



寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code : 1238

2023 INTERIM REPORT



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Group Introduction

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

As at 30 June 2023, the Group’s commercial projects cover the series of “Powerlong One Mall”, “Powerlong City”, “Powerlong Plaza” and “Powerlong Land” products, while its residential projects cover various formats including middle and high class commodity housings and villas, complemented by high-standard office buildings, hotel and apartment projects with comprehensive service support. With its diversified and multi-dimensional business scope, Powerlong has been improving the retail supporting facilities and thereby enhancing the quality of local cities. From supporting the urbanization of the People’s Republic of China (“**China**” or the “**PRC**”) to its integration into the Yangtze River Delta, Powerlong has always followed closely the strategic direction at the PRC’s national level and focused on city clusters, which enjoy policy support under the PRC’s macro strategy and which are highly vivid in their economic development. While fulfilling the growing demand for complex real estate in the PRC, Powerlong has created various job opportunities to the society and realized people’s demands and dreams for their lives.

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



Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (*Chairman*)
 Mr. Hoi Wa Fong
 Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

JOINT COMPANY SECRETARIES

Ms. Hai Di
 Ms. Leung Wai Yan

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Leung Wai Yan

REGISTERED OFFICE

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 Ugland House
 Grand Cayman KY1-1104
 Cayman Islands

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 168-200 Connaught Road Central
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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL SHARE REGISTRAR

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 Suite 3204, Unit 2A
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 Gardenia Court
 Camana Bay
 Grand Cayman, KY1-1100
 Cayman Islands

HONG KONG SHARE REGISTRAR

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

Industrial and Commercial Bank of China Limited
 Bank of Communication Co., Ltd.
 Agricultural Bank of China Limited
 China Construction Bank Corporation
 The Bank of East Asia Limited
 Ping An Bank Co., Ltd.
 Bank of China Limited
 China Everbright Bank Company Limited
 Tai Fung Bank Limited
 China CITIC Bank Corporation Limited

AUDITOR

Elite Partners CPA Limited
 Certified Public Accountants
 10th Floor, 8 Observatory Road
 Tsim Sha Tsui, Kowloon, Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

Since the beginning of the year, in face of the complexity and severity of the international environment and the slackened growth of the global economy in general, the PRC still managed to have economic revival on the rise and steady progress of high-quality development, showcasing its remarkable development resilience and potentials with long-standing positive fundamentals. In the real estate sector, the market is undergoing a period of intense adjustments. Under the general policy keynote of “properties being for residential dwellings instead of speculation”, city-specific policies that support the rigid and upgraders’ housing needs, timely delivery of products and stabilizing people’s livelihood, the trend of easing policies continued. Demand-side easing policies were primarily about gradually lifting the respective measures of restrictions on purchases, loans and sales, reduction of down payment, reduction of home loan interest rate, optimizing the support for home purchases with provident fund, provision of subsidies for home purchases and so forth, thereby effectively lowering the barriers and costs of home purchases and fostering reasonable consumption on housing. On enterprises’ side, the main theme for policy refinement was to guard against and resolve risks facing real estate enterprises, to improve the balance sheet of premium real estate enterprises, and to level up the financial support for ensuring property delivery. With adequate assessment of the situation, real estate enterprises focused on “ensuring timely delivery of products and stabilizing operation”, discharging corporate responsibilities and fostering the steady and healthy development of the real estate market.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operational and residential property management; and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.

Property Development

As a result of the continuous impact of the severe operating environment in the real estate industry, for the six months ended 30 June 2023, the contracted sales of the Group together with its associates and joint ventures amounted to approximately RMB17,610 million (for the six months ended 30 June 2022: RMB23,241 million). For the six months ended 30 June 2023, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,135,462 square meters (for the six months ended 30 June 2022: 1,532,058 square meters).



Management Discussion and Analysis

Set forth below is the distribution of contracted sales of the Group during the six months ended 30 June 2023:

For the six months ended 30 June 2023			
Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	229,270	3,375,773	14,724
Residential	906,192	14,234,103	15,708
Total	1,135,462	17,609,876	15,509

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2023, the Group had an aggregate gross floor area (“GFA”) of approximately 7,834,363 square meters (as at 31 December 2022: approximately 7,743,836 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 1.2% as compared with that as at 31 December 2022.

During the six months ended 30 June 2023, one asset-light project operated and managed by the Group, namely Xiangtang Powerlong Plaza, successfully commenced operation on 16 May 2023. As at 30 June 2023, the Group held and managed 60 shopping malls and managed 10 asset-light shopping malls, with the number of shopping malls in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

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

As at 30 June 2023, the Group owned eight international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Hotel W Xiamen (廈門W酒店), Four Points by Sheraton Taicang Suzhou (蘇州太倉寶龍福朋喜來登酒店), Four Points by Sheraton Chengyang Qingdao (青島城陽寶龍福朋喜來登酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated eleven self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店), ARTELS+ Xinxiang (新鄉藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝瑤酒店), JUNTELS Penglai Yantai (煙台蓬萊藝瑤酒店), JUNTELS Tai'an (泰安寶龍藝瑤酒店) and JUNTELS Pan'an Jinhua (金華磐安寶龍藝瑤酒店).

Land Bank

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

As at 30 June 2023, the Group had a quality land bank amounting to a total GFA of approximately 23.67 million square meters, of which approximately 20.61 million square meters were properties under development and construction and approximately 3.06 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2023, approximately 64.2% of the Group's land bank was located in the Yangtze River Delta region.

Management Discussion and Analysis

OUTLOOK

As the real estate industry is gradually shifting from the rapid development in the past to a new trend of stable development, the supply and demand relationship in the real estate market and the pattern of urbanization are undergoing significant trending and structural changes, and the differentiation between different cities and regions is becoming more obvious. It is expected that in the second half of 2023, China's real estate industry will continue to be easing in an orderly manner under the policy keynote of "properties being for residential dwellings instead of speculation" and city-specific policies. City-specific policies will be made more precise, to better support the rigid and upgraders' housing needs, guard against and resolve real estate financial risks, and continue to level up the financial support for ensuring property delivery, to ensure the stable and healthy development of the real estate market. In a stage where the real estate industry is gradually moving towards high-quality and stable development, the real estate enterprises will continue to focus on "ensuring timely delivery of products and stabilizing operation" and continue to strengthen refined management and control. Efforts will be made to uplift delivery capability, product strengths and service capability, striving to achieve ongoing sound operation and sustainable high-quality development.

Faced with the challenges and opportunities presented by intense adjustments of the real estate industry in China, in mid-2023, the Group put forward the development theme of "overcoming difficulties, moving forward with wisdom and courage", to implement the operation and management mission of "creating new value by focusing on projects", and work on "managing change, eliminating obstacles, and full blossoming" to achieve "guaranteed sales"; "strengthening budgets, precise use, and breakthroughs in financing" to achieve "effective control of funds"; "key resources, full attention, achieving mission" to achieve "project sprint"; "breaking the routine, fully exploring, outperforming the expected" to achieve "maximum realization of value"; "responsibility mechanism, matching of persons and job posts, supporting business" to achieve "ongoing implementation of management measures", thereby continuing to return to a virtuous development track. In an environment where the real estate industry is still facing challenges, the Group will always strive to adhere to stable operation, stick to the bottom line of "ensuring delivery", honour its commitments and target "quality delivery", and fulfill its promises to ensure the full delivery of projects nationwide. The Group will holistically enhance its refined management, and pragmatically proceed with formulation and implementation of plans. The confidence of all staff members, their team spirit and selfless dedication, and their brave undertaking of responsibilities and historic mission in the course of sound development of the enterprise, will continually drive the sound development of the enterprise and the virtuous cycle of the industry.

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

The Group will continue to integrate and consolidate its advantageous resources and strive to implement its plan of high-quality opening within the year. The Group will continue to adhere to its customer and quality service orientation, continue to enhance the operation quality of projects and business atmosphere, accelerate the adjustment and renovation process of existing projects, utilize technology to empower smart business and improve the overall project management efficiency. We will actively respond to changes in the market and consumption, think out of the box, break out of the routine, constantly update the mix of business formats, establish project signatures, create a rich consumption scenario, further stimulate commercial vitality, continuously improve consumer satisfaction and satisfy consumers' diversified lifestyles.

Management Discussion and Analysis

Against the backdrop where the real estate industry in China is in a period of intense adjustments, the Group will continue to strengthen its financial risk management, secure the Group's cashflow, expedite collection of sales proceeds and debt interests receivable, strictly control the overall debt scale, revitalize stock assets, strengthen asset management, uplift occupancy rate and rental rate, lower financial leverage, lower gearing ratio, optimize financing structure, constantly enhance its financing capability, lower its financing cost, enhance control over costs, strictly control non-core and unnecessary operating expenses, continue to foster a steady and safe system of financial control, and continue to enhance and optimize its ability in digitalized financial management, especially enhancement of Powerlong center of financial sharing, for better financial effectiveness and better financial risk management and internal control.

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

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

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income from property sales, rental income from investment properties, income from provision of commercial operational services and residential property management services and income from other property development related businesses. For the six months ended 30 June 2023, the Group recorded a total revenue of approximately RMB12,299 million (for the six months ended 30 June 2022: approximately RMB16,897 million), representing a decrease of approximately 27.2% as compared with the corresponding period in 2022. This was mainly attributable to the decrease in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2023, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered for the six months ended 30 June 2023 amounted to approximately RMB9,827 million (for the six months ended 30 June 2022: approximately RMB14,547 million), representing a decrease of approximately 32.4% as compared with the corresponding period in 2022. This was mainly attributable to the decrease in the delivery of residential properties and commercial properties.

Management Discussion and Analysis

Set forth below are the details regarding the properties sold and delivered during the six months ended 30 June 2023:

		For the six months ended 30 June 2023		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	120,446	1,214	10,079
	Residential	379,817	7,294	19,204
Hainan	Commercial	3,845	38	9,883
	Residential	511	8	15,656
Guangdong-Hong Kong-Macau Bay Area	Commercial	45	1	22,222
	Residential	6,001	101	16,831
Others	Commercial	58,343	273	4,679
	Residential	100,473	898	8,938
Total		669,481	9,827	14,679
Commercial		182,679	1,526	8,353
Residential		486,802	8,301	17,052

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

For the six months ended 30 June 2023, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB941 million (for the six months ended 30 June 2022: approximately RMB866 million), representing an increase of approximately 8.7% as compared with the corresponding period in 2022.

For the six months ended 30 June 2023, income from provision of commercial operational services and residential property management services was mainly derived from projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB1,087 million (for the six months ended 30 June 2022: approximately RMB1,054 million), representing an increase of approximately 3.1% as compared with the corresponding period in 2022.

For the six months ended 30 June 2023, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services amounting to approximately RMB2,028 million (for the six months ended 30 June 2022: approximately RMB1,920 million), representing an increase of approximately 5.6% as compared with the corresponding period in 2022. This was mainly attributable to the economies of scale brought by the increasing GFA of properties held for investment and commercial and residential properties managed by the Group.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation and the provision of consultation services. For the six months ended 30 June 2023, the Group recorded income from other property development related businesses amounting to approximately RMB444 million (for the six months ended 30 June 2022: approximately RMB430 million), representing an increase of approximately 3.3% as compared with the corresponding period in 2022, which was mainly due to the lifting of COVID-19-related restrictions, so the Group's hotel operations have gradually resumed.

Management Discussion and Analysis

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2023, cost of sales amounted to approximately RMB8,752 million (for the six months ended 30 June 2022: approximately RMB11,664 million), representing a decrease of approximately 25.0% as compared with the corresponding period in 2022, which was mainly due to the decrease in the GFA of properties sold and delivered, leading to a decrease in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, gross profit amounted to approximately RMB3,548 million (for the six months ended 30 June 2022: approximately RMB5,233 million), representing a decrease of approximately 32.2% as compared with the corresponding period in 2022, which was mainly due to the decrease in revenue from property sales. Gross profit margin decreased by 2.2 percentage points from 31.0% for the six months ended 30 June 2022 to 28.8% for the six months ended 30 June 2023, which was mainly attributable to the provision of impairment for the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry.

Fair Value Losses on Investment Properties

For the six months ended 30 June 2023, the Group recorded fair value losses of approximately RMB465 million (for the six months ended 30 June 2022: fair value losses of approximately RMB45 million). The fair value losses increased by approximately RMB420 million as compared with the corresponding period in 2022, mainly due to the continued downward trend of the real estate market after the end of the epidemic and insufficient socio-economic domestic demand, leading to the decrease in demand for shopping malls leasing.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2023, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB1,056 million (for the six months ended 30 June 2022: approximately RMB1,328 million), representing a decrease of approximately 20.5% as compared with the corresponding period in 2022, which was mainly attributable to the decrease in the scale of projects sales and management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2023, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB739 million (for the six months ended 30 June 2022: approximately RMB549 million), representing an increase of approximately 34.6% as compared with the corresponding period in 2022, which was mainly due to the increase in net profit from joint ventures and associates.

Income Tax Expense

Income tax expense of the Group amounted to approximately RMB791 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB1,338 million), representing a decrease of approximately 40.9% as compared with the corresponding period in 2022, which was mainly due to the decrease in the PRC corporate income tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2023, the profit attributable to owners of the Company amounted to approximately RMB94 million (for the six months ended 30 June 2022: approximately RMB698 million), representing a decrease of approximately 86.5% over the corresponding period in 2022.

For the six months ended 30 June 2023, basic earnings per share was approximately RMB2.3 cents (for the six months ended 30 June 2022: approximately RMB16.9 cents), representing a decrease of approximately 86.5% over the corresponding period in 2022.

Management Discussion and Analysis

Core earnings (being the profit excluding the fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review)^(Note) for the six months ended 30 June 2023 reached approximately RMB1,484 million (for the six months ended 30 June 2022: approximately RMB2,268 million), representing a decrease of approximately 34.6% as compared with that in the corresponding period in 2022.

Core earnings attributable to owners of the Company (being the profit excluding the attributable fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review)^(Note) for the six months ended 30 June 2023 reached approximately RMB1,280 million (for the six months ended 30 June 2022: approximately RMB1,691 million), representing a decrease of approximately 24.3% as compared with the corresponding period in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB11,281 million in total as at 30 June 2023 (as at 31 December 2022: approximately RMB11,808 million), representing a decrease of approximately 4.5% as compared with that as at 31 December 2022.

Borrowings

Total borrowings of the Group as at 30 June 2023 was approximately RMB60,919 million (as at 31 December 2022: approximately RMB63,092 million), representing a decrease of approximately 3.4% as compared with that as at 31 December 2022. The Group's borrowings comprise bank and other borrowings of approximately RMB37,427 million, corporate bonds of approximately RMB5,842 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,238 million, assets-backed securities (the "ABS") of approximately RMB208 million and senior notes of approximately RMB15,204 million.

Out of the total borrowings, approximately RMB13,080 million was repayable within one year, while approximately RMB47,839 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2023, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 79.7% (as at 31 December 2022: approximately 81.9%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2023 amounted to approximately RMB2,330 million (for the six months ended 30 June 2022: approximately RMB2,558 million), representing a decrease of approximately 8.9% as compared with the corresponding period in 2022. The decrease was mainly due to the decrease in total borrowings of the Group as compared with the corresponding period in 2022. The effective interest rate decreased slightly from 6.43% for the six months ended 30 June 2022 to 6.36% for the six months ended 30 June 2023, due to the Group's tightened control over finance costs. The Group will continue to enhance its stringent control over finance costs.

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

Management Discussion and Analysis

Credit Policy

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

Pledge of Assets

As at 30 June 2023, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB85,494 million (as at 31 December 2022: RMB89,541 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2023 amounted to approximately RMB39,565 million (as at 31 December 2022: approximately RMB41,734 million). The ABS of RMB208 million (as at 31 December 2022: RMB261 million) were secured by the trade receivables of the Group. The senior notes issued by the Company were guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liabilities.

Financial Guarantees

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	20,775,474	22,935,267
Guarantees for borrowings of joint ventures and associates	1,097,379	866,466
	21,872,853	23,801,733

Commitments

(1) Commitments for property development expenditures

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Contracted but not provided for		
– Property development activities	9,038,977	10,316,531
– Acquisition of land use rights	2,695,230	3,298,879
	11,734,207	13,615,410

(2) Lease commitments

As at 30 June 2023, the Group did not have any material short-term lease commitment.

Management Discussion and Analysis

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2023 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB23,511 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to the shareholders of the Company (the "**Shareholders**") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had not authorised any plans for any other material investments or additions of capital assets as at 30 June 2023.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2023, the Group employed a total of 10,466 full-time employees (as at 31 December 2022: 10,046 employees). The total staff costs of the Group incurred was approximately RMB1,240 million for the six months ended 30 June 2023. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Completion of the Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation

References are made to the announcements of the Company dated 21 June 2023, 3 July 2023, 5 July 2023, 7 July 2023 and 10 July 2023 (collectively, the "**Relevant Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 21 June 2023, the Company conducted (i) the Exchange Offer with respect to the July 2021 Notes, the November 2019 Notes and the July 2019 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; (ii) the Consent Solicitation with respect to the 2024 Notes, the 2025 Notes and the 2026 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement; and (iii) the Concurrent Consent Solicitation with respect to the July 2022 A Notes and the July 2022 B Notes upon the terms and subject to the conditions set forth in the Concurrent Consent Solicitation Statement.

The Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation were completed on 6 July 2023. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US\$17,189,000 in aggregate principal amount of the July 2024 New Notes, which will be consolidated and form a single series with the July 2022 A Notes (as amended); (ii) US\$16,607,000 in aggregate principal amount of the January 2026 New Notes, which will be consolidated and form a single series with the July 2022 B Notes (as amended); and (iii) US\$401,485,000 in aggregate principal amount of the December 2025 New Notes, respectively. For further details, please refer to the Relevant Announcements.

Disclosure of Interests

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests and short positions of each director (the "Director(s)") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

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

Notes:

- These percentages have been compiled based on the total number of issued shares (i.e. 4,140,403,000 shares) as at 30 June 2023.
- These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong. Pursuant to the SFO, Mr. Hoi Kin Hong is deemed to be interested in the shares held by Skylong Holdings Limited.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held under The Sky Infinity Trust.
- These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which are wholly and beneficially owned by Ms. Hoi Wa Fan. Pursuant to the SFO, Ms. Hoi Wa Fan is deemed to be interested in the shares held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd.

Disclosure of Interests

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

Name of Directors	Name of associated corporation	Number of ordinary shares				Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
		Personal interests	Interests of spouse	Interests of a controlled corporation	Other interests		
Mr. Hoi Wa Fong	Powerlong CM	–	–	32,537,000 (Note 2)	1,500,000 (Note 3)	34,037,000	5.29%
Ms. Shih Sze Ni Cecilia	Powerlong CM	–	34,037,000 (Note 4)	–	–	34,037,000	5.29%

Notes:

- These percentages have been compiled based on the total number of issued shares of Powerlong CM (i.e. 642,900,000 shares) as at 30 June 2023.
- Huihong Management (PTC) Limited (“**Huihong Management**”), the trustee of Huihong Trust, is wholly owned by Mr. Hoi Wa Fong. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held by Huihong Management.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held under the Sky Infinity Trust.
- Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares of Powerlong CM held by Mr. Hoi Wa Fong.

(3) Long position in the debentures of the Company

Name of Directors	Capacity/ Nature of interests	Principal amount of the relevant debenture held	Approximate percentage of interests to the aggregate principal amount of the relevant debenture issued
Mr. Hoi Wa Fong	Settlor of discretionary trust (Note 2)	US\$2,200,000 (Note 1)	0.84%
Ms. Shih Sze Ni Cecilia	Interests of spouse (Note 3)	US\$2,200,000 (Note 1)	0.84%

Disclosure of Interests

Notes:

1. The US\$262,741,000 7.125% senior notes due 2024 issued by the Company are listed on SGX-ST, transferable and not convertible into shares of the Company. For details of the 7.125% senior notes due 2024, please refer to the announcements of the Company dated 4 July 2022, 13 July 2022, 14 July 2022, 16 July 2022, 19 July 2022 and 25 July 2022.
2. These debentures are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor.
3. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the debentures of the Company held by Mr. Hoi Wa Fong.

Save as disclosed above, as at 30 June 2023, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2023, the interests or short positions of the persons or corporations, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	43.61%
Credit Suisse Trust Limited (Note 4)	Trustee	597,568,000	14.43%
Sky Infinity Family Limited (Note 4)	Interest in controlled corporation	597,568,000	14.43%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	597,568,000	14.43%
Wason Holdings Limited	Beneficial owner	273,526,000	6.61%
Walong Holdings Limited	Beneficial owner	209,444,000	5.06%

Notes:

1. All the interests represent long positions.
2. These percentages have been compiled based on the total number of issued shares (i.e. 4,140,403,000 shares) as at 30 June 2023.
3. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
4. Sky Infinity Holdings Limited is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other person or corporation, other than a Director or chief executive of the Company, who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

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

COMPLIANCE WITH THE CG CODE

During the six months ended 30 June 2023, the Company had complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the relevant employees was noted by the Company.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the interim report for the six months ended 30 June 2023 in conjunction with the Company’s management and external auditor. In particular, the Audit Committee has discussed with the Company’s management and external auditor regarding the preparation of the condensed consolidated financial statements of the Company for the six months ended 30 June 2023 in this interim report on a going concern basis. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The chairman of the Board, all the Directors, including the respective chairman of the Audit Committee, the remuneration committee and nomination committee of the Company, and the external auditor were present at the annual general meeting of the Company held on 16 June 2023.

Corporate Governance

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 8 July 2019

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

Facility Agreement dated 13 May 2020

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

Facility Agreement dated 30 June 2020

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

Facility Agreement dated 9 July 2021

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

Corporate Governance

Facility Agreement dated 9 August 2021

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

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

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed above, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended 30 June 2023.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on the biographical details of the Directors are as follows:

Dr. Ngai Wai Fung, an independent non-executive Director, has retired as an independent non-executive director of Beijing Capital Grand Limited (Stock Code: 1329.HK) since May 2023.

Dr. Mei Jian Ping, an independent non-executive Director, has ceased to be an independent non-executive director of Shanghai Shentong Metro Co., Ltd. (Stock Code: 600834.SH) since May 2023.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Balance Sheet

		30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property and equipment	6	6,546,379	6,534,602
Investment properties	7	81,107,822	80,688,538
Intangible assets		7,553	8,594
Goodwill		20,640	20,640
Investments accounted for using the equity method	8	10,299,893	9,864,901
Deferred income tax assets		1,959,903	1,713,294
Financial assets at fair value through profit or loss		1,528	1,528
Financial assets at fair value through other comprehensive income		50,567	50,791
Prepayments	9	663,469	663,469
Trade receivables	12	–	232,084
		100,657,754	99,778,441
Current assets			
Properties under development	10	63,042,406	68,705,423
Completed properties held for sale	11	18,349,186	18,293,581
Contract assets		812,069	694,594
Trade receivables	12	2,018,530	3,102,728
Other receivables	13	23,018,237	24,398,791
Prepayments	9	4,761,417	5,155,816
Prepaid taxes		1,825,998	1,674,691
Financial assets at fair value through profit or loss		130,268	138,695
Restricted cash	14	2,334,065	2,218,049
Cash and cash equivalents	15	8,946,984	9,589,869
		125,239,160	133,972,237
Total assets		225,896,914	233,750,678
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	36,779	36,779
Other reserves	17	2,168,782	2,165,705
Retained earnings		38,997,308	38,903,081
		41,202,869	41,105,565
Perpetual Capital Instruments	18	551,064	519,781
Non-controlling interests		20,520,085	20,976,248
Total equity		62,274,018	62,601,594

Interim Condensed Consolidated Balance Sheet

		30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	47,839,140	43,406,681
Lease liabilities		2,635,811	2,654,368
Other payables	21	–	89,491
Deferred income tax liabilities		7,620,807	7,817,109
		58,095,758	53,967,649
Current liabilities			
Borrowings	19	13,079,609	19,685,552
Trade and other payables	21	41,234,383	44,891,658
Contract liabilities	20	34,733,732	36,763,915
Current income tax liabilities		16,310,453	15,712,813
Lease liabilities		168,961	127,497
		105,527,138	117,181,435
Total liabilities		163,622,896	171,149,084
Total equity and liabilities		225,896,914	233,750,678

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

The Interim financial information on pages 19 to 56 were approved by the Board on 25 August 2023 and were signed on its behalf by:

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June

	Notes	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Revenue	5	12,299,291	16,897,225
Cost of sales	22	(8,751,680)	(11,664,474)
Gross profit		3,547,611	5,232,751
Fair value losses on investment properties – net	7	(464,536)	(44,620)
Selling and marketing costs	22	(393,423)	(543,548)
Administrative expenses	22	(662,303)	(784,349)
Net impairment (losses)/gains on financial assets		(126,819)	72,578
Other income and gains/(losses) – net		5,437	(619,711)
Operating profit		1,905,967	3,313,101
Finance costs – net	23	(1,561,435)	(1,310,765)
Share of profit of investments accounted for using the equity method	8	738,581	548,832
Profit before income tax		1,083,113	2,551,168
Income tax expense	24	(791,193)	(1,337,886)
Profit for the period		291,920	1,213,282
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	17	12,415	9,507
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	17	(169)	(2,485)
Total other comprehensive income for the period, net of tax		12,246	7,022
Total comprehensive income for the period		304,166	1,220,304
Profit attributable to:			
Owners of the Company		94,227	698,066
Holder of Perpetual Capital Instruments	18	31,283	18,844
Non-controlling interests		166,410	496,372
		291,920	1,213,282
Total comprehensive income attributable to:			
Owners of the Company		106,473	705,088
Holder of Perpetual Capital Instruments	18	31,283	18,844
Non-controlling interests		166,410	496,372
		304,166	1,220,304
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		2.3	16.9
– Diluted		2.3	16.9

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

Interim Condensed Consolidated Statement of Changes in Equity

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

Six months ended

30 June 2023 (Unaudited)

Balance at 1 January 2023

Comprehensive income:

Profit for the period

Other comprehensive income for the period

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

– Currency translation differences

Total comprehensive income for the period

Transactions with owners:

– Dividends

– Changes in ownership interests in subsidiaries without change of control

– Employee share award scheme

– Capita injection from non-controlling interests (Note 30)

– Disposal of subsidiary

Total transactions with owners

Balance at 30 June 2023

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

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Holders of Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		
Six months ended							
30 June 2022 (Unaudited)							
Balance at 1 January 2022	36,779	1,808,496	38,848,385	40,693,660	519,781	21,194,011	62,407,452
Comprehensive income:							
Profit for the period	–	–	698,066	698,066	18,844	496,372	1,213,282
Other comprehensive income for the period							
– Changes in the fair value of financial assets at fair value through other comprehensive income	–	(2,485)	–	(2,485)	–	–	(2,485)
– Currency translation differences	–	9,507	–	9,507	–	–	9,507
Total comprehensive income for the period	–	7,022	698,066	705,088	18,844	496,372	1,220,304
Transactions with owners:							
– Dividends (Note 26)	–	–	(352,990)	(352,990)	–	(639,747)	(992,737)
– Changes in ownership interests in subsidiaries without change of control	–	505,202	–	505,202	–	(549,151)	(43,949)
– Employee share award scheme	–	19,680	–	19,680	–	7,944	27,624
– Capita injection from non-controlling interests (Note 30)	–	–	–	–	–	57,176	57,176
– Distribution to holders of perpetual capital instrument (Note 18)	–	–	–	–	(38,000)	–	(38,000)
Total transactions with owners	–	524,882	(352,990)	171,892	(38,000)	(1,123,778)	(989,886)
Balance at 30 June 2022	36,779	2,340,400	39,193,461	41,570,640	500,625	20,566,605	62,637,870

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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	Note	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		4,381,098	9,443,715
PRC corporate income tax paid		(454,258)	(533,494)
PRC land appreciation tax paid		(216,809)	(297,174)
Interest paid		(2,348,509)	(1,723,953)
Cash generated from operating activities		1,361,522	6,889,094
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		–	12,054
Net cash inflow in disposal of subsidiaries		50,533	–
Purchases of property and equipment		(229,654)	(427,334)
Purchases of right-of-use assets		(1,236)	(100,177)
Purchases of intangible assets		(888)	–
Payments of construction fee and land use right of investment properties		(661,127)	(1,047,716)
Proceeds from disposal of property and equipment		60,396	24,462
Proceeds from disposal of investment properties		220,984	326,688
Purchase of financial assets at fair value through profit or loss		–	(37)
Proceeds from disposal of financial assets at fair value through profit or loss		–	11,851
Proceeds from disposal of joint ventures and associates		–	594,014
Investments in joint ventures and associates		–	(814,901)
Cash advances made to joint ventures, associates and non-controlling interests		(3,799,431)	(6,040,902)
Collection of cash advances from joint ventures, associates and non-controlling interests		5,997,530	2,801,192
Interest received		62,617	151,280
Decreased in bank deposit		51	1,650,000
Cash generated from/(used in) investing activities		1,699,775	(2,859,526)
Cash flows from financing activities			
Proceeds from borrowings		1,831,824	6,836,855
Repayments of borrowings		(4,596,000)	(14,381,433)
Restricted cash released from/(pledged for) borrowings		1,094	(187,926)
Cash advances from parties controlled by ultimate controlling shareholders		397,317	–
Cash advances from joint ventures, associates and non-controlling interests		2,276,030	4,780,915
Repayment of cash advances to parties controlled by ultimate controlling shareholders		(861,907)	(836,365)
Repayments of cash advances to joint ventures, associates and non-controlling interests		(2,665,875)	(4,186,028)
Capital contribution from non-controlling interests		–	57,176
Changes in ownership interests in subsidiaries without change of control		13,847	(43,949)
Dividends paid		–	(592,787)
Distribution to holders of perpetual capital instruments		–	(38,000)
Principal elements and interest expenses of lease payments		(103,446)	(135,674)
Cash used in financing activities		(3,707,116)	(8,727,216)
Decrease in cash and cash equivalents		(645,819)	(4,697,648)
Cash and cash equivalents at beginning of period	15	9,589,869	19,407,192
Exchange gains/(losses) on cash and cash equivalents		2,934	(3,353)
Cash and cash equivalents at end of the period	15	8,946,984	14,706,191

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

Notes to the Interim Financial Information

1 GENERAL INFORMATION

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

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

This interim financial information for the six months ended 30 June 2023 has been approved for issue by the Board on 25 August 2023.

The interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2022.

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

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

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

Notes to the Interim Financial Information

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year beginning on 1 January 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its an Associate or Joint Venture	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Hong Kong Interpretation 5 (revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

Going concern basis

The Group continued to record a profit for the period of RMB292 million in its operating results during the period (six months ended 30 June 2022: RMB1,213 million). The Group's revenue decreased from RMB16,897 million for the six months ended 30 June 2022 to RMB12,299 million for the six months ended 30 June 2023. As at 30 June 2023, the Group recorded a net current assets of RMB19,712 million, and the Group's current portion of borrowings amounted to RMB13,080 million, while its cash and cash equivalents (excluding restricted cash) amounted to RMB8,947 million.

In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or obtain cash from external financing to meet its loan repayment obligations.

In view of the above, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively negotiating with several existing financial institutions and investors on the extension of certain borrowings. The Group is also actively negotiating with various financial institutions to secure new loans at reasonable costs;
- (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 buyers' 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;

Notes to the Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going concern basis (continued)

- (iii) The Group continues to identify suitable buyers and engage in discussions with certain potential buyers regarding the possible disposal of the equity interests in certain property development projects or shopping malls of the Group in order to raise additional funds; and
- (iv) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2023. They 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 twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3 ESTIMATES

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

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

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2023 and 31 December 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2023 (Unaudited)				
Financial assets:				
– Financial assets at fair value through profit or loss	925	69,733	61,138	131,796
– Financial assets at fair value through other comprehensive income	–	–	50,567	50,567
Total	925	69,733	111,705	182,363
At 31 December 2022 (Audited)				
Financial assets:				
– Financial assets at fair value through profit or loss	899	77,796	61,528	140,223
– Financial assets at fair value through other comprehensive income	–	–	50,791	50,791
Total	899	77,796	112,319	191,014

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2023 (31 December 2022: nil).

Notes to the Interim Financial Information

5 SEGMENT INFORMATION

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

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

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

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the six months ended 30 June 2022 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Group RMB'000
Six months ended 30 June 2022 (Unaudited)					
Gross segment revenue	14,546,615	950,842	1,259,612	436,417	17,193,486
Inter-segment revenue	–	(84,880)	(205,023)	(6,358)	(296,261)
Revenue	14,546,615	865,962	1,054,589	430,059	16,897,225
Share of post-tax profits/(losses) of joint ventures and associates	550,786	–	(1,547)	(407)	548,832
Segment results	4,283,431	634,366	169,448	(115,797)	4,971,448
Fair value losses on financial assets measured at fair value through profit or loss					(11,663)
Losses on disposal of financial assets measured at fair value through profit or loss					(4,384)
Unallocated operating costs					(1,093,468)
Finance cost – net (Note 23)					(1,310,765)
Profit before income tax					2,551,168
Income tax expense					(1,337,886)
Profit for the period					1,213,282
Depreciation and amortisation recognised as expenses	34,898	–	3,971	102,581	141,450
Fair value gain/(losses) on investment properties – net (Note 7)	–	1,566	(46,186)	–	(44,620)

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2023 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 30 June 2023 (Unaudited)						
Segment assets	117,497,720	82,042,740	4,916,705	12,886,117	(6,422,113)	210,921,169
Other assets						14,975,745
Total assets						225,896,914
Segment assets include:						
Interests in joint ventures and associates	10,245,622	-	54,271	-	-	10,299,893
Segment liabilities	64,359,174	2,289,898	2,193,874	4,569,036	(6,422,113)	66,989,869
Other liabilities						96,633,027
Total liabilities						163,622,896
Capital expenditure	9,076	957,565	2,795	253,994	-	1,223,430

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2022 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 31 December 2022 (Audited)						
Segment assets	130,604,333	79,955,703	4,884,707	10,893,206	(7,322,719)	219,015,230
Other assets						14,735,448
Total assets						233,750,678
Segment assets include:						
Interests in joint ventures and associates	9,810,557	–	54,344	–	–	9,864,901
Segment liabilities	67,638,732	2,949,523	2,588,826	5,824,675	(7,322,719)	71,679,037
Other liabilities						99,470,047
Total liabilities						171,149,084
Capital expenditure (six months ended 30 June 2022) (Unaudited)	314,844	718,228	2,954	309,589	–	1,345,615

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

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

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

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

Segment liabilities consist of operating liabilities.

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

Notes to the Interim Financial Information

6 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of use assets RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Opening net book amount as at 1 January 2023	4,275,139	2,259,463	6,534,602
Additions	258,088	7,777	265,865
Disposals	(75,004)	(28,229)	(103,233)
Depreciation charges	(112,978)	(37,877)	(150,855)
Closing net book amount as at 30 June 2023	4,345,245	2,201,134	6,546,379
Six months ended 30 June 2022 (Unaudited)			
Opening net book amount as at 1 January 2022	4,078,014	2,150,957	6,228,971
Additions	527,210	100,177	627,387
Disposals	(10,817)	(12,355)	(23,172)
Depreciation charges	(116,074)	(25,089)	(141,163)
Closing net book amount as at 30 June 2022	4,478,333	2,213,690	6,692,023

As at 30 June 2023, property and equipment with a net book amount of RMB1,920,060,000 (31 December 2022: RMB1,264,716,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2023 was 6.12% (six months ended 30 June 2022: 6.39%).

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

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Opening amount as at 1 January 2023	67,657,997	13,030,541	80,688,538
Additions	–	957,565	957,565
Fair value (losses)/gains – net	(656,283)	191,747	(464,536)
Disposals	(73,745)	–	(73,745)
Closing amount as at 30 June 2023	66,927,969	14,179,853	81,107,822
Six months ended 30 June 2022 (Unaudited)			
Opening amount as at 1 January 2022	61,794,376	16,535,379	78,329,755
Additions	29,660	688,568	718,228
Consolidations of entities previously held as associates	1,256,537	–	1,256,537
Transfers	1,897,071	(1,897,071)	–
Fair value (losses)/gains – net	(75,300)	30,680	(44,620)
Disposals	(685,883)	–	(685,883)
Closing amount as at 30 June 2022	64,216,461	15,357,556	79,574,017

Investment properties as at 30 June 2023 and 31 December 2022 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2023 was 6.12% (six months ended 30 June 2022: 6.39%).

As at 30 June 2023, investment properties of RMB35,280,691,000 (31 December 2022: RMB38,198,315,000) were pledged as collateral for the Group's borrowings (Note 19).

(i) Valuation processes of the Group

The Group's investment properties were valued at 30 June 2023 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(ii) Valuation techniques

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

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

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

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

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

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

Notes to the Interim Financial Information

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2023 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Investments accounted for using the equity method:		
Joint ventures	4,421,798	4,650,663
Associates	5,878,095	5,214,238
	10,299,893	9,864,901

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Share of profits/(losses) of associates and joint ventures accounted for using the equity method:		
Joint ventures	47,317	(84,024)
Associates	691,264	632,856
	738,581	548,832

Notes to the Interim Financial Information

9 PREPAYMENT

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Acquisition of land use rights (Note (a))	3,728,220	3,798,918
Others	1,696,666	2,020,367
	5,424,886	5,819,285
Less: non-current portion		
Prepayments for acquisition of land use right	(663,469)	(663,469)
	4,761,417	5,155,816

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have been obtained as at 30 June 2023 and 31 December 2022. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28(a)).

10 PROPERTIES UNDER DEVELOPMENT

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	18,227,655	18,846,641
– Interests capitalised	7,023,580	7,327,725
– Land use rights	37,791,171	42,531,057
	63,042,406	68,705,423

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

As at 30 June 2023, properties under development of approximately RMB43,613,750,000 (31 December 2022: RMB46,154,146,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2023 was 6.12% (six months ended 30 June 2022: 6.39%).

Notes to the Interim Financial Information

11 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2023, completed properties held for sale of approximately RMB4,610,192,000 (31 December 2022: RMB3,129,158,000) were pledged as collateral for the Group's borrowings (Note 19).

12 TRADE RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade receivables (Note (a))	2,311,645	3,488,267
– Third parties	2,272,547	3,435,268
– Related parties (Note 29 (d))	39,098	52,999
Less: loss allowance (Note (b))	(293,115)	(153,455)
	2,018,530	3,334,812
Less: non-current portion		
Trade receivables – third parties	–	(232,084)
Trade receivables	2,018,530	3,102,728

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

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within one year	1,589,741	2,794,700
Over one year	721,904	693,567
	2,311,645	3,488,267

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2023, a provision of RMB293,115,000 was made against the gross amounts of trade receivables (31 December 2022: RMB153,455,000).
- (c) The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.
- (d) The Group's trade receivables are mainly denominated in RMB.

Notes to the Interim Financial Information

13 OTHER RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Deposits for acquisition of land use rights	75,000	75,000
Other receivables:	23,325,384	24,722,687
– Related parties (Note 29(d))	10,370,507	10,818,267
– Non-controlling interests	8,780,030	10,530,368
– Other amounts due from third parties	4,174,847	3,374,052
Less: loss allowance	(382,147)	(398,896)
	23,018,237	24,398,791

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

As at 30 June 2023, other receivables from related parties are interest-free and repayable on demand. As at 31 December 2022, included in other receivables from related parties are amounts due from joint ventures of approximately RMB184,218,000 bearing interest at average rate of 10.00% per annum and repayable within one year.

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

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

As at 30 June 2023 and 31 December 2022, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

Notes to the Interim Financial Information

14 RESTRICTED CASH

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Guarantee deposits for construction projects (Note (a))	2,050,458	1,963,802
Guarantee deposits for bank acceptance notes	14,278	13,788
Guarantee deposits for bank borrowings (Note (b))	69,792	70,886
Restricted cash – bank deposits	46,352	46,402
Others	153,185	123,171
	2,334,065	2,218,049
Denominated in:		
– RMB	2,334,065	2,218,049
	2,334,065	2,218,049

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 30 June 2023, the Group has placed cash deposits of approximately RMB69,792,000 (31 December 2022: RMB70,886,000) with designated banks as security for bank borrowings (Note 19).

Notes to the Interim Financial Information

15 CASH AND CASH EQUIVALENTS

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Cash at bank and in hand:		
– Denominated in RMB	8,855,759	9,512,934
– Denominated in HK\$	19,389	38,140
– Denominated in US\$	71,692	38,579
– Denominated in MOP	144	216
	8,946,984	9,589,869

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

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2023 and 30 June 2023	30,000,000,000			
Issued and fully paid:				
Six month ended 30 June 2023 (Unaudited)				
As at 1 January 2023 and 30 June 2023	4,140,403,000	36,779	–	36,779
Six month ended 30 June 2022 (Unaudited)				
As at 1 January 2022 and 30 June 2022	4,140,403,000	36,779	–	36,779

Notes to the Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserves RMB'000 (Note (d))	Revaluation reserves RMB'000 (Note (c))	Capital injection by non- controlling interests RMB'000	Transaction with non- controlling interests RMB'000	Total RMB'000
--	--	------------------------------	--	--	--	--	---	------------------

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

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

**Six month ended 30 June 2022
(Unaudited)**

At 1 January 2022	337,203	(28,951)	128,477	52,388	273,619	1,224,449	(178,689)	1,808,496
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	—	—	505,202	505,202
Employee share award scheme	—	—	—	19,680	—	—	—	19,680
Changes in the value of financial assets at fair value through other comprehensive income	—	—	—	—	(2,485)	—	—	(2,485)
Currency translation differences	—	9,507	—	—	—	—	—	9,507
At 30 June 2022	337,203	(19,444)	128,477	72,068	271,134	1,224,449	326,513	2,340,400

(a) Merger reserve

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

(b) Statutory reserves

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

Notes to the Interim Financial Information

17 OTHER RESERVES (continued)

(c) Revaluation reserves

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value losses on FVOCI – gross	(225)	(3,313)
Tax charge – deferred income tax	56	828
Total other comprehensive income – net of tax	(169)	(2,485)

(d) Share-based compensation reserve

Powerlong Commercial Management Holding Limited (“Powerlong CM”), a subsidiary of the Group, was listed on the Stock Exchange on 30 December 2019 (the “listing”). On 24 November 2020, Powerlong CM granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled. Under the terms of the Shares Award Scheme, when the vesting conditions are fulfilled, the Awarded Shares shall be vested 50% in June 2023 and 50% in June 2025 respectively. In June 2023, 5,625,000 Awarded Shares were vested.

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

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

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

Notes to the Interim Financial Information

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Balance as at 1 January 2023	500,000	19,781	519,781
Profit attributable to holders of perpetual capital instruments	–	31,283	31,283
Balance as at 30 June 2023	500,000	51,064	551,064
Six months ended 30 June 2022 (Unaudited)			
Balance as at 1 January 2022	500,000	19,781	519,781
Profit attributable to holders of perpetual capital instruments	–	18,844	18,844
Distribution to holders of perpetual capital instruments	–	(38,000)	(38,000)
Balance as at 30 June 2022	500,000	625	500,625

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

Notes to the Interim Financial Information

19 BORROWINGS

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	15,203,810	13,258,162
Corporate bonds (Note (b))	5,841,561	6,293,177
Commercial mortgage backed securities	2,238,315	2,263,300
Assets-backed securities	208,459	260,557
Bank borrowings (Note (c))	34,838,765	36,357,253
– secured	34,748,411	36,268,819
– unsecured	90,354	88,434
Other borrowings – secured (Note (d))	1,265,849	1,929,565
Less: amounts due within one year	(11,757,619)	(16,955,333)
	47,839,140	43,406,681
Borrowings included in current liabilities:		
Senior notes (Note (a))	–	1,351,857
Bank borrowings (Note (c))	136,000	875,802
– secured	136,000	778,290
– unsecured	–	97,512
Other borrowings (Note (d))	1,185,990	502,560
– secured	1,175,990	494,480
– unsecured	10,000	8,080
Add: Current portion of long-term borrowings	11,757,619	16,955,333
	13,079,609	19,685,552
Total borrowings	60,918,749	63,092,233

(a) Senior notes

As at 30 June 2023, senior notes of RMB15,203,810,000 (31 December 2022: RMB13,258,162,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant as at 30 June 2023 and 31 December 2022.

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

(b) Corporate bonds

As at 30 June 2023, corporate bonds of RMB5,361,531,000 (31 December 2022: RMB5,723,939,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above options was insignificant as at 30 June 2023 and 31 December 2022.

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(c) Bank borrowings

As at 30 June 2023, bank borrowings of RMB34,884,411,000 (31 December 2022: RMB37,047,109,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 14); the secured bank borrowings of RMB7,213,072,000 (31 December 2022: RMB5,564,067,000) were additionally guaranteed by certain related parties (Note 29(b)(iii)).

(d) Other borrowings

As at 30 June 2023, borrowings from other non-bank financial institutions of RMB2,441,839,000 (31 December 2022: RMB2,424,045,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9) and completed properties held for sale (Note 10).

20 CONTRACT LIABILITIES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Current contract liabilities		
– Related parties (Note 29 (d))	15,180	45,950
– Third parties	34,718,552	36,717,965
	34,733,732	36,763,915

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

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

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	7,684,526	8,725,093

- (b) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 30 June 2023 and 31 December 2022.

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade payables (Note (a))	14,387,325	15,313,841
– Related parties (Note 29 (d))	24,513	9,879
– Third parties	13,976,086	14,729,978
– Notes payable – third parties	386,726	573,984
Other payables and accruals	21,766,875	22,439,321
– Related parties (Note 29 (d))	10,486,215	11,864,851
– Non-controlling interests	5,406,259	5,348,346
– Third parties (Note (b))	5,874,401	5,226,124
Value-added tax received in advance from customers	1,480,612	2,364,264
Dividend payables	352,990	352,990
Dividend payables to non-controlling interests	27,865	–
Payables for retention fee	876,780	1,432,146
Interest payable	1,724,922	1,790,729
Other tax payable	596,334	1,267,178
Payables for acquisition of land use rights	20,680	20,680
	41,234,383	44,981,149
Less: non-current portion		
Other payables – third parties	–	(89,491)
Current portion	41,234,383	44,891,658

(a) As at 30 June 2023 and 31 December 2022, the ageing analysis of trade payables based on invoice date was as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within one year	11,364,481	14,291,768
Over one year	3,022,844	1,022,073
	14,387,325	15,313,841

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

- (b) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (c) The Group's trade and other payables are mainly denominated in RMB, except for the dividend payables of RMB352,990,000 (31 December 2022: RMB352,990,000) and dividend payables to non-controlling interest of RMB27,865,000 (31 December 2022: Nil) denominated in HK\$ and the interest payables of RMB335,618,000 (31 December 2022: RMB303,367,000) and RMB40,784,000 (31 December 2022: RMB63,438,000) denominated in US\$ and HK\$ respectively.
- (d) The carrying amounts of trade and other payables approximate their fair value.

22 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	6,452,652	8,874,636
Staff costs and other labour costs (including directors' emoluments)	1,129,556	1,329,966
Advertising costs	183,590	280,106
Taxes and other levies	84,539	191,503
Outsourced security, greening and cleaning and maintenance costs	165,580	137,748
Depreciation and amortisation	152,784	141,450
Hotel operating expenses	156,145	137,730
Write-down of completed properties held for sale	825,268	1,175,770
Properties taxes	93,187	71,287
Utilities	110,629	108,183
Office related expenses	20,863	26,709
Rental expense	13,875	17,903
Donations	185	22,441
Auditor's remuneration	3,135	3,200

Notes to the Interim Financial Information

23 FINANCE COSTS – NET

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Interest expense:		
– Borrowings	2,261,805	2,460,429
– Lease liabilities	68,079	97,993
	2,329,884	2,558,422
Less: finance costs capitalised	(1,549,506)	(2,146,217)
Foreign exchange losses on financing activities – net	843,674	1,021,130
	1,624,052	1,433,335
Finance costs		
Interest income of bank deposits	(62,617)	(122,570)
	1,561,435	1,310,765

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Current income tax:		
– PRC corporate income tax	473,050	1,583,670
– PRC land appreciation tax	601,451	536,064
	1,074,501	2,119,734
Deferred income tax:		
– PRC corporate income tax	(200,567)	(725,436)
– PRC land appreciation tax	(82,741)	(56,412)
	(283,308)	(781,848)
	791,193	1,337,886

Notes to the Interim Financial Information

24 INCOME TAX EXPENSE (continued)

PRC corporate income tax

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

PRC withholding income tax

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

Notes to the Interim Financial Information

25 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit attributable to owners of the Company (RMB'000)	94,227	698,066
Weighted average number of ordinary shares in issue (thousand shares)	4,140,403	4,140,403
Basic earnings per share (RMB cents per share)	2.3	16.9

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2023, diluted earnings per share is equal to basic earnings per share (30 June 2022: same).

26 DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2023 was proposed by the Board (six months ended 30 June 2022: Nil).

27 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	20,775,474	22,935,267
Guarantees for borrowings of joint ventures and associates (Note (b))	1,097,379	866,466
	21,872,853	23,801,733

Notes to the Interim Financial Information

27 FINANCIAL GUARANTEE CONTRACTS (continued)

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

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

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

28 COMMITMENTS

- (a) Commitments for property development expenditures

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Contracted but not provided for:		
– Property development activities	9,038,977	10,316,531
– Acquisition of land use rights	2,695,230	3,298,879
	11,734,207	13,615,410

- (b) Leases commitments

As at 30 June 2023, the Group did not have any material short-term lease commitments.

29 RELATED PARTY TRANSACTIONS

- (a) Ultimate controlling shareholder and controlling shareholders

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

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2023 and 2022, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Nature of transactions		
Controlled by the ultimate controlling shareholder		
Rental income	1,246	3,134
Purchase of office equipment and security intelligentisation system services from related parties	19,327	20,936
Companies significantly influenced by the Controlling Shareholder		
Purchase of digitalisation services	9,684	11,589
Joint ventures and associates		
Sales of construction materials	8,634	17,986
Interest income	11,311	28,710
Consultation services provided	9,443	113,407
Commercial operational services and residential properties management services provided	12,406	25,606

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

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,097,379,000 as at 30 June 2023 (31 December 2022: RMB866,466,000) (Note 27).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB7,213,072,000 as at 30 June 2023 (31 December 2022: RMB5,564,067,000) (Note 19 (c)).
- (iv) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	10,629	8,177
– Pension costs	846	982
	11,475	9,159

(d) Balances with related parties

As at 30 June 2023 and 31 December 2022, the Group had the following material balances with related parties:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Companies controlled by the ultimate controlling shareholder	14,920	–
Joint ventures	8,670	52,999
Associates	15,508	–
	39,098	52,999
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	8,713,928	8,247,306
Associates	1,635,203	2,549,585
	10,370,507	10,818,267
Amounts due to related parties included in trade payables (Note (ii)):		
Companies controlled by the ultimate controlling shareholder	23,697	9,879
Joint ventures	816	–
	24,513	9,879
Amounts due to related parties included in other payables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	1,825,832	2,290,422
Joint ventures	3,691,290	4,593,309
Associates	4,969,093	4,981,120
	10,486,215	11,864,851

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Amounts due to related parties included in contract liabilities		
(Note (iv)):		
Joint ventures	7,090	45,950
Associates	8,090	–
	15,180	45,950

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

30 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the six months ended 30 June 2023, the Group and certain independent third parties entered into certain cooperation agreements in relation to the establishment of property development companies. These property development companies are accounted for as subsidiaries of the Group, and capital contribution from the minority interest amounted to RMB22,509,000 (six months ended 30 June 2022: RMB57,176,000).

Notes to the Interim Financial Information

31 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Completion of the Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation

References are made to the announcements of the Company dated 21 June 2023, 3 July 2023, 5 July 2023, 7 July 2023 and 10 July 2023 (collectively, the "Relevant Announcements"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 21 June 2023, the Company conducted (i) the Exchange Offer with respect to the July 2021 Notes, the November 2019 Notes and the July 2019 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; (ii) the Consent Solicitation with respect to the 2024 Notes, the 2025 Notes and the 2026 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement; and (iii) the Concurrent Consent Solicitation with respect to the July 2022 A Notes and the July 2022 B Notes upon the terms and subject to the conditions set forth in the Concurrent Consent Solicitation Statement.

The Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation were completed on 6 July 2023. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US\$17,189,000 in aggregate principal amount of the July 2024 New Notes, which will be consolidated and form a single series with the July 2022 A Notes (as amended); (ii) US\$16,607,000 in aggregate principal amount of the January 2026 New Notes, which will be consolidated and form a single series with the July 2022 B Notes (as amended); and (iii) US\$401,485,000 in aggregate principal amount of the December 2025 New Notes, respectively. For further details, please refer to the Relevant Announcements.