023	Six months ended 30 June 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)

(All amounts in RMB Yuan thousands unless otherwise stated)

18. 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

19. 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 and 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

20. 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).

21. FINANCIAL GUARANTEE CONTRACTS

	As at	
	30 June 2023	31 December 2022
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties (Note (a))	**67,909,448**	77,864,071
Guarantees in respect of borrowings of joint ventures (Note (b))	**12,313,198**	13,016,060
Guarantees in respect of borrowings of an associate (Note (b))	**1,132,621**	1,249,363
Subtotal	**13,445,819**	14,265,423
Total	**81,355,267**	92,129,494

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) the satisfaction of relevant mortgage loan by the purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

22. COMMITMENTS

Commitments for capital and property development activities

	As at	
	30 June 2023	31 December 2022
Contracted but not provided for – Property development activities (including land premium)	**20,116,114**	19,289,360

(All amounts in RMB Yuan thousands unless otherwise stated)

23. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Dr. Li Sze Lim and Mr. Zhang Li, who own 28.97% and 27.77%, respectively as at 30 June 2023, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

	Six months ended 30 June	
	2023	2022
Salaries and welfare benefits	**10,590**	13,167

(b) Provision of construction and other services

	Six months ended 30 June	
	2023	2022
Joint ventures	**445,591**	429,739
Associates	**846**	553
	446,437	430,292

(c) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2023, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(i) Bank borrowings

	As at	
	30 June 2023	31 December 2022
Joint ventures	**8,988,086**	8,583,282
An associate	**186,000**	186,000
	9,174,086	8,769,282

(ii) Others

	As at	
	30 June 2023	31 December 2022
Joint ventures	**1,624,940**	2,586,306
An associate	**904,380**	977,970
	2,529,320	3,564,276

(All amounts in RMB Yuan thousands unless otherwise stated)

23. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

(d) Interest income on loans to related parties

	Six months ended 30 June	
	2023	2022
Joint ventures	**45,216**	62,616
Associates	**–**	18,924
	45,216	81,540

(e) Interest expense on borrowings due to related parties

	Six months ended 30 June	
	2023	2022
A joint venture	**19,525**	21,120
Major shareholders	**41,404**	41,419
	60,929	62,539

24. LITIGATIONS

As at the reporting date, the Group has the following significant litigations with its business partners which remain outstanding:

(a) 國興環球土地整理開發有限公司 (Guoxing Global Land Reclamation and Development Co., Ltd.*) ("Guoxing Global") as claimant filed a lawsuit against 富力(北京)地產開發有限公司 (R&F (Beijing) Property Development Co., Ltd.*) ("R&F Beijing"), a subsidiary of the Company, for adjudication by 河北省高級人民法院 (The High People's Court of Hebei Province) (the "Hebei High People's Court") in relation to a contractual dispute over a land development project, in respect of which Guoxing Global claimed against R&F Beijing for land consolidation costs and interest thereon for a total amount of approximately RMB388 million and for legal costs incurred, and counterclaims were made by R&F Beijing against Guoxing Global. Such lawsuit was adjudicated by the Hebei High People's Court and a first instance judgement was handed down in December 2018. Subsequently, R&F Beijing sought and obtained a ruling from 中華人民共和國最高人民法院 (The Supreme People's Court of the People's Republic of China) (the "SPC") to overturn the first instance judgement of the Hebei High People's Court and the lawsuit was reverted to the Hebei High People's Court for retrial. The Hebei High People's Court handed down its first instance retrial judgment, pursuant to which all claims and counterclaims by the parties were dismissed. Afterwards, R&F Beijing filed an appeal with the SPC in relation to, among other matters, its counterclaims against Guoxing Global and for recovery of its legal costs. As at the reporting date, the appeal with the SPC is still in progress.

(b) A trust company as claimant filed a lawsuit against the Group in relation to a contractual dispute over certain trust loan arrangement with a claimed amount of approximately RMB465 million. Such lawsuit has been accepted by 深圳市中級人民法院 (Shenzhen Intermediate People's Court) for adjudication. As at the reporting date, the lawsuit is still in progress.

(c) A construction company as claimant filed a lawsuit against the Group in relation to a contractual dispute over a land development project with a claimed amount of approximately RMB413 million. Such lawsuit has been accepted by 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) for adjudication. As at the reporting date, the lawsuit is still in progress.

(d) An asset management company as claimant filed a lawsuit against the Group in relation to a contractual dispute over certain loan arrangement with a claimed amount of approximately RMB1.110 billion. Such lawsuit has been accepted by 瀋陽市中級人民法院 (Shenyang Intermediate People's Court) for adjudication. As at the reporting date, the lawsuit is still in progress.

SUPPLEMENTARY INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2023 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Loss for the period ended 30 June		Total equity as at	
			30 June	31 December
	2023	2022	2023	2022
As stated in accordance with CAS	(4,889,692)	(6,806,800)	56,891,702	62,173,180
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gains arising from business combinations	–	(38)	34,692	34,692
2. Deferred taxation	–	10	(8,676)	(8,676)
3. Revaluation gains on investment properties transferred from properties under development	–	(873)	3,267	3,267
4. Revaluation model of subsequent measurement for hotel buildings	(88,083)	(91,762)	4,632,376	4,738,558
As stated in accordance with HKFRS	(4,977,775)	(6,899,463)	61,553,361	66,941,021

Notes:

1. The Group adopted SSAP27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.

3. The revaluation gains on investment properties transferred from properties under development was recognised in income statement under HKFRS, while in accordance with CAS was recognised in other comprehensive income.

4. The Group changed its accounting policies on hotel buildings to follow the revaluation model under HKAS 16 with effective from 1 January 2020.