

JOVAN 佳源

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

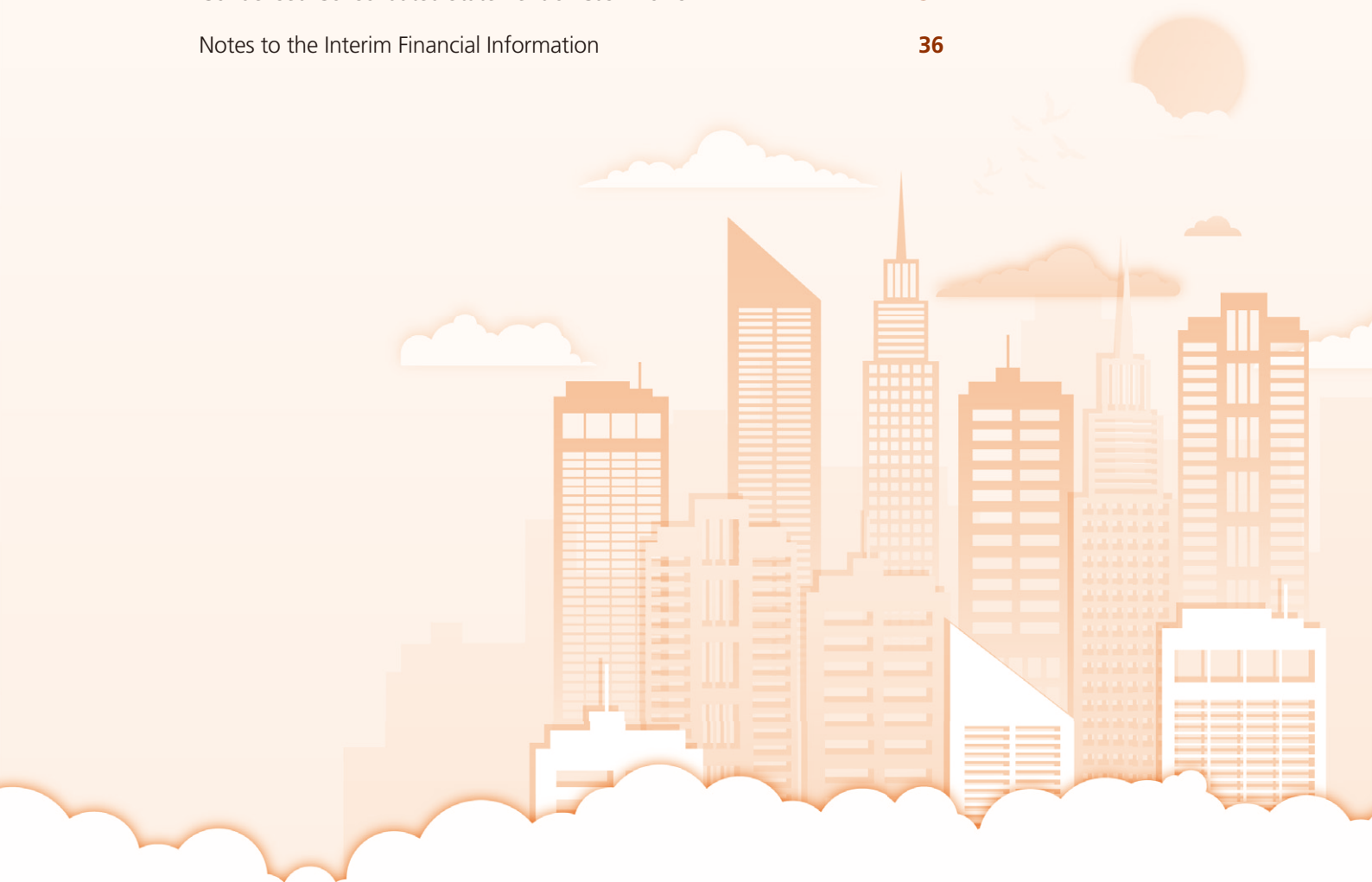
Stock Code : 2768

2022 INTERIM REPORT



CONTENTS

Corporate Information	2
Company Profile	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	6
Corporate Governance and Other Information	17
Condensed Consolidated Income Statement	29
Condensed Consolidated Statement of Comprehensive Income	30
Condensed Consolidated Statement of Financial Position	31
Condensed Consolidated Statement of Changes in Equity	33
Condensed Consolidated Statement of Cash Flows	34
Notes to the Interim Financial Information	36



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Shum Tin Ching (*Chairman*)
Shen Xiaodong
Yu Anqi (*appointed on 30 June 2022*)

Executive Directors

Zhang Yi (*Vice Chairman*)
Huang Fuqing (*Vice Chairman*)
Cheuk Hiu Nam
Wang Jianfeng (*resigned on 30 June 2022*)

Independent Non-executive Directors

Lin Shaoyong (*appointed on 30 June 2022*)
Cheung Wai Bun, Charles, JP
Gu Yunchang
He Shibin (*appointed on 14 September 2022*)
Tai Kwok Leung, Alexander (*resigned on 30 June 2022*)
Su Ling (*appointed on 30 June 2022 and resigned on 14 September 2022*)

AUDIT COMMITTEE

Lin Shaoyong (*Chairman*) (*appointed on 30 June 2022*)
Cheung Wai Bun, Charles, JP
Gu Yunchang
Tai Kwok Leung, Alexander (*Chairman*)
(*resigned on 30 June 2022*)

REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, JP (*Chairman*)
He Shibin (*appointed on 14 September 2022*)
Zhang Yi
Tai Kwok Leung, Alexander (*resigned on 30 June 2022*)
Su Ling (*appointed on 30 June 2022 and resigned on 14 September 2022*)

NOMINATION COMMITTEE

Shum Tin Ching (*Chairman*)
Cheung Wai Bun, Charles, JP
Gu Yunchang

PRESIDENT

Shen Hongjie

JOINT COMPANY SECRETARIES

Cheuk Hiu Nam
Lau Yee Wa

AUTHORISED REPRESENTATIVES

Cheuk Hiu Nam
Lau Yee Wa

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law:
Mayer Brown

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Banco Tai Fung
Bank of Communications
China Minsheng Bank
Huishang Bank
Agricultural Development Bank of China
SPD Bank

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS

Unit 205, 2/F
One Vista Summit
3 San Hop Lane
Tuen Mun
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
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Far East Finance Centre
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WEBSITE

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STOCK CODE

2768

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (“Jiayuan” or the “Company” and together with its subsidiaries, collectively as the “Group”) (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People’s Republic of China (the “PRC”). As at 30 June 2022, the total land bank of the Group was approximately 16.6 million sq.m..

With 27 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the “Jiayuan” brand.

As of 30 June 2022, the Group has a portfolio of 98 property projects in the PRC. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu and Anhui regions. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. Also, the Group purchased the quality properties of Shanghai from Mr. Shum Tin Ching (“Mr. Shum”), chairman (the “Chairman”) of the board (the “Board”) of directors (the “Directors”) of the Company, non-executive Director and the controlling shareholder of the Company, thus enhancing its leading position in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the “Belt and Road” initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group acquired a property management business, for which property management services of the Group was deeply rooted in Yangtze River Delta Region. Jiayuan Services Holdings Limited (Stock Code: 1153.HK) (“Jiayuan Services”) became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in December 2020. In 2021, the Group acquired the Shandong property development projects from Mr. Shum to further expand its development regions.

The Group’s residential and commercial complexes in cities with sizeable economies and populations have been or will be developed into mixed-use community centres. The Group strives to infuse the following key values into its developments:

1. Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school nets. In addition, the Group has participated in the construction of five schools in its developed property projects, aiming at building an excellent school net;
2. Leisure value: For projects building, it is the Group’s general practice to spare a certain portion of its site area for the construction of European or Chinese-style theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to its customers;
3. Commercial value: The residential properties under the Group also include retail stores and shopping malls, providing a “one-stop” shopping experience to its customers and taking care of the daily needs of residents and citizens nearby; and
4. Green value: Green construction and green innovation are important areas for practicing environmental responsibility. The Group will put more emphasis on green development to integrate the green concept into the whole process of planning, designing, building and operating, so as to create green buildings and healthy buildings with high qualities. Meanwhile, residential industrialization is actively promoted and energy conservation and consumption reduction requirements are implemented, so as to enhance the environmental performance in a multi-pronged approach.

FINANCIAL HIGHLIGHTS

- The Group achieved contracted sales of approximately RMB7,780 million for the six months ended 30 June 2022 representing a decrease of approximately 59% from corresponding period of RMB19,127 million in 2021.
- The Group's revenue decreased to approximately RMB7,360 million for the six months ended 30 June 2022 as compared to the corresponding period of approximately RMB9,364 million in 2021.
- The Group's gross profit was approximately RMB1,636 million for the six months ended 30 June 2022, with gross profit margin of approximately 22%.
- Net profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB536 million, representing a decrease of approximately RMB1,634 million or 75% as compared to the corresponding period in 2021.
- Core net profit of the Group for the six months ended 30 June 2022^(note 1) was approximately RMB741 million.
- Cash and bank balances of the Group^(note 2) as at 30 June 2022 was RMB6,733 million, representing a decrease of 32% compared to 31 December 2021.
- As at 30 June 2022, the Group had land reserves of approximately 16.6 million sq.m..

Note 1: Core net profit of the Group for the six months ended 30 June 2022 and 30 June 2021 exclude fair value change on investment properties, net impairment reversal on financial assets, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial instruments and their related deferred tax, foreign exchange gains/(losses) and gains arising from bargain purchase.

Note 2: Cash and bank balances include cash and cash equivalents, restricted bank deposits and short-term bank deposits.

CHAIRMAN'S STATEMENT

Dear **Shareholders**,

Into 2022, due to the complicated and severe international environment and the sporadic outbreak of the epidemic in China, there were obviously greater pressure on economic development and the real estate industry was confronted with unprecedented pressure. The sales scale of commodity housing declined significantly and the total investment in property development recorded a negative growth for the first time as compared to the previous years. Faced with the extremely complicated and difficult situations, local governments efficiently coordinated epidemic prevention and control as well as economic development, strengthened adjustments in macro-policies and effectively implemented a package of policies and measures in stabilizing the economy.

In the first half of 2022, under the guidance of the macro-policies of stability in economy and growth, local governments introduced loosened control policies to maintain a high-frequency pace, and nearly 500 real estate control policies were introduced, reaching a record high for the same period in history. However, the real estate market still needs more time to bottom out and the confidence of consumers is yet to be recovered.

Under such a context, through the initiatives including the fortification of sales team development, adjustment on layout strategies and continuous optimization of capital and debt structures in the first half of the year to deleverage and reduce liabilities, the Group remained steadfast in maintaining steady operation and development of the enterprise. However, a new wave of COVID-19 epidemic outbreak since the first quarter led to a citywide lockdown of Shanghai and some core cities in the Yangtze River Delta Region, which caused disruption to the Group's development projects in those regions as well as the construction work and transportation of building materials, and therefore resulted in a decrease of the total gross floor area delivered in the first half of the year. The sales trend was pessimistic as compared to the previous years.

In the first half of the year, the Group's contracted sales amount was approximately RMB7,780 million and the sales area was approximately 638,734 sq.m.. The revenue and core net profit were RMB7,360 million and RMB741 million, respectively, maintaining a stable operation.

In the second half of 2022, the global COVID-19 epidemic is still evolving and the external environment shall become more complicated and rigorous, and therefore the national economic recovery will still be facing challenges. In face of the complicated and fast-changing environment and the real estate industry under in-depth adjustment, the Group will actively seek for a path for the enterprise to continue the virtuous circle and healthy development, and insist on deep and concentrated development and expansion and operation in the Yangtze River Delta Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the key provincial cities as well as the countries and regions along the "Belt and Road" initiative. At the same time, we will proactively enforce plans of property sales vis-à-vis new land reserves, making full effort in achieving the sales target for the whole year. We will also adhere to the residence-centered direction, conduct in-depth research on the customers' demand, polish our products precisely, adhere to deliver as scheduled, and constantly consolidate our brand value, thereby constantly creating benefits for our shareholders.

Shum Tin Ching

Chairman

Jiayuan International Group Limited

Hong Kong

31 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Review

In the first half of 2022, the domestic and international environment was complicated and fast-changing, and there was an obvious slowdown in the growth of the global economy. The sporadic outbreak of the epidemic in China caused a severe strike to the stable operation of economy. As the epidemic broke out in the first quarter of the year and the situation was grim, many cities in China took lockdown measures in order to keep the epidemic under control, leading to a drop in major economic indicators in April 2022. In May 2022, with the overall improvement in epidemic prevention and control, companies resumed operation and production in an orderly manner, and a series of policies and measures to stabilize growth were implemented, narrowing the drop in major economic indicators. The Chinese economy had a steady rebound in June 2022 and managed to achieve a positive growth in the second quarter of the year. The gross domestic product ("GDP") of China amounted to RMB56,264.2 billion in the first half of the year, representing a period-on-period increase of 2.5% and a significant decrease in the growth rate as compared to 2021.

In the first half of 2022, as adversely affected by various unexpected factors including but not limited to the recurrence of the epidemic in various regions in China, the national real estate industry experienced unprecedented challenges. The sales scale of commodity housing declined significantly and the total investment in property development recorded a negative growth for the first time as compared to the previous years. As shown in the information issued by the National Bureau of Statistics, from January to June 2022, the investment in the real estate development in China amounted RMB6,831.4 billion, representing a period-on-period decrease of 5.4%; the area under construction by the real estate developers amounted to 8,488.12 million sq.m., representing a period-on-period decrease of 2.8%; new property construction area amounted to 664.23 million sq.m., representing a period-on-period decrease of 34.4%; completed property area amounted to 286.36 million sq.m., representing a period-on-period decrease of 21.5%; the sales area of commodity housing was 689.23 million sq.m., representing a period-on-period decrease of 22.2%; the sales of commodity housing was RMB6,607.2 billion, representing a period-on-period decrease of 28.9%.

Confronted with the downward pressure in economy, local governments persisted in epidemic prevention and control on one hand while ensuring economic stability on the other. Stability in real estate, economy and growth still remained the keynote of the macro-policy advocated by the state. Under such a general context, in the first half of the year, the central government and various ministries frequently released positive signals, and local authorities duly implemented city-specific policies. Nearly 500 optimization policies for real estate were introduced one after another in various cities, reaching a record high for the same period in history. As fostered by the policies, the market showed signs of recovery, and regulatory policies for the industry were continuously easing. It is hoped that with the support of favourable policies, the real estate industry will be able to stabilize and recover gradually.

Results Performance

Prudent land acquisitions with sufficient land banks

During the first half of 2022, the Group focused on improving sales and ensuring projects delivery as its key performance indicators and was prudent in land acquisitions. The Group achieved contracted sales of RMB7,780 million and sales area of 638,734 sq.m. during the first half of 2022 under the sluggish market environment. As at 30 June 2022, the Group had land bank of 16.6 million sq.m., with planned locked-in saleable resources of RMB224.9 billion, of which the Yangtze River Delta Area accounted for RMB117.4 billion or 52%, the Guangdong-Hong Kong-Macau Bay Area accounted for RMB57.9 billion or 26%, and Shandong Province accounted for RMB28.8 billion or 13%, respectively.

Maintaining stable financial structure through active debt management

In the first half of 2022, the management of the Group strived for enhancing its financial stability by stringently overseeing its cash position and optimizing its debt structure, and as a result of which, the Group was able to maintain all projects under construction in accordance with the construction schedule and stable cashflows of the Group.

Reference is made to the announcement of the Company dated 24 August 2022. As a non-state-owned real estate enterprise that has been one of the outstanding enterprises in the “Three Red Lines” assessment since 2020, the Company, under the current liquidity crisis faced by the real estate industry in China, has chosen to actively manage its outstanding debts by way of the exchange offer. On 24 August 2022, the Company commenced the exchange offer for at least US\$1,174,468,500 or 90%, in aggregate of the outstanding principal amount of the existing senior notes of US\$1,304,965,000 as the minimum acceptance amount and soliciting consents from eligible holders to certain proposed waivers and amendments to the indentures governing the consent notes upon the terms and subject to the conditions set forth in the exchange offer and consent solicitation memorandum dated 24 August 2022.

Prospects

Looking ahead to the second half of 2022, it remains difficult for the global economy to be fully recovered and China may face bigger challenges in this regard due to the continuous outbreak of the epidemic globally and the stringent policies in epidemic prevention adopted by the Chinese government. There are uncertainties in the internal and external environment for economic operation and the pressure of “stabilizing employment and protecting people’s livelihoods” remains. Along with the effective implementation of a package of policies to stabilize the economy and the weakening impacts of the epidemic, there is a chance of further acceleration in recovery of domestic production and the long-term outlook of the economy remains optimistic.

At the policy level, it is expected that in the second half of the year, local governments will continue to introduce policies and measures conducive to the steady and healthy development of the real estate industry actively based on their own conditions. The optimization of control policies in major first-tier and second-tier cities will be more prudent, while the frequency of adjusting control policies in real estate market of ordinary second-tier and third and fourth-tier cities will be relatively higher due to the greater adjustment pressure. As certain time is needed for the market to respond to the optimized control policies and the market is having a relatively weak sensitivity, there will not be an immediate effect from the policies in a short term. It is expected that the real estate market will gradually stabilize and recover in the second half of the year, yet the downward trend throughout the year may remain unchanged.

In view of the challenges and opportunities brought by the new trend in the property market, the Group is committed to implementing steady financial policies and risk control measures, ensuring quality and safety of constructions, strengthening its contracted sales and receipt of sales proceeds and applying strict control over its various costs and expenses, so as to secure a stable operating cash flow as well as investment returns.

Furthermore, the Group will continue to replenish its premium land bank by adopting practical strategies and hold on to the deep cultivation strategy to optimise the geographical layout of its projects. It will also devise corresponding investment portfolios to suit the different urbanisation stages of China and pay attention to the demands of different local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to various local market situations and achieve high-quality and all-rounded development for continuous increase of profitability in order to maximise the value for its shareholders.

Contracted Sales

The Group recorded total contracted sales of approximately RMB7,780 million during the six months ended 30 June 2022. The contracted sales attributable to the owners of the Company was RMB6,096 million represented an ownership interest of 78%, respectively.

The following table sets out the contracted sales of the Group's subsidiaries, joint ventures and associates for the six months ended 30 June 2022:

	Contracted sales RMB (million) (unaudited)	Contracted gross floor area ("GFA") (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Percentage
Hefei	870	50,547	17,202	11.20%
Nanjing	316	15,018	21,030	4.10%
Yangzhou	186	18,127	10,274	2.40%
Suzhou	251	30,248	8,292	3.20%
Taizhou	404	61,208	6,608	5.20%
Suqian	422	56,691	7,450	5.40%
Bozhou	181	38,345	4,710	2.30%
Yancheng	408	31,262	13,039	5.20%
Yangtze River Delta Region subtotal	3,038	301,446	10,076	39.00%
Qingdao	2,948	123,753	23,820	37.90%
Weihai	26	1,760	14,772	0.30%
Shandong Province subtotal	2,974	125,513	23,694	38.20%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	1,089	96,776	11,256	14.10%
Other Cities subtotal	680	115,026	5,910	8.70%
Total	7,781	638,761	12,181	100.00%

Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 30 June 2022:

	Total GFA (sq.m.)	Percentage
Hefei	1,465,560	8.9%
Suqian	1,815,284	11.0%
Taizhou	1,218,542	7.4%
Yangzhou	1,123,921	6.8%
Bozhou	680,569	4.1%
Nanjing	669,658	4.0%
Shanghai	156,917	0.9%
Suzhou/Changzhou/Zhenjiang/Yancheng	977,282	5.9%
Bengbu/Huainan/Ma'anshan/Lu'an	931,518	5.6%
Yangtze River Delta Region subtotal	9,039,250	54.6%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	2,690,749	16.2%
Qingdao	945,350	5.7%
Weihai	35,511	0.2%
Shandong Province Region subtotal	980,861	5.9%
Urumqi	1,732,826	10.5%
Guizhou	721,182	4.4%
Hainan	85,910	0.5%
Cambodia	1,308,092	7.9%
Other regions subtotal	3,848,010	23.2%
Total	16,558,870	100.0%

Investment Properties

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 30 June 2022, the Group had investment properties with a total GFA of approximately 885,064 sq.m. and a fair value of approximately RMB7,383 million (31 December 2021: RMB7,501 million). Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) sales of properties, (ii) property rental, and (iii) property management services. For the six months ended 30 June 2022, revenue of the Group amounted to approximately RMB7,360 million.

Sales of Properties

The Group's revenue from sales of property included the sale of residential and commercial properties. The Group recognizes revenue from the sale of properties when the buyer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and where the collection of the consideration is probable. Revenue derived from sales of properties amounted to approximately RMB6,873 million for the six months ended 30 June 2022, with a decrease of approximately 23% for the corresponding period in 2021. The decrease is mainly due to the outbreak of the COVID-19 and the Omicron variant, control measures in different cities such as temporary lockdowns of certain cities had been carried out in this period. This has created unfavourable impact to the operating performance of the Group, including but not limited to the delays caused to construction and delivery of property units.

Property Rental

The Group's property rental mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property investment for the six months ended 30 June 2022 was approximately RMB53 million, which decreased approximately RMB44 million compared to the corresponding period in 2021. The decrease is mainly due to certain properties closed for renovations during the period.

Property Management Services

The Group's revenue of property management services derives from three types of services: (i) property management services; (ii) value-added services to property developers; and (iii) community value-added services.

Revenue generated from property management increased by approximately 20% to approximately RMB434 million for the six months ended 30 June 2022 from approximately RMB362 million for the six months ended 30 June 2021. The increase was primarily attributable to (i) the increase in GFA under management; and (ii) the increase in the average property management fee.

Gross Profit and Gross Profit Margin

The Group's gross profit was approximately RMB1,636 million for the six months ended 30 June 2022 which decreased 45% compared to same period in 2021. The gross profit margin is 22%. The decrease of gross profit is mainly due to the unfavourable impact of the COVID-19 and the Omicron variant in the first half of 2022.

Other Income

The Group had other income of approximately RMB82 million for the six months ended 30 June 2022 as compared with approximately RMB164 million for the six months ended 30 June 2021, representing a decrease of approximately RMB81 million or 50%, which mainly due to the decrease of interest income on financial assets at fair value through profit or loss since the Company disposed a certain portion of financial assets at fair value through profit or loss during the period.

Other Gains and Losses

The Group's other gains and losses recognized losses at approximately RMB307 million for the six months ended 30 June 2022 as compared with other gains at approximately RMB295 million for the six months ended 30 June 2021. The other losses was mainly due to foreign exchange losses arising from depreciation of RMB against US\$.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the six months ended 30 June 2022 amounted to approximately RMB231 million, compared with approximately RMB309 million for six months ended 30 June 2021, representing a decrease of approximately 25%, mainly due to the Group's stringent control over expenses and the decrease of contracted sales during the period.

Finance Costs

The Group's finance costs decrease to RMB277,000 for the six months ended 30 June 2022 from RMB29 million for the six months ended 30 June 2021, which was primarily due to the decrease in interest expenses and increase in percentage of capitalised amount on qualifying assets.

Income Tax Expense

The Group's income tax expense decreased to approximately RMB529 million for the six months ended 30 June 2022 from approximately RMB938 million for the six months ended 30 June 2021. The decrease of income tax expense is preliminary due to the decrease of revenue and profit before tax. The Group's income tax expense included provisions made for Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT") less deferred taxation during the period. The decrease was mainly due to the decrease of LAT provision, which is taxed at a progressive rate between 30%–60%.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2022, the Group had an aggregate of cash and cash equivalents, which includes restricted bank deposits and short-term bank deposits of approximately RMB6,733 million (as at 31 December 2021: approximately RMB9,830 million), representing a decrease of approximately 32% as compared to that as at 31 December 2021. As at 30 June 2022, restricted bank deposits and short-term bank deposits of approximately RMB1,212 million (as at 31 December 2021: approximately RMB1,055 million) were restricted for use in specific property development projects or pledged for mortgage guarantees given by the Group.

Approximately 94% of the Group's cash at banks were denominated in RMB, while 6% were denominated in foreign currencies. The Group keeps maintaining its cash and cash equivalents in foreign currencies in a low proportion to control the risk in exchange losses.

Bank and Other Borrowings

As at 30 June 2022, the Group had bank and other borrowings of approximately RMB16,150 million (as at 31 December 2021: approximately RMB13,070 million). Amongst the borrowings, approximately RMB7,808 million (as at 31 December 2021: approximately RMB3,628 million) will be repayable within one year and approximately RMB8,342 million (as at 31 December 2021: approximately RMB9,442 million) will be repayable after one year.

As at 30 June 2022, bank and other borrowings of approximately RMB15,101 million (as at 31 December 2021: approximately RMB12,011 million) were secured by bank balances, land use rights and properties of the Group. As at 30 June 2022, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB22,132 million (as at 31 December 2021: approximately RMB20,087 million).

As at 30 June 2022, the Group had senior notes and convertible bonds of approximately RMB9,539 million (as at 31 December 2021: approximately RMB9,822 million). Amongst the senior notes and convertible bonds recognized as liabilities, approximately RMB5,355 million (as at 31 December 2021: approximately RMB2,842 million) will be repayable within one year and approximately RMB4,184 million (as at 31 December 2021: approximately RMB6,980 million) will be repayable or convertible after one year.

Net Gearing Ratio

The net gearing ratio of the Group was 71% as at 30 June 2022. The net gearing ratio was measured by net debt (bank and other borrowings, senior notes, convertible bonds and lease liabilities net of bank balances and cash, restricted bank deposits and short-term bank deposits) over total equity.

Exchange Rate Risk

As most of the Group's operating entities are located in Mainland China, the Group collects most of its revenue in Renminbi and most of the Group's expenditure including expenditure incurred in property sales as well as capital expenditures are also denominated in Renminbi.

For the six months ended 30 June 2022, the Group recorded a foreign exchange loss in the amount of RMB326 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. During the six months ended 30 June 2022, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. The Group's management will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign currency risks and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Group had the following contingent liabilities, respectively:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mortgage guarantees	11,908,028	11,284,483
Facility granted to related parties	2,034,255	2,861,227

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the Directors, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts.

MATERIAL ACQUISITIONS AND DISPOSALS

On 30 May 2022, Hong Kong Jia Yuan Holdings Limited (“Hong Kong Jia Yuan”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jiaxing Yuetai Property Co., Ltd.* (嘉興越泰置業有限公司) (the “Purchaser”), pursuant to which, Hong Kong Jia Yuan agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in Yancheng Xiangyuan Property Co., Ltd.* (鹽城祥源房地產有限公司), an indirect wholly-owned subsidiary of the Company (the “Target Company”) at the total consideration of RMB879 million (the “Sale Interest”).

The Target Company (through its 65%-held subsidiary) is the developer of the Property Development Project, being a property development project of a residential and commercial complex on a parcel of land located to the east of Renmin Road (人民路) and north of Nanhuan Road (南環路), Yancheng City, Jiangsu Province, the PRC, with a site area of approximately 130,827 sq.m. and an aggregate gross floor area of 469,279 sq.m. upon completion, which is currently under construction.

The completion of the disposal of the Sale Interest will take place upon the completion of all the registration procedures with the relevant local branch of the State Administration for Market Regulation in relation to the transfer of the Sale Interest from Hong Kong Jia Yuan to the Purchaser and the settlement of the consideration by the Purchaser.

As at the date of this report, the disposal of the Sale Interest is not yet completed. For details, please refer to the announcements of the Company dated 1 June 2022, 27 June 2022 and 24 August 2022.

Save as disclosed above and in this report, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. The Group does not have any future plans for material investments as at the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 8,305 employees (as at 30 June 2021: 7,481 employees). For the six months ended 30 June 2022, the Group incurred employee costs of approximately RMB394 million (six months ended 30 June 2021: approximately RMB303 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 (the “Share Option Scheme”) to provide incentives for eligible employees. The Group also provides training to its employees from time to time to enhance their relevant skills and knowledge.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries. There was no forfeited contribution utilized to offset employers’ contributions for the six months ended 30 June 2022, and there was no forfeited contribution available to reduce the contribution payable in the future years as at 30 June 2022.

SIGNIFICANT INVESTMENTS HELD

Save as those disclosed under the section headed “Investment Properties” and note 15 to the “Notes to the Interim Financial Information”, the Group did not have any significant investment during the six months ended 30 June 2022.

* For identification purpose only

PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group and business partners as at 30 June 2022:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Inventories of properties	20,018,248	17,852,117
Investment properties	2,931,100	2,104,600
Restricted bank deposits	39,409	40,607
Property and equipment	72,477	73,131
Financial assets at fair value through profit or loss	–	16,499
	23,061,234	20,086,954

OUTSTANDING CONVERTIBLE SECURITIES

As at 30 June 2022, the Company had the following outstanding convertible securities:

(1) Convertible Bonds for Acquisition

On 30 June 2021, as a part of the consideration for acquisition of Luyuan Investment Holdings Limited, the Company issued convertible bonds (the "Convertible Bonds for Acquisition") in an aggregate principal amount of HK\$3,420,640,000 (equivalent to RMB2,848,025,000) to Mingyuan Group Investment Limited ("Mingyuan Investment"), entitling Mingyuan Investment to convert at the conversion price of HK\$3.30 per conversion share (subject to adjustment for dilutive events) into 1,036,557,575 ordinary shares of the Company.

The Convertible Bonds for Acquisition will mature in five years and bear no interest. The bond holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the Convertible Bonds for Acquisition into such number of fully paid shares of the Company. Unless previously converted, the then outstanding principal amount of the Convertible Bonds for Acquisition shall be fully converted at 100% of their principal amount on the maturity date. The Company will not receive further consideration when the bond holder determines to convert the bonds into ordinary shares of the Company at the maturity date. The Convertible Bonds for Acquisition is non-redeemable by the Company or the bond holder.

In June 2022, Mingyuan Investment partially converted the Convertible Bonds for Acquisition in the aggregate principal amount of HK\$120,639,998 into 36,557,575 ordinary shares of the Company, with an aggregate nominal value of HK\$365,575.75 (the "Partial Conversion").

Upon the Partial Conversion, assuming full conversion at the initial conversion price of HK\$3.30 per share, 1,000,000,000 ordinary shares with aggregate nominal value of HK\$10,000,000.00 will be issued and allotted to Mingyuan Investment, representing (i) approximately 20.22% of the issued share capital of the Company as at the date of this report, (ii) approximately 16.82% of the issued share capital of the Company as enlarged by the issue of the 1,000,000,000 conversion shares resulting from the full conversion of the Convertible Bonds for Acquisition; and (iii) approximately 16.21% of the issued share capital of the Company as enlarged by the issue of the 1,000,000,000 conversion shares resulting from the full conversion of the Convertible Bonds for Acquisition and the 2025 Convertible Bonds (as defined below).

For dilutive impact on earnings per share, please refer to note 14 to the “Notes to the Interim Financial Information”.

For details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021, respectively and the circular of the Company dated 26 February 2021.

(2) 2025 Convertible Bonds

On 27 July 2021, the Company issued convertible bonds with a principal amount of US\$100,000,000 (equivalent to RMB646,380,000), bearing interest at a fixed interest rate of 7.0% per annum and maturing on 27 January 2025 (the “Maturity Date”) (the “2025 Convertible Bonds”). The 2025 Convertible Bonds are convertible into ordinary shares of the Company with a nominal value of HK\$0.01 each (the “Shares”), at a conversion price of HK\$3.50 per Share (subject to adjustment), at any time on or after 27 July 2022 to seven days before the Maturity Date.

Assuming full conversion of the 2025 Convertible Bonds at the initial conversion price of HK\$3.50 per Share (based on the closing price of HK\$3.30 on the last trading date prior to the date of the subscription agreement), the 2025 Convertible Bonds will be convertible into 222,074,285 Shares with aggregate nominal value of HK\$2,220,742.85, representing (i) approximately 4.49% of the issued share capital of the Company as at the date of this report; (ii) approximately 4.30% of the issued share capital of the Company as enlarged by the issue of the conversion shares resulting from the full conversion of the 2025 Convertible Bonds; and (iii) approximately 3.60% of the issued share capital of the Company as enlarged by the issue of 1,000,000,000 conversion shares resulting from the full conversion of the Convertible Bonds for Acquisition and the 2025 Convertible Bonds.

For the six months ended 30 June 2022, no part of the 2025 Convertible Bonds has been converted or redeemed by the Company.

For dilutive impact on earnings per share, please refer to note 14 to the “Notes to the Interim Financial Information”.

For details, please refer to the announcements of the Company dated 22 July 2021, 27 July 2021 and 28 July 2021.

EVENTS AFTER THE REPORTING PERIOD

(1) Conversion of Convertible Bonds for Acquisition

On 4 July 2022, Mingyuan Investment converted all the remaining Convertible Bonds for Acquisition in the principal amount of HK\$3,300,000,002 into 1,000,000,000 ordinary shares.

(2) Issuance of convertible bonds

References are made to the announcements of the Company dated 8 July 2022, 19 July 2022 and 20 July 2022, respectively. In July 2022, the Company issued convertible bonds with a total principal amount of HK\$667,080,000, bearing interest at a fixed interest rate of 8.0% per annum and maturing in July 2023 and convertible into 981,000,000 shares of the Company upon exercise in full of the conversion rights. Each convertible bond will, at the option of the holder, be convertible at any time after the issue date and up to and inclusive of one business day prior to the maturity date into fully paid ordinary share of HK\$0.01 each of the Company at an initial conversion price of HK\$0.68 per conversion share. As at the date of this report, holders of the 2023 Convertible Bonds had exercised their respective right to convert the 2023 Convertible Bonds in the aggregate principal amount of HK\$599,080,000 into 881,000,000 shares of the Company.

(3) Exchange of senior notes

Reference is made to the announcement of the Company dated 24 August 2022 (the "24 August Announcement"). Capitalized terms used herein shall bear the same meaning ascribed to them in the 24 August Announcement. On the date of 24 August 2022, the Company, commenced the exchange offer for at least (i) US\$89,325,000, or 90%, of the outstanding principal amount of the First October 2022 Senior Notes, (ii) US\$180,000,000, or 90%, of the outstanding principal amount of the Second October 2022 Senior Notes, (iii) US\$158,143,500, or 90%, of the outstanding principal amount of the February 2023 Senior Notes, (iv) US\$270,000,000, or 90%, of the outstanding principal amount of the April 2023 Senior Notes, (v) US\$270,000,000, or 90%, of the outstanding principal amount of the July 2023 Senior Notes and (vi) US\$207,000,000, or 90%, of the outstanding principal amount of the February 2024 Senior Notes and soliciting consents from eligible holders to certain proposed waivers and amendments to the indentures governing the consent notes upon the terms and subject to the conditions set forth in the exchange offer and consent solicitation memorandum dated 24 August 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 12 February 2016 (the “Share Option Scheme”) which was effective upon the listing date (i.e. 8 March 2016) (the “Listing Date”). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme provides an opportunity for the Eligible Participants to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for the Shares subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the “Eligible Participants”): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the then total Shares in issue as at the Listing Date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the total Shares in issue for the time being (the “Individual Limit”). Any further grant of options in excess of the 1% limit shall be subject to shareholders’ approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) HK\$0.01, being the nominal value of the Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be taken up shall be in accordance with the terms of the Share Option Scheme and at any time after the date upon which the option is deemed to be granted and accepted and may be exercised thereupon and prior to the expiry of the period as notified by the Directors to each grantee, save that no option shall be exercised later than 10 years from the relevant date of grant. There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

Save for the Share Option Scheme, there is no other share option scheme of the Company or any of its subsidiaries.

Grant of options

During the six months ended 30 June 2022, the Company, on 17 June 2022 (the "Date of Grant"), granted 130,500,000 options under the Share Option Scheme to 130 selected Eligible Participants (the "Grantees") to subscribe for an aggregate of 130,500,000 Shares at the exercise price of HK\$0.38 per Share. The closing price of the Shares on the Date of Grant was HK\$0.335 per Share. The validity period of the options is from 17 June 2022 to 16 June 2025 (both dates inclusive) and all the options will be vested to the Grantees on 17 June 2023, being the first anniversary of the Date of Grant. There are no performance appraisal conditions for the vesting of the options. As none of the options granted was vested during the six months ended 30 June 2022, no options were exercised nor canceled during the six months ended 30 June 2022. No options were lapsed during the six months ended 30 June 2022.

All the Grantees are employees of the Group. Among the total 130,500,000 options granted, 3,600,000 options were granted to the following Directors:

Name of Grantees	Position in the Group	Number of options granted
Mr. Zhang Yi	Vice Chairman and Executive Director	1,200,000
Mr. Huang Fuqing	Vice Chairman and Executive Director	1,200,000
Mr. Shen Xiaodong	Non-executive Director	1,200,000
Total:		<u>3,600,000</u>

Note: 1,200,000 options were granted to Mr. Wang Jianfeng, who was an executive Director as at the Date of Grant and resigned as an executive Director with effect from 30 June 2022.

The grant of options to each of the above Directors was approved by the then independent non-executive Directors pursuant to Rule 17.04(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the terms of the Share Option Scheme. Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) as at the date of this report. No Grantee was granted with options in excess of the Individual Limit.

As at the date of this report, save for the grant of options on 17 June 2022, no options have been granted under the Share Option Scheme since the adoption of the Share Option Scheme. As such, as at the date of this report, the number of Shares available for issue under the Share Option Scheme is 49,500,000 Shares, being approximately 0.73% of the total Shares in issue as at the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of its shareholders and to enhance its corporate value and accountability. The Board is committed to achieving high corporate governance standards.

During the six months ended 30 June 2022, the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices.

To the best of the knowledge of the Board, the Company has fully complied with the requirements under the CG Code during the six months ended 30 June 2022.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the “Code of Conduct”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Code of Conduct throughout the six months ended 30 June 2022. No incident of non-compliance with the Code of Conduct by the Group’s employees was noted by the Company during the six months ended 30 June 2022. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Board (the “Audit Committee”) comprises three members who are all independent non-executive Directors, namely, Mr. Lin Shaoyong, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Lin Shaoyong, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s interim financial information for the six months ended 30 June 2022, and discussed with the Company’s management regarding the review, internal controls and other relevant matters.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the change in information of the Directors since the publication of annual report of the Company for the year ended 31 December 2021 is set out below:

- Mr. Tai Kwok Leung, Alexander resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the remuneration committee of the Board (the “Remuneration Committee”) with effect from 30 June 2022;
- Mr. Wang Jianfeng resigned as an executive Director with effect from 30 June 2022;
- Mr. Yu Anqi was appointed as a non-executive Director with effect from 30 June 2022;
- Mr. Lin Shaoyong was appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 30 June 2022;
- Ms. Su Ling was appointed as an independent non-executive Director and a member of the Remuneration Committee with effect from 30 June 2022 and resigned as an independent non-executive Director and a member of the Remuneration Committee with effect from 14 September 2022; and
- Dr. He Shibin was appointed as an independent non-executive Director and a member of the Remuneration Committee with effect from 14 September 2022.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

On 27 April 2022, the Company purchased the May 2022 Senior Notes in the aggregate principal amount of US\$96,000,000, representing 93.2% of the aggregate principal amount of remaining outstanding of the May 2022 Senior Notes. The repurchased May 2022 Senior Notes were cancelled. For details, please refer to the announcements of the Company dated 2 May 2019 and 27 April 2022, respectively and note 13(a) to the “Notes to the Interim Financial Information”.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests in shares and underlying shares of the Company

Name of Director	Capacity/ Nature of Interest	Number of shares or underlying shares held ⁽¹⁾	Percentage of interest in the Company ⁽⁸⁾
Mr. Shum Tin Ching	Interest of a controlled corporation	4,114,572,455 (L) ⁽²⁾	83.18%
	Beneficial owner	92,001,718 (L) ⁽³⁾	1.86%
	Interest of a controlled corporation	3,212,319,746 (S) ⁽⁴⁾	64.94%
Mr. Zhang Yi	Beneficial owner	1,200,000 (L) ⁽⁵⁾	0.02%
Mr. Huang Fuqing	Beneficial owner	1,200,000 (L) ⁽⁶⁾	0.02%
Mr. Shen Xiaodong	Beneficial owner	1,200,000 (L) ⁽⁷⁾	0.02%

Notes:

- (1) The letters “L” and “S” denote the Director’s long position and short position in the Shares respectively.
- (2) The disclosed interest represents an interest in the Company held by Mingyuan Investment, which is indirectly 70% owned by Mr. Shum. Therefore, Mr. Shum is deemed to be interested in Mingyuan Investment’s interest in the Company by virtue of the SFO. These interests held by Mingyuan Investment comprise (i) 3,114,572,455 Shares beneficially held by Mingyuan Investment; and (ii) 1,000,000,000 Shares which represents the maximum number of shares which will be issued by the Company upon Mingyuan Investment’s exercise of the right of conversion under the Convertible Bonds for Acquisition owned by it after the Partial Conversion (as defined below). On 30 June 2021, the Company completed the major acquisition of Luyuan Investment Holdings Limited (魯源投資控股有限公司) (“Luyuan”), which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HK\$7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HK\$3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HK\$2,772,000,000 by way of issue of 840,000,000 Shares by the Company; and (iii) as to the remaining balance of HK\$1,054,920,000 by cash. On the date of completion, the Company issued the Convertible Bonds for Acquisition in the aggregate principal amount of HK\$3,420,640,000 entitling Mingyuan Investment to exercise the conversion rights at the conversion price of HK\$3.30 per conversion Share (subject to adjustment for dilutive events) into a maximum number of 1,036,557,575 conversion Shares. As at 30 June 2022, Mingyuan Investment had exercised its right of conversion to partially convert 36,557,575 conversion Shares on 17 June 2022 (the “Partial Conversion”). For further details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021, respectively, the circular of the Company dated 26 February 2021 and the next day disclosure return dated 17 June 2022.
- (3) These Shares are wholly owned by Mr. Shum as a beneficial owner.
- (4) These disclosed interest comprises of (i) 557,662,171 Shares, representing approximately 11.27% of the issued share capital of the Company, are subject to a share pledge executed by Mingyuan Investment in favour of CCB International Overseas Limited (“CCB Overseas”), a wholly-owned subsidiary of China Construction Bank Corporation (the “CCB Share Pledge”); (ii) 1,618,100,000 Shares, representing approximately 32.71% of the issued share capital of the Company, are subject to a share pledge executed by Mingyuan Investment in favour of Zhongrong PT Finance Limited (the “ZRPT Share Pledge”); (iii)(a) 1,000,000,000 Shares, representing approximately 20.22% of the issued share capital of the Company which represents the maximum number of Shares which will be issued by the Company upon Mingyuan Investment’s exercise of the right of conversion under the Luyuan Convertible Bonds for Acquisition after the Partial Conversion, and (b) 36,557,575 Shares in issue, representing approximately 0.74% of the issued share capital of the Company, all are subject to a share mortgage executed by Mingyuan Investment in favour of SHK Finance Limited and AP Diamond Limited (the “SHK & AP Share Pledge”). As Mingyuan Investment is indirectly 70% owned by Mr. Shum, Mr. Shum is deemed to be interested in Mingyuan Investment’s interest in the Company by virtue of the SFO.
- (5) The disclosed interest represents the underlying Shares relating to the share options granted by the Company to Mr. Zhang Yi on 17 June 2022.
- (6) The disclosed interest represents the underlying Shares relating to the share options granted by the Company to Mr. Huang Fuqing on 17 June 2022.
- (7) The disclosed interest represents the underlying Shares relating to the share options granted by the Company to Mr. Shen Xiaodong on 17 June 2022.
- (8) As at 30 June 2022, the total number of issued shares of the Company was 4,946,386,723.

(b) Interest in shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Number of shares or securities held ⁽¹⁾	Percentage of shareholding
Mr. Shum Tin Ching	Mingyuan Investment	Beneficial owner	105,000 (L)	70%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

(c) Interest in debentures of the Company

Name of Director	Type	Amount of debenture bought	Approximate percentage to the debentures
Dr. Cheung Wai Bun, Charles, JP ("Dr. Cheung")	11% senior notes in an aggregate principal amount of US\$130,000,000 due by February 2024	US\$1,840,872 ⁽¹⁾	1.42%
Mr. Shum Tin Ching	11% senior notes in an aggregate principal amount of US\$130,000,000 due by February 2024	US\$31,000,000 ⁽²⁾	23.85%

Notes:

- (1) The interests of Dr. Cheung in the debentures of the Company was held by Ambergate Estates Limited, a corporation of which Dr. Cheung owned 82% control.
- (2) The interests of Mr. Shum in the debenture of the Company was held by him and his associates (Mingyuan Investment and Hongkong Jianyuan Investment Limited, a company wholly owned by Mr. Shum).

Save as disclosed above, as at 30 June 2022, no other Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as of 30 June 2022, the following persons (other than the Directors or chief executive of the Company) and entities had the following interests or short positions in the shares or underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

(a) Interests in Shares

Name of Substantial Shareholder	Capacity/ Nature of Interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽¹⁴⁾
Ms. Wang Xinmei ⁽²⁾	Interest of spouse	4,206,574,173 (L) ⁽³⁾	85.04%
		3,212,319,746 (S) ⁽⁴⁾	64.94%
Mingyuan Investment ⁽⁵⁾	Beneficial owner	4,114,572,455 (L) ⁽³⁾	83.18%
		3,212,319,746 (S) ⁽⁴⁾	64.94%
China Jiayuan Group Limited ⁽⁵⁾	Interest of a controlled corporation	4,114,572,455 (L) ⁽³⁾	83.18%
		3,212,319,746 (S) ⁽⁴⁾	64.94%
Galaxy Emperor Limited ⁽⁵⁾	Interest of a controlled corporation	4,114,572,455 (L) ⁽³⁾	83.18%
		3,212,319,746 (S) ⁽⁴⁾	64.94%
Zhongrong PT Finance Limited	Person having a security interest in shares	1,618,100,000 (L) ⁽⁶⁾	32.71%
SHK Finance Limited	Person having a security interest in shares	1,036,557,575 (L) ⁽⁷⁾	20.96%
Top Progress Investments Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Earnest Finance Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Easy Capital Investments Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%

Name of Substantial Shareholder	Capacity/ Nature of Interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽¹⁴⁾
United Asia Finance Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Swan Islands Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
UAF Holdings Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Sun Hung Kai & Co. Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
AP Emerald Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
AP Jade Limited ⁽⁸⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
AP Diamond Limited	Person having a security interest in shares	1,036,557,575 (L) ⁽⁷⁾	20.96%
AP Development Limited ⁽⁹⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Allied Properties (H.K.) Limited ^{(8), (9)}	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Sunhill Investments Limited ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Citiwealth Investment Limited ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Capscore Limited ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Allied Group Limited ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%

Name of Substantial Shareholder	Capacity/ Nature of Interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽¹⁴⁾
Mr. Lee Seng Hui ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Ms. Lee Su Hwei ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
Mr. Lee Seng Huang ⁽¹⁰⁾	Interest of a controlled corporation	1,036,557,575 (L) ⁽⁷⁾	20.96%
CCB International Overseas Limited	Person having a security interest in shares	557,662,171 (L) ⁽¹¹⁾	11.27%
CCB International (Holdings) Limited ^{(11), (12)}	Interest of a controlled corporation	557,662,171 (L) ^{(11), (12)}	11.27%
CCB Financial Holdings Limited ^{(11), (12), (13)}	Interest of a controlled corporation	557,662,171 (L) ^{(11), (12)}	11.27%
CCB International Group Holdings Limited ^{(11), (12), (13)}	Interest of a controlled corporation	557,662,171 (L) ^{(11), (12)}	11.27%
China Construction Bank Corporation ^{(11), (12), (13)}	Interest of a controlled corporation	557,662,171 (L) ^{(11), (12)}	11.27%
Central Huijin Investment Ltd. ^{(11), (12), (13)}	Interest of a controlled corporation	557,662,171 (L) ^{(11), (12)}	11.27%

Notes:

- (1) The letters "L" and "S" denote a person's/ an entity's long position and short position in the Shares respectively.
- (2) Ms. Wang Xinmei, the spouse of Mr. Shum, is deemed to be interested in Mr. Shum's interest in the Company.
- (3) These Shares are interests of Mr. Shum in the Company which consist 92,001,718 Shares which are wholly owned by Mr. Shum as a beneficial owner and 4,114,572,455 Shares which are the interest in the Company held by Mingyuan Investment, which is 70% owned by Mr. Shum. The interests of Mingyuan Investment in the Company as disclosed herein includes (i) 3,114,572,455 Shares beneficially held by Mingyuan Investment; and (ii) 1,000,000,000 Shares which represents the maximum number of shares which will be issued by the Company upon Mingyuan Investment's exercise of the right of conversion under the Convertible Bonds for Acquisition owned by it after the Partial Conversion.
- (4) The short position of 3,212,319,746 Shares comprise of (i) 557,662,171 Shares, representing approximately 11.27% of the issued share capital of the Company, which are subject to the CCB Share Pledge; (ii) 1,618,100,000 Shares, representing approximately 32.71% of the issued share capital of the Company, which are subject to the ZRPT Share Pledge; (iii) 1,000,000,000 Shares, representing approximately 20.22% of the issued share capital of the Company which represents the maximum number of Shares which will be issued by the Company upon Mingyuan Investment's exercise of the right of conversion under the Convertible Bonds for Acquisition after the Partial Conversion, and 36,557,575 Shares in issue, representing approximately 0.74% of the issued share capital of the Company, all subject to the SHK & AP Share Pledge. As Mingyuan Investment is indirectly 70% owned by Mr. Shum, Mr. Shum is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.
- (5) Mingyuan Investment is 70% held by China Jiayuan Group Limited. China Jiayuan Group Limited is a wholly-owned subsidiary of Galaxy Emperor Limited, which is wholly-owned by Mr. Shum.
- (6) The security interest in Shares is held by Zhongrong PT Finance Limited pursuant to the ZRPT Share Pledge.
- (7) The security interest in Shares are jointly held by SHK Finance Limited ("SHK Finance") and AP Diamond Limited ("AP Diamond") pursuant to the SHK & AP Share Pledge.
- (8) Based on public records, SHK Finance is wholly-owned by Top Progress Investments Limited ("Top Progress"). Top Progress is wholly-owned by Earnest Finance Limited ("Earnest Finance"). Earnest Finance is wholly-owned by Easy Capital Investments Limited ("Easy Capital"). Easy Capital is wholly-owned by United Asia Finance Limited ("United Asia"). United Asia is 7.84%-owned by Swan Islands Limited ("Swan Islands") and 54.90% owned by UAF Holdings Limited ("UAF Holdings"). UAF Holdings is wholly-owned by Swan Islands. Swan Islands is wholly-owned by Sun Hung Kai & Co. Limited ("SHK Co."). SHK Co. is 73.11%-owned by AP Emerald Limited ("AP Emerald"). AP Emerald is wholly-owned by AP Jade Limited ("AP Jade"). AP Jade is wholly-owned by Allied Properties (H.K.) Limited ("Allied Properties").
- (9) Based on public records, AP Diamond is wholly-owned by AP Development Limited ("AP Development"). AP Development is wholly-owned by Allied Properties.
- (10) Based on public records, Allied Properties is 56.15%, 28.97%, 14.21% and 0.67% owned by Sunhill Investments Limited ("Sunhill"), Capscore Limited ("Capcore"), Allied Group Limited ("Allied Group") and Citiwealth Investment Limited ("Citiwealth"), respectively. Each of Sunhill, Capcore and Citiwealth is a wholly-owned subsidiary of Allied Group. Allied Group is 74.99% owned by Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang.
- (11) The security interest in Shares is held by CCB Overseas. Based on public records, CCB Overseas is a wholly-owned subsidiary of CCB International (Holdings) Limited.

- (12) Based on the public records, CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Limited.
- (13) As at 30 June 2022, the total number of issued shares of the Company was 4,946,386,723.

(b) Interests in debentures of the Company

As at 30 June 2022, (i) Mingyuan Investment is beneficially interested in debenture of the Company amounting to US\$22,000,000; (ii) Ms. Wang Xinmei is deemed to be interested in debenture of the Company amounting to US\$31,000,000 by reason of interest of spouse. The debenture of the Company amounting to US\$31,000,000 is held by Mr. Shum and his associates.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) or entities who had an interest or short position in the shares, the underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COURT ORDER IN RESPECT OF FREEZING THE COMPANY'S ENTIRE INTEREST IN ZHUHAI JIAYUAN AND TRANSFER OF THE EQUITY INTEREST HELD BY ZHUHAI JIAYUAN IN FIVE COMPANIES

The Company understood from public record that an independent third party applied to the Zhuhai Intermediate People's Court for the court order to freeze Hong Kong Jia Yuan Holdings Limited's entire equity interest in Jiayuan International Holding (Zhuhai) Group Co., Ltd ("Zhuhai Jiayuan") on the basis of the default in repayment of the payment with amount of US\$8,000,000 to the independent third party due on 18 December 2021 (the "Court Order").

Zhuhai Jiayuan and Jiaxing City Jiagang Enterprise Management Limited (the "Transferee Subsidiary") entered into an equity transfer agreement dated 27 June 2022 (the "Equity Transfer Agreement"), pursuant to which, the equity interest in each of the five (5) entities (one wholly-owned subsidiary, two 99%-owned subsidiaries, and two 50%-owned joint venture companies held directly under Zhuhai Jiayuan) held by Zhuhai Jiayuan was transferred to the Transferee Subsidiary (the "Transfer").

Pursuant to the Equity Transfer Agreement, the completion of the Transfer took place on the date of the agreement and accordingly all the rights and obligations attached to the subject equity interest were passed to the Transferee Subsidiary on the date of the agreement. Upon completion of the Transfer, all the project companies (operated by way of a subsidiary, a joint venture company or an associated companies) under Zhuhai Jiayuan (the "Project Companies") were transferred to the Transferee Subsidiary. As at the date of this report, the registration procedures with the relevant local branch of the State Administration for Market Regulation (the "Registration") in relation to the Transfer were on-going.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as the entire equity interest in Zhuhai Jiayuan, none of the equity interest in nor the business operations of the Project Companies held by Zhuhai Jiayuan (prior to the Transfer) or held by the Transferee Subsidiary (after the Transfer) is frozen nor adversely affected by the Court Order.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	6	7,360,046	9,363,917
Cost of sales	12	(5,723,686)	(6,370,024)
Gross profit		1,636,360	2,993,893
Other income	8	82,313	163,765
Other gains and losses	9	(307,320)	294,791
Net impairment reversal on financial assets		18,140	4,098
Fair value change on investment properties	15	(117,600)	(35,720)
Selling and marketing costs	12	(66,903)	(144,934)
Administrative expenses	12	(163,886)	(163,789)
Finance costs	10	(277)	(29,284)
Share of results of investments accounted for using the equity method	18	(15,614)	25,268
Profit before taxation		1,065,213	3,108,088
Income tax expense	11	(529,131)	(938,117)
Profit for the period		536,082	2,169,971
Profit for the period attributable to:			
– Owners of the Company		326,175	1,979,789
– Non-controlling interests		209,907	190,182
		536,082	2,169,971
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
– Basic earnings per share	14	5	33
– Diluted earnings per share	14	4	33

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period	536,082	2,169,971
Other comprehensive income		
Items that may be reclassified to profit or loss:		
– Exchange differences arising on translation of foreign operations	39,237	5,464
Total comprehensive income for the period	575,319	2,175,435
Total comprehensive income for the period attributable to:		
– Owners of the Company	365,413	1,985,253
– Non-controlling interests	209,906	190,182
	575,319	2,175,435

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Investment properties	15	7,383,400	7,501,000
Property and equipment	16	143,227	149,125
Intangible assets		153,174	158,275
Right-of-use assets		4,930	7,605
Investments accounted for using the equity method	17	2,400,635	6,296,244
Financial assets at fair value through profit or loss	18	778,360	850,390
Deposits paid for acquisitions		1,161,402	1,263,025
Deferred tax assets		1,113,471	1,031,844
Trade and other receivables	20	30,641	29,894
		13,169,240	17,287,402
Current assets			
Inventories of properties	19	65,603,730	50,383,073
Trade and other receivables	20	5,980,478	6,656,181
Financial assets at fair value through profit or loss	18	15,411	106,494
Prepaid income tax		643,929	599,255
Short-term bank deposits	21	2,028	332,321
Restricted bank deposits	21	1,209,558	723,024
Cash and cash equivalents	21	5,521,203	8,775,042
		78,976,337	67,575,390
Total assets		92,145,577	84,862,792
Current liabilities			
Trade and other payables	22	7,069,296	6,882,743
Pre-sale deposits received	23	21,940,884	21,317,280
Current income tax liabilities		8,258,767	7,754,171
Bank and other borrowings	24	7,808,000	3,627,753
Senior notes	25	5,354,514	2,842,463
Lease liabilities		2,669	5,644
		50,434,130	42,430,054
Net current assets		28,542,207	25,145,336
Total assets less current liabilities		41,711,447	42,432,738

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings	24	8,341,941	9,442,461
Derivative financial instruments		58,519	172,331
Pre-sale deposits received	23	368,580	354,811
Deferred tax liabilities		2,146,154	595,414
Senior notes	25	3,555,453	6,398,135
Convertible bonds	29	628,822	581,456
Lease liabilities		2,485	2,487
		15,101,954	17,547,095
Equity attributable to owners of the Company			
Share capital	28	42,291	41,987
Convertible bonds	29	2,747,580	2,848,025
Reserves		19,035,367	18,568,380
		21,825,238	21,458,392
Non-controlling interests			
		4,784,255	3,427,251
Total equity			
		26,609,493	24,885,643
Total equity and non-current liabilities			
		41,711,447	42,432,738

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim financial information on page 29 to 70 was approved by the Board of Directors on 31 August 2022 and was signed on its behalf.

Zhang Yi
Director

Cheuk Hiu Nam
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Convertible bonds RMB'000	Reserves RMB'000	Total RMB'000		
At 1 January 2022 (Audited)		41,987	2,848,025	18,568,380	21,458,392	3,427,251	24,885,643
Total comprehensive income for the period		-	-	365,413	365,413	209,906	575,319
Conversion of convertible bonds	29	304	(100,445)	100,141	-	-	-
Share option scheme – value of employee services		-	-	1,433	1,433	-	1,433
Transfer of joint ventures to subsidiaries	26	-	-	-	-	1,817,415	1,817,415
Dividends to non-controlling interests		-	-	-	-	(944)	(944)
Disposals of subsidiaries	27	-	-	-	-	(669,373)	(669,373)
At 30 June 2022 (Unaudited)		42,291	2,747,580	19,035,367	21,825,238	4,784,255	26,609,493
At 1 January 2021 (Unaudited)		34,876	-	16,169,358	16,204,234	4,600,135	20,804,369
Total comprehensive income for the period		-	-	1,985,253	1,985,253	190,182	2,175,435
Dividends	13	-	-	(523,405)	(523,405)	-	(523,405)
Dividend paid by entities under common control before acquisition	13	-	-	(154,700)	(154,700)	-	(154,700)
Capital contribution from the Ultimate Shareholder		-	-	3,960,000	3,960,000	-	3,960,000
Acquisitions of entities under common control		6,994	2,848,025	(3,733,345)	(878,326)	-	(878,326)
Capital injection from non-controlling interests		-	-	-	-	1,169,054	1,169,054
Acquisitions of non-controlling interests		-	-	(250,169)	(250,169)	(271,731)	(521,900)
Acquisitions of subsidiaries		-	-	-	-	68,433	68,433
Dividends to non-controlling interests		-	-	-	-	(8,605)	(8,605)
At 30 June 2021 (Unaudited)		41,870	2,848,025	17,452,992	20,342,887	5,747,468	26,090,355

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(3,071,193)	(197,253)
Income tax paid		(231,251)	(177,291)
Net cash used in operating activities		(3,302,444)	(374,544)
Cash flows from investing activities			
Refund from deposits paid for trust financing arrangements		–	30,969
Additions of property and equipment	16	(9,922)	(9,890)
Disposal of property and equipment	16	2,145	664
Net cash flow on disposal of subsidiaries	27	(55,019)	(52,738)
Additions of investment properties		–	(13,914)
Advances to related parties		(8,701)	(1,934,093)
Advances to non-controlling interests		(72,407)	(522,717)
Repayment from related parties		231,094	163,180
Repayment from non-controlling interests		195,959	331,678
Interest received		150,186	85,888
Refund from deposits paid for acquisitions		100,000	373,079
Net cash flow on acquisition of subsidiaries	26	57,871	(889,028)
Capital injection to investments accounted for using the equity method		–	(54,000)
Disposal of investment properties		–	144,698
Placement of restricted bank deposits		–	(309,663)
Withdrawal of restricted bank deposits		–	574,036
Withdrawal of short-term deposits		330,293	–
Purchase of financial assets at fair value through profit or loss		(8,032)	–
Disposal of financial assets at fair value through profit or loss		218,734	16,594
Net cash generated from/(used in) investing activities		1,132,201	(2,065,257)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from financing activities		
Deposits paid for trust financing arrangements	(28,499)	–
Proceeds from bank and other borrowings	1,390,668	2,969,892
Repayment of bank and other borrowings	(1,152,080)	(3,530,745)
Principal elements of lease payments	(4,983)	(10,856)
Interest paid	(866,820)	(1,137,008)
Issuance of senior notes	661,025	2,648,562
Repayment of senior notes	(1,549,743)	(1,832,876)
Acquisitions of entities under common control	–	(878,326)
Advances from related parties	82,039	1,470,534
Repayment to related parties	(358)	(1,275,776)
Advances from non-controlling interests	367,264	952,515
Repayment to non-controlling interests	(255)	(63,928)
Acquisitions of non-controlling interests	–	(521,900)
Dividends paid to non-controlling interests	(944)	–
Dividends paid before acquisition of entities under common control	–	(154,700)
Capital contribution from Ultimate Shareholder	–	3,960,000
Capital contribution from non-controlling interests	–	1,169,054
Net cash (used in)/generated from financing activities	(1,102,686)	3,764,442
Net (decrease)/increase in cash and cash equivalents	(3,272,929)	1,324,641
Cash and cash equivalents at beginning of the period	8,775,042	9,151,057
Exchange gains on cash and cash equivalents	19,090	35,330
Cash and cash equivalents at end of the period	5,521,203	10,511,028

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

Jiayuan International Group Limited (the “Company”) was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”). Its immediate holding company is Mingyuan Group Investment Limited (“Mingyuan Investment”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the “Ultimate Shareholder”).

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, property investment and provision of property management services.

The interim financial information for the six months ended 30 June 2022 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on 31 August 2022.

Due to the outbreak of the coronavirus disease 2019 (“COVID-19”) and the Omicron variant, control measures in different cities such as temporary lockdowns of certain cities had been carried out in this period. This has created unfavourable impact to the operating performance of the Group, including but not limited to the delays caused to construction and delivery of property units, temporary suspension of property sales activities. The directors of the Company will continue to monitor the situation of COVID-19 and assess the impact to the operating performance and financial position of the Group.

1.1 Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021 (“2021 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the 2021 Financial Statements. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

2.1 New and amended standards adopted by the Group

The Group has applied the new and amended standards effective for the financial period beginning on 1 January 2022. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2.2 New and amended standards and interpretations not yet adopted

The below new or revised accounting standards, amendments and interpretations to existing standards have been published but are not yet effective in current year and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance contract	1 January 2023
HK Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS Practice Statement 2 and HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing this Interim Financial Information, the significant judgments 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 2021 Financial Statements.

4 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Save for those disclosed in Note 17, 26 and 27, there was no significant change in principal subsidiaries, joint ventures and associates of the Group during the six months ended 30 June 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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 2021 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2021.

5.2 Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the remaining contractual maturities of senior notes and convertible bonds include those derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows. The conversion rights of convertible bonds are not in the scope of the maturity analysis. The remaining contractual maturities for the Group's financial guarantee are the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called. The maturity dates for other non-derivative financial liabilities are based on the agreed/expected repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2022 (Unaudited)					
Trade and other payables (excluding business and other tax payables, payroll payable)	6,318,011	–	–	6,318,011	6,318,011
Lease liabilities	2,870	1,368	1,257	5,495	5,154
Bank and other borrowings	9,152,051	5,310,172	2,556,895	17,019,118	16,149,941
Senior notes	6,152,708	3,850,957	–	10,003,665	8,909,967
Convertible bonds (i)	46,959	717,799	–	764,758	687,341
	21,672,599	9,880,296	2,558,152	34,111,047	32,070,414
Financial guarantee					
– Mortgage guarantees provided to customers	11,908,028	–	–	11,908,028	–
– Financial guarantees provided to joint ventures	2,034,255	–	–	2,034,255	–
	13,942,283	–	–	13,942,283	–

5 FINANCIAL RISK MANAGEMENT – CONTINUED

5.2 Liquidity risk – continued

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021 (Audited)					
Trade and other payables (excluding business and other tax payables, payroll payable)	5,833,237	–	–	5,833,237	5,833,237
Lease liabilities	5,721	1,256	1,959	8,936	8,131
Bank and other borrowings	4,438,793	8,860,381	1,160,512	14,459,686	13,070,214
Senior notes	3,810,821	5,542,027	1,547,136	10,899,984	9,240,598
Convertible bonds (i)	44,632	44,632	709,139	798,403	753,787
	<u>14,133,204</u>	<u>14,448,296</u>	<u>3,418,746</u>	<u>32,000,246</u>	<u>28,905,967</u>
Financial guarantee					
– Mortgage guarantees provided to customers	11,284,483	–	–	11,284,483	–
– Financial guarantees provided to joint ventures	3,329,866	–	–	3,329,866	–
	<u>14,614,349</u>	<u>–</u>	<u>–</u>	<u>14,614,349</u>	<u>–</u>

- (i) The carrying amount of convertible bonds includes the host liabilities of convertible bonds and their embedded derivative financial instruments.

5 FINANCIAL RISK MANAGEMENT – CONTINUED

5.3 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000	Fair value hierarchy	Valuation techniques
Financial assets at fair value through profit or loss:				
Debt instruments in Hong Kong	–	109,923	Level 3	Discounted cash flow
Debt instruments in overseas	770,328	723,967	Level 3	Discounted cash flow
Deposits paid for life insurance policies	–	16,499	Level 3	Discounted cash flow
	770,328	850,389		
Listed equity investments in Hong Kong	15,411	106,495	Level 1	Quoted bid prices in an active market
Unlisted equity investment in the People's Republic of China ("PRC")	8,032	–	Level 3	Market approach
	23,443	106,495		
Total	793,771	956,884		
Derivative financial instruments:				
Put options and conversion options of convertible bonds recognised	58,519	172,331	Level 3	Binomial model and with-and-without method

There were no transfers between Level 1, 2 and 3 during the six months ended 30 June 2022 and year ended 31 December 2021.

There were no changes in valuation techniques and key inputs during the six months ended 30 June 2022.

6 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of goods and services		
Sales of properties	6,873,190	8,904,408
Property management services	434,158	362,413
Property rental	52,698	97,096
	7,360,046	9,363,917
Revenue is recognised:		
Contracts with customers:		
– At a point in time	6,880,965	8,904,408
– Over time	426,383	362,413
	7,307,348	9,266,821
Other source: rental income	52,698	97,096
	7,360,046	9,363,917

Sales of properties by markets

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	6,873,067	8,891,874
Hong Kong and others	123	12,534
	6,873,190	8,904,408

There was no individual customer contributing over 10% of the total revenue for the six months ended 30 June 2022 and 2021.

7 SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker (“CODM”) have been aggregated in arriving at the reportable segments of the Group.

The Group’s CODM manage the Group through business nature, instead of geography. As the Group is principally engaged in property development revenue of which accounted for over 90% of total turnover. No segment assets and liabilities are presented as they were not provided to the CODM for the purpose of resource allocation and performance assessment.

During the six months ended 30 June 2022 and 2021, the Board of Directors concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as the CODM manage the Group through business nature, instead of geography and more than 90% of the carrying values of the Group’s non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

8 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income on loan receivables	56,455	53,369
Interest income on bank deposits	20,186	20,258
Government grant	2,329	9,451
Compensation income	556	1,162
Interest income on financial assets at fair value through profit or loss	–	68,502
Others	2,787	11,023
	82,313	163,765

9 OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Gains arising from bargain purchase (Note 26)	122,949	122,237
Fair value change on derivative financial instruments	118,945	92,669
Losses on disposals of investment properties	–	(27,564)
Gains on extinguishment upon repurchasing senior notes	–	1,219
Fair value change on financial assets at fair value through profit or loss	(21,472)	(2,251)
(Losses)/gains on disposals of subsidiaries (Note 27)	(58,858)	30,267
(Losses)/gains on disposals of investments accounted for using the equity method (Note 26)	(143,422)	2,977
Foreign exchange (losses)/gains, net	(326,093)	75,164
Others	631	73
	(307,320)	294,791

10 FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense:		
– Senior notes	657,360	714,134
– Bank and other borrowings	490,466	753,048
– Convertible bonds	39,261	–
– Lease liabilities	277	1,470
	1,187,364	1,468,652
Less: amounts capitalised on qualifying assets	(1,187,087)	(1,439,368)
	277	29,284

Finance costs have been capitalised for investment properties under construction and properties under development at a weighted average rate of 12.39% per annum for the six months ended 30 June 2022 (six months ended 30 June 2021: 12.07%).

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
– Corporate income tax	845,940	788,644
– Land appreciation tax	221,126	212,010
	1,067,066	1,000,654
Deferred income tax	(537,935)	(62,537)
	529,131	938,117

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the six months ended 30 June 2022 and 2021.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the Mainland China are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of development and construction of new buildings or related facilities.

12 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	5,259,956	6,235,399
Employee benefit expenses excluding share-based compensation expenses	336,558	252,240
Share-based compensation expenses	1,433	–
Net write-down/(reversal of write-down) of inventories of properties	118,773	(89,732)
Office expenses	75,144	67,814
Tax and surcharges	71,406	26,308
Advertising and promotion expenses	35,633	95,062
Professional service fees	7,632	14,359
Depreciation and amortisation charges	15,995	11,740
Travelling and entertainment expenses	14,217	22,944
Rental expenses	4,633	2,907
Bank charges	3,302	22,534
Auditors' remuneration		
– Audit services	–	1,000
– Non-audit services	–	3,000
Other expenses	9,793	13,172
Total cost of sales, selling and marketing costs and administrative expenses	5,954,475	6,678,747

13 DIVIDENDS

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

14 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	326,175	1,979,789
Weighted average number of ordinary shares in issue (in thousands)	5,946,387	5,932,292
Basic earnings per share (RMB cents)	5	33

On 30 June 2021, as a part of the consideration for acquisition of Luyuan Investment Holdings Limited ("Luyuan Acquisition"), the Company issued convertible bonds to Mingyuan Investment, which is controlled by the Ultimate Shareholder. The weighted average number of ordinary shares in issue have been adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources, including the ordinary shares and convertible bonds issued as considerations for Luyuan Acquisition. As the convertible bonds for Luyuan Acquisition were mandatorily convertible into ordinary shares, they are included in the calculation of basic earnings per share. Details relating to the ordinary shares and convertible bonds are set out in Note 29 to the "Notes to the Interim Financial Information".

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other gains and losses associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	4	33

14 EARNINGS PER SHARE – CONTINUED**(c) Reconciliations of earnings used in calculating earnings per share**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company used in calculating basic earnings per share	326,175	1,979,789
Add: Exchange difference on 2025 Convertible Bonds	36,717	–
Fair value change of the derivatives financial instruments on 2025 Convertible Bonds	(118,945)	–
Profit attributable to the owners of the Company used in calculating diluted earnings per share	243,947	1,979,789

(d) Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	5,946,387	5,932,292
Add: 2025 Convertible Bonds	222,074	–
Options of employee shares schemes	131	–
Weighted average number of ordinary shares and dilutive potential ordinary shares used as the denominator in calculating diluted earnings per share	6,168,592	5,932,292

15 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2022 (Audited)	6,937,100	563,900	7,501,000
Fair value change	(113,200)	(4,400)	(117,600)
At 30 June 2022 (Unaudited)	6,823,900	559,500	7,383,400
At 1 January 2021 (Unaudited)	7,405,988	520,557	7,926,545
Additions	–	13,914	13,914
Disposals	(172,262)	–	(172,262)
Fair value change	(38,339)	2,619	(35,720)
At 30 June 2021 (Unaudited)	7,195,387	537,090	7,732,477

At 30 June 2022 and 31 December 2021, the Group had only level 3 investment properties.

There were no changes in valuation processes and valuation techniques from those disclosed in 2021 Financial Statements.

16 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, there were RMB9,922,000 (six months ended 30 June 2021: RMB9,890,000) purchases and RMB79,000 (six months ended 30 June 2021: RMB11,775,000) additions from acquisitions of subsidiaries on property and equipment of the Group. In addition, the Group has disposed of property and equipment with net book value of RMB2,145,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB664,000).

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Interests in joint ventures (a)	1,838,346	5,734,669
Interests in associates (b)	562,289	561,575
	2,400,635	6,296,244

(a) Interests in joint ventures

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
At 1 January	5,734,669	2,236,558
Additions	79,998	4,176,556
Share of results	(16,328)	28,697
Transfer to subsidiaries (Note 26)	(3,959,993)	(275,414)
At 30 June	1,838,346	6,166,397

(b) Interests in associates

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
At 1 January	561,575	53,142
Additions	-	4,000
Transfer from subsidiaries	-	431,917
Share of results	714	(3,429)
At 30 June	562,289	485,630

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at fair value through profit or loss are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Debt instruments:		
Debt instruments in overseas	770,328	723,967
Debt instruments in Hong Kong	–	109,923
Deposits paid for a life insurance policy	–	16,499
Equity instruments:		
Listed equity investment in Hong Kong	15,411	106,495
Unlisted equity investment in the PRC	8,032	–
	793,771	956,884
Less: Non-current portion	(778,360)	(850,390)
	15,411	106,494

19 INVENTORIES OF PROPERTIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Properties under development (a)		
At cost	48,687,226	40,160,932
At net realisable value ("NRV")	6,482,661	1,367,121
	55,169,887	41,528,053
Properties held for sale (b)		
At cost	5,217,247	5,554,225
At NRV	5,216,596	3,300,795
	10,433,843	8,855,020
Total	65,603,730	50,383,073

The operating cycle of the Group's property development projects generally ranges from one to three years.

As at 30 June 2022 and 31 December 2021, the Group's inventories of properties are situated in the Mainland China, Hong Kong, Macao and Cambodia.

19 INVENTORIES OF PROPERTIES – CONTINUED**(a) Carrying amounts of properties under development comprise:**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
– Construction costs including depreciation and staff cost capitalised	18,268,544	12,561,872
– Land use rights	31,238,297	25,568,547
– Borrowing costs capitalised	5,894,608	3,552,448
Total costs	55,401,449	41,682,867
Less: write-down	(231,562)	(154,814)
Carrying amounts	55,169,887	41,528,053

As at 30 June 2022, properties under development amounting to RMB12,568,165,000 (31 December 2021: RMB13,641,590,000) were expected to be completed beyond one year.

The capitalization rate used to capitalize interest on general borrowings for the six months ended 30 June 2022 was 12.39% (six months ended 30 June 2021: 12.07%) per annum.

(b) Carrying amounts of properties held for sale comprises:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total properties held for sale	10,537,501	8,916,653
Less: write-down	(103,658)	(61,633)
Carrying amounts	10,433,843	8,855,020

20 TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables (a)	471,541	297,693
Other receivables (b)	4,167,900	5,493,981
Prepayments (c)	1,371,678	894,401
	6,011,119	6,686,075
Less: Non-current portion of other receivables (b)	(30,641)	(29,894)
Current portion of trade and other receivables	5,980,478	6,656,181

(a) Details of trade receivables are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	547,468	358,848
Less: allowance for impairment	(75,927)	(61,155)
Trade receivables – net	471,541	297,693

20 TRADE AND OTHER RECEIVABLES – CONTINUED**(a) Details of trade receivables are as follows: – continued**

Trade receivables mainly arise from properties rental and provisions of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-60 days	176,025	51,841
61-180 days	105,395	89,285
181-365 days	102,964	78,800
Over 1 year	163,084	138,922
	547,468	358,848

As at 30 June 2022 and 31 December 2021, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses. As at 30 June 2022, a provision of RMB75,927,000 (31 December 2021: RMB61,155,000) was made against the gross amounts of trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

20 TRADE AND OTHER RECEIVABLES – CONTINUED**(b) Details of other receivables are as follows:**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Advances to related parties (i) (Note 33(b))	1,310,848	2,737,400
Advances to non-controlling interests (ii)	936,852	1,062,326
Loan receivables (iii)	435,028	490,249
Projects related deposits (iv)	355,892	399,356
Deposits paid for acquisitions of land use rights (v)	338,661	339,112
Consideration receivables from disposal of a subsidiary	113,382	–
Interest receivable (iii)	84,722	170,967
Deposits for trust financing arrangements (vi)	63,819	35,320
Advance to staff	7,348	10,853
Other deposits (vii)	277,633	168,564
Other receivables	333,239	199,048
	4,257,424	5,613,195
Less: allowance for impairment	(89,524)	(119,214)
	4,167,900	5,493,981
Less: Non-current portion of deposits for trust financing arrangements	(30,641)	(29,894)
Current portion of other receivables – net	4,137,259	5,464,087

- (i) The amounts mainly represent advances to joint ventures and associates as at 30 June 2022.
- (ii) The amounts represent advances made by certain non-wholly owned subsidiaries to their non-controlling shareholders pursuant to the terms of the respective cooperation agreements. These advances are unsecured, interest-free and repayable on demand.
- (iii) The amounts represent loans to third parties which are interest-bearing at a fixed interest rate of 23% per annum.
- (iv) The amounts mainly represent deposits placed at the request of local governments. The deposits will be refunded to the Group upon the completion of the relevant projects.
- (v) The amounts mainly represent deposits placed at the request of local governments. The deposits will be refunded to the Group when the land use rights are not obtained in the bidding process.
- (vi) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.

20 TRADE AND OTHER RECEIVABLES – CONTINUED

(b) Details of other receivables are as follows: – continued

- (vii) Other deposits mainly represent temporary payments for acquisitions of property development projects under negotiation. There is no fixed repayment term for these other deposits and the directors of the Company consider the amounts are repayable on demand.

The above other receivables are unsecured and non-interest bearing, except for the loans receivables of RMB435,028,000 (2021: RMB490,249,000) which are interest-bearing at a fixed interest rate of 23% (2021: 23%) per annum.

- (c) Prepayments mainly represent prepayments for construction cost, and business and other taxes.

21 RESTRICTED BANK DEPOSITS, SHORT TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash at banks and on hand	6,732,789	9,830,387
Less: Short-term bank deposits (a)	(2,028)	(332,321)
Less: Restricted bank deposits		
– Pledged for mortgage guarantees (b)	(39,409)	(40,607)
– Restricted in use (d)	(1,170,149)	(682,417)
	(1,209,558)	(723,024)
Cash and cash equivalents (e)(f)	5,521,203	8,775,042

- (a) The term of the deposits is over 3 months and with interest rates ranging from 1% to 2.75% per annum.
- (b) These deposits were pledged to the banks to secure the mortgage guarantees provided to customers and will be released upon obtaining building ownership certificates by customers.
- (c) The amounts represented deposits placed in banks and pledged for business partners to acquire certain land use rights. The deposits were released upon completion of the bidding of process.
- (d) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for use in specific property development projects, and carry prevailing interest at a rate of 0.3% (31 December 2021: 0.3%) per annum as at 30 June 2022.
- (e) As at 30 June 2022, the amount included deposits in banks of RMB264,878,000 (31 December 2021: RMB220,921,000) for the construction of pre-sold properties.

21 RESTRICTED BANK DEPOSITS, SHORT TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS – CONTINUED

- (f) Cash at banks carry prevailing market interest rates ranging from 0.01% to 2.75% (31 December 2021: 0.01% to 2.75%) per annum as at 30 June 2022.

As at 30 June 2022, the cash at banks and on hand are denominated in the following currencies:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
RMB	6,355,745	8,425,582
HK\$	259,531	1,331,606
United States Dollar ("US\$")	117,212	72,909
Others	301	290
	6,732,789	9,830,387

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

22 TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables (a)	1,902,500	2,309,599
Advances from non-controlling interests (b)	1,397,138	1,032,052
Advances from related parties (Note 33(b))	1,061,188	977,879
Business and other taxes payable	650,200	920,727
Deposits related to sales of properties	575,914	480,849
Consideration payable for acquisition of subsidiaries	530,679	235,264
Accrued charges	218,716	171,738
Payroll payables	101,085	128,779
Receipts on behalf of property residents	20,650	61,538
Provisions for financial guarantee contracts	581	47,281
Other deposits received (c)	384,145	290,537
Other consideration payables	226,500	226,500
	7,069,296	6,882,743

22 TRADE AND OTHER PAYABLES – CONTINUED

- (a) Trade payables comprise construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 365 days	1,652,312	2,010,812
Over 365 days	250,188	298,787
	1,902,500	2,309,599

- (b) The amounts represent advances made by certain non-controlling shareholders to non-wholly subsidiaries pursuant to the terms of the respective shareholders' agreements. These advances are unsecured, interest-free and repayable on demand.
- (c) Amounts mainly represented various deposits received from contractors in relation to tendering and execution of construction contracts.

23 PRE-SALE DEPOSITS RECEIVED

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities related to sales of properties	20,368,982	19,837,992
Contract liabilities related to property management services	130,092	129,848
Value-added tax payable	1,810,390	1,704,251
	22,309,464	21,672,091
Less: non-current portion	(368,580)	(354,811)
Current portion	21,940,884	21,317,280

24 BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank loans		
– secured	259,523	259,889
– secured and guaranteed	7,541,832	8,497,064
– unsecured and guaranteed	1,049,294	1,059,293
	8,850,649	9,816,246
Trust loans and other loans		
– secured	108,660	105,679
– secured and guaranteed	7,190,632	3,148,289
	7,299,292	3,253,968
Total bank and other borrowings	16,149,941	13,070,214
Less: amounts due within one year or on demand shown under current liabilities	(7,808,000)	(3,627,753)
	8,341,941	9,442,461

Fixed-rate borrowings amounting to RMB9,548,455,000 (31 December 2021: RMB5,586,343,000) carry interest ranging from 1.55% to 12.92% (31 December 2021: 1.55% to 12.92%) per annum at 30 June 2022. The remaining borrowings amounting to RMB6,601,486,000 (31 December 2021: RMB7,483,871,000) are arranged at variable rates with the effective interest rates ranging from 1.60% to 9.8% (31 December 2021: 1.60% to 9.8%) per annum at 30 June 2022.

The range of effective interest rates per annum at the end of each reporting period is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Bank loans	1.55% to 11.70%	1.55% to 11.70%
Trust borrowings	10.00% to 12.00%	10.00% to 12.00%
Other borrowings	7.1% to 12.92%	7.10% to 12.92%

25 SENIOR NOTES

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued in 2019 and due March 2022	(a)	–	866,686
Issued in 2019 and due May 2022	(b)	–	638,212
Issued in 2019 and due February 2023	(c)	1,207,422	1,128,039
Issued in 2020 and due October 2022	(d)	1,360,646	1,283,131
Issued in 2020 and due April 2023	(e)	2,034,906	1,915,928
Issued in 2021 and due July 2023	(f)	2,077,144	1,955,767
Issued in 2021 and due February 2024	(g)	1,550,997	1,452,835
Issued in 2022 and due October 2022	(h)	678,852	–
		8,909,967	9,240,598
Less: amounts due and demandable for repayment within one year		(5,354,514)	(2,842,463)
Included in non-current liabilities		3,555,453	6,398,135

The movement of senior notes for the period is set out below:

		30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
At 1 January		9,240,598	8,753,017
Issue of new senior notes		661,025	2,648,562
Repayment		(1,549,743)	(1,832,876)
Extinguishment upon repurchasing		–	20,474
Exchange difference		431,371	(32,541)
Interest expense (Note 10)		657,360	714,134
Interest paid		(530,644)	(540,498)
At 30 June		8,909,967	9,730,272

25 SENIOR NOTES – CONTINUED

Notes:

- (a) In 2019, the Company issued senior notes (the “March 2022 Senior Notes”) with a principal amount of US\$255,000,000 (equivalent to approximately RMB1,756,046,000), bearing interest at a fixed interest rate of 13.75% per annum and matured in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of US\$174,671,000 in principal amount of the senior notes due October 2020.

In 2020, the Company issued the March 2022 Senior Notes with a principal amount of US\$67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of US\$60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of US\$129,870,000 (equivalent to approximately RMB841,430,000), representing 40.27% of the aggregate principal amount of the notes originally issued.

During the six months ended 30 June 2022, the Company repaid the March 2022 Senior Notes in an aggregate principal amount of US\$132,630,000 (equivalent to approximately RMB845,609,000), representing 41.13% of the aggregate principal amount of the notes originally issued.

- (b) In 2019, the Company issued senior notes (the “May 2022 Senior Notes”) with a principal amount of US\$250,000,000 (equivalent to approximately RMB1,691,013,000), bearing interest at a fixed interest rate of 11.375% per annum, matured in May 2022. A portion of the May 2022 Senior Notes was used to exchange for all of the outstanding US\$160,000,000 senior notes due October 2019, i.e., the 2018 senior notes due October.

In 2020, the Company repurchased the May 2022 Senior Notes in an aggregate principal amount of US\$135,000,000 (equivalent to approximately RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased the May 2022 Senior Notes in an aggregate principal amount of US\$12,000,000 (equivalent to approximately RMB77,582,000), representing 4.8% of the aggregate principal amount of the notes originally issued.

During the six months ended 30 June 2022, the Company exchanged the May 2022 Senior Notes in an aggregate principal amount of US\$99,250,000 (equivalent to approximately RMB661,025,000) for the Second October 2022 Senior Notes (as defined in (h)). The May 2022 Senior Notes in exchange represent 39.7% of the aggregate principal amount of the notes originally issued.

During the six months ended 30 June 2022, the Company repaid the May 2022 Senior Notes in an aggregate principal amount of US\$3,750,000 (equivalent to approximately RMB23,909,000), representing 1.5% of the aggregate principal amount of the notes originally issued.

- (c) In 2019, the Company issued senior notes (the “February 2023 Senior Notes”) with a principal amount of US\$237,500,000 (equivalent to approximately RMB1,677,136,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In 2020, the Company issued the February 2023 Senior Notes with a principal amount of US\$90,000,000 (equivalent to approximately RMB629,947,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In 2021, the Company repurchased the February 2023 Senior Notes in an aggregate principal amount of US\$151,785,000 (equivalent to approximately RMB979,315,000), representing 46.34% of the aggregate principal amount of the notes originally issued.

25 SENIOR NOTES – CONTINUED

Notes: – continued

- (d) In 2020, the Company issued senior notes (the “First October 2022 Senior Notes”) with a principal amount of US\$200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.
- (e) In 2020, the Company issued senior notes (the “April 2023 Senior Notes”) with a principal amount of US\$300,000,000 (equivalent to approximately RMB1,997,690,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.
- (f) In 2021, the Company issued senior notes (the “July 2023 Senior Notes”) with a principal amount of US\$300,000,000 (equivalent to approximately RMB1,957,470,000), bearing interest at a fixed interest rate of 12.50% per annum and will mature in July 2023.
- (g) In 2021, the Company issued senior notes (the “February 2024 Senior Notes”) with a principal amount of US\$230,000,000 (equivalent to approximately RMB1,488,587,000), bearing interest at a fixed interest rate of 11.00% per annum and will mature in February 2024.
- (h) During the six months ended 30 June 2022, the Company issued senior notes (the “Second October 2022 Senior Notes”) with a principal amount of US\$99,250,000 (equivalent to approximately RMB661,025,000), in exchange of the May 2022 Senior Notes of US\$99,250,000. The Second October 2022 Senior Notes bear a fixed interest rate of 11.375% per annum and will mature in October 2022.
- (i) Early redemption call options:

The Company has the right, at its option, to redeem the above senior notes in whole but not in part of the respective principal amount at any time prior to the mature date, at a redemption price equal to 100% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem up to 35% of certain senior notes at any time prior to the mature dates, at redemption prices ranging from 111% to 112.5% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem the February 2024 Senior Notes at any time and from time to time on or after 17 May 2023, in whole or in part, at the redemption price equal to 102.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As at 30 June 2022, these call options were not recognised as derivative financial instruments since their fair value amounts are immaterial (31 December 2021: nil).

26 BUSINESS COMBINATION

Before March 2022, the Group held 63% equity interest of Qingdao Lingshihuafu Property Co., Ltd. (“Lingshihuafu”), which was a joint venture of the Group. In March 2022, the Group obtained 7% equity interest in Lingshihuafu by acquisition of 100% equity interest of Zhuhai Hengqin Xihuafuli Real Estate Co., Ltd., the joint venture partner of Lingshihuafu, from a third party at a consideration of RMB300,000,000. According to the Articles of Lingshihuafu, the Group can control Lingshihuafu upon completion of the transaction. As a result, Lingshihuafu became a subsidiary of the Group.

Details of the purchase consideration and the financial information of Lingshihuafu on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Cash consideration payable as at 30 June 2022	300,000
Fair value of investment in a joint venture held before business combination	3,816,571
	<hr/>
Total consideration	4,116,571
	<hr/> <hr/>
Total amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	79
Inventories of properties	20,080,000
Trade and other receivables	922,760
Prepaid income tax	283,821
Restricted bank deposits	225,034
Cash and cash equivalent	60,631
Trade and other payables	(1,980,403)
Pre-sale deposits received	(6,954,787)
Bank and other borrowings	(4,567,701)
Deferred tax liabilities	(2,012,499)
	<hr/>
Total identifiable net assets	6,056,935
Non-controlling interests	(1,817,415)
Net asset acquired	4,239,520
	<hr/>
Gains arising from bargain purchase	122,949
	<hr/>
Fair value of investments in a joint venture held before business combination	3,816,571
Less: carrying amount of investments in a joint venture held before business combination	(3,959,993)
	<hr/>
Losses on deemed disposal	(143,422)
	<hr/> <hr/>
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	–
– Cash and cash equivalents in the subsidiary acquired	60,631
	<hr/>
Net cash outflow on acquisition	60,631
	<hr/> <hr/>

26 BUSINESS COMBINATION – CONTINUED

The acquired business contributed total revenue of RMB5,024,796,000 and net profit of RMB597,135,000 to the Group for the period from the acquisition date to 30 June 2022. Had the acquisition been completed on 1 January 2022, revenue of the Group for the six months ended 30 June 2022 would be RMB7,360,046,000 and net profit of the Group for the six months ended 30 June 2022 would be RMB535,579,000.

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired identifiable assets.

Gain arising from bargain purchase of this acquisition was mainly due to the fact that the joint venture partner of Lingshihuafu had the intention to exit from the real estate market in Qingdao due to its operational strategy.

27 DISPOSALS OF SUBSIDIARIES

Zhongwei (Qingdao) Real Estate Development Co., Ltd. (“Qingdao Zhongwei”) was 80% owned subsidiaries of the Group before February 2022. Mengcheng Minhe Residential Real Estate Development Co., Ltd. (“Mengcheng Minhe”) was 67% owned subsidiaries of the Group before March 2022. In March 2022, the Group disposed of its entire equity interests in Qingdao Zhongwei and Mengcheng Minhe for consideration of RMB2,446,797,000 and RMB110,470,000 respectively to third parties.

Details of the disposals are as follows:

	RMB'000
Total consideration of the disposals	
– Cash consideration received	79,050
– Non-cash settlement of other payables due to third parties	2,364,835
– Outstanding as at 30 June 2022	113,382
	<u>2,557,267</u>
Less: total carry amount of equity interests in subsidiaries	(2,616,125)
Loss on disposals	<u>(58,858)</u>
Cash proceeds from disposals, net of cash disposed of	
– Total cash consideration received in 2022	79,050
– Less: total cash and cash equivalents in subsidiaries	(134,069)
Net cash outflow on disposals	<u>(55,019)</u>

28 SHARE CAPITAL

	Number of shares	Nominal value HKD'000	Nominal value RMB'000 (Audited)
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 January 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000	–
Issued and fully paid			
At 1 January 2021	4,055,734,623	40,557	34,876
Issue of shares for Luyuan Acquisition	840,000,000	8,400	6,994
At 30 June 2021	4,895,734,623	48,957	41,870
At 1 January 2022	4,909,829,148	49,098	41,987
Conversion of convertible bonds (Note 29)	36,557,575	366	304
At 30 June 2022	4,946,386,723	49,464	42,291

29 CONVERTIBLE BONDS

(a) Convertible Bonds for Acquisition

On 30 June 2021, as a part of the consideration for Luyuan Acquisition, the Company issued convertible bonds (the "Convertible Bonds for Acquisition") in an aggregate principal amount of HK\$3,420,640,000 (equivalent to RMB2,848,025,000) to Mingyuan Investment, entitling Mingyuan Investment to convert at the conversion price of HK\$3.30 per conversion share (subject to adjustment for dilutive events) into 1,036,557,575 ordinary shares. The Convertible Bonds for Acquisition will mature in five years and bear no interest. The bond holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the Convertible Bonds for Acquisition into such number of fully paid shares of the Company. Unless previously converted, the then outstanding principal amount of the Convertible Bonds for Acquisition shall be fully converted at 100% of their principal amount on the maturity date. The Company will not receive further consideration when the bondholders determine to convert the bonds into ordinary shares of the Company at the maturity date. The Convertible Bonds for Acquisition is non-redeemable by the Company or the bondholders.

As the Company has no contractual obligation to deliver cash or other financial assets nor to deliver a variable number of shares, the Convertible Bonds for Acquisition is recognised and included in equity upon initial recognition.

In June 2022, Mingyuan Investment converted Convertible Bonds for Acquisition of RMB100,445,000 into 36,557,575 ordinary shares, which represented share capital of RMB304,000. The difference between the conversion price and share capital was recognized as reserves of RMB100,141,000.

29 CONVERTIBLE BONDS – CONTINUED

(b) 2025 Convertible Bonds

In July 2021, the Company issued convertible bonds with a principal total amount of US\$100,000,000 (equivalent to RMB646,380,000) at 100% issue price, bearing interest at a fixed interest rate of 7.0% per annum and maturing in January 2025 (the “2025 Convertible Bonds”). The cash proceeds related to the issuance of US\$97,417,000 (equivalent to RMB629,687,000) were received by the Group after deducting the issue cost of RMB16,693,000. The 2025 Convertible Bonds contains three embedded derivatives arising from the holders’ conversion rights, the holders’ put options and the Company’s call options as follows:

The holders’ conversion rights and holders’ put options will significantly modify the cash flow of the host contract and are not closely related to economic characteristics and risks of the host contract. Conversely, as the Company’s call option price approximates the principle together with accrued interest on call option date, the Company’s call options do not significantly modify the cash flows of the host contract and are closely related to economic characteristics and risks of the host contract. Hence, holders’ conversion rights and the holders’ put options are separated from the host contract, while the Company’s call options are not separated from the host contract.

The initial fair value of the host contract of the 2025 Convertible Bonds was determined using a market interest rate for an equivalent non-convertible straight bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion, early redemption or maturity of the bonds.

As the conversion currency is different from the Company’s functional currency, the conversion right will not be settled by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. Hence, the holders’ conversion rights are treated as financial liabilities.

The holders’ put options and holders’ conversion rights are treated as a single compound embedded derivative financial liability as they are contained in a single contract.

The movement of the 2025 Convertible Bonds during the six months ended 30 June 2022 are as follows:

	Derivative financial instruments RMB'000	Host liabilities RMB'000
At the beginning of the period	172,331	581,456
Fair value change of derivative financial instruments	(118,945)	–
Exchange differences	5,133	31,584
Interest expense (Note 10)	–	39,261
Interest paid during the period	–	(23,479)
As at 30 June 2022	58,519	628,822

30 PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group and business partners at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Inventories of properties	20,018,248	17,852,117
Investment properties	2,931,100	2,104,600
Restricted bank deposits	39,409	40,607
Property and equipment	72,477	73,131
Financial assets at fair value through profit or loss	–	16,499
	23,061,234	20,086,954

31 COMMITMENTS

Commitments for capital expenditures:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted but not provided for:		
Contribution to investments accounted for using the equity method	143,081	143,081
Construction of investment properties	23,872	86,807

32 FINANCIAL GUARANTEES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mortgage guarantees provided to customers	11,908,028	11,284,483
Financial guarantees provided to joint ventures	2,034,255	2,861,227

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

As at 30 June 2022, the Group provided guarantees to the extent of RMB2,034,255,000 (2021: RMB2,861,227,000) in respect of credit facilities granted to joint ventures.

In the opinion of the Directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts.

33 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above, the following transactions were carried out with related parties.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder		
Procurement of intelligent system equipment	12,661	17,115
Procurement of architectural design services	1,025	100
Provision of property management services	24,217	26,516
Settlement of lease liabilities	83	76
Interest expense on lease liabilities	12	13
Additions of right-of-use assets	–	1,085
Interest expense of senior notes	12,647	–
Provision of financial guarantees to the Group	11,679,371	8,905,399
(ii) Entities jointly controlled by the Ultimate Shareholder		
Provision of property management services	587	410
(iii) Entities over which the Ultimate Shareholder has significant influence		
Provision of landscape construction	19,423	31,547
Provision of property management services	841	52
(iv) Joint ventures		
Provision of property management services	2,031	926
Provision of financial guarantees to the Group	10,505	8,616
(v) Associates		
Provision of property management services	1,205	–

As at 30 June 2022, 100% equity interests of a company controlled by the Ultimate Shareholder have been pledged to secure bank loans of RMB537,525,047 of the Group (31 December 2021: RMB352,212,146).

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

33 RELATED PARTY TRANSACTIONS AND BALANCES – CONTINUED**(b) Related party balances**

At the end of the reporting period, the Group has the following significant balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
(i) Entities controlled by the Ultimate Shareholder		
Trading nature and included in:		
– Trade receivables	74,493	58,024
– Other receivables	5,805	4,522
– Prepayments	932	70
– Trade payables	813,391	82,210
– Other payables	1,219	1,192
– Senior notes	210,325	195,949
– Lease liabilities	234	156
Non-trading nature and included in:		
– Other payables	404,200	402,531
– Other receivables	50	190,906
(ii) Joint ventures		
Trading in nature and included in:		
– Trade receivables	7,958	3,195
– Other receivables	32,035	–
– Prepayments	3,020	–
– Trade payables	2,148	–
– Other payables	5,639	164
Non-trading nature and included in:		
– Other receivables	682,379	1,918,265
– Other payables	656,988	575,348
(iii) Associates		
Trading in nature and included in:		
– Prepayments	46,706	–
Non-trading nature and included in:		
– Other receivables	628,241	628,229
(iv) Entities over which the Ultimate Shareholder has significant influence		
Trading in nature and included in:		
– Trade receivables	1,873	1,469
– Prepayments	60,456	60,456
– Trade payables	92,444	107,564
– Other payables	30,000	30,117
Non-trading nature and included in:		
– Other receivables	178	–

The above balances due from related parties are interest free, unsecured and repayable on demand.

34 EVENTS AFTER THE REPORTING PERIOD

(1) Conversion of Convertible Bonds for Acquisition

On 4 July 2022, Mingyuan Investment converted all the remaining Convertible Bonds for Acquisition in the principal amount of RMB2,747,580,000 into 1,000,000,000 ordinary shares, which represented a share capital of RMB8,326,000. The difference between the conversion price and share capital was recognized as reserves of RMB2,739,254,000.

(2) Issuance of convertible bonds

In July 2022, the Company issued convertible bonds with a total principal amount of HK\$667,080,000, bearing interest at a fixed interest rate of 8.0% per annum and maturing in July 2023. Each convertible bond will, at the option of the holder, be convertible at any time after the issue date and up to and inclusive of one business day prior to the maturity date into fully paid ordinary share of HK\$0.01 each of the Company at an initial conversion price of HK\$0.68 per conversion share. As at the date of this report, holders of the 2023 Convertible Bonds had exercised their respective right to convert the 2023 Convertible Bonds in the aggregate principal amount of HK\$599,080,000 into 881,000,000 shares of the Company.

(3) Exchange of senior notes

On the date of 24 August 2022, the Company, commenced the exchange offer for at least (i) US\$89,325,000, or 90%, of the outstanding principal amount of the First October 2022 Senior Notes, (ii) US\$180,000,000, or 90%, of the outstanding principal amount of the Second October 2022 Senior Notes, (iii) US\$158,143,500, or 90%, of the outstanding principal amount of the February 2023 Senior Notes, (iv) US\$270,000,000, or 90%, of the outstanding principal amount of the April 2023 Senior Notes, (v) US\$270,000,000, or 90%, of the outstanding principal amount of the July 2023 Senior Notes and (vi) US\$207,000,000, or 90%, of the outstanding principal amount of the February 2024 Senior Notes and soliciting consents from eligible holders to certain proposed waivers and amendments to the indentures governing the consent notes upon the terms and subject to the conditions set forth in the exchange offer and consent solicitation memorandum.