



2022 中期報告

INTERIM REPORT

融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED

STOCK CODE 股份代號 : 01918.HK

SUNac

融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED



Sunac China Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 2010. With the brand philosophy of “passion for perfection”, the Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Group has become a leading enterprise in China’s real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

Relying on its high-quality land bank with an advantageous layout and leading product development capabilities, the Group’s real estate development business is mainly located in the Yangtze River Delta, Bohai Rim, South China, and core cities in Central regions and Western regions, and is divided into 10 major regions for management, namely the Beijing region (including Beijing, Ji’nan and Qingdao, etc.), North China region (including Tianjin and Zhengzhou, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.), South China region (including Guangzhou, Shenzhen and Sanya, etc.), Northwestern China region (including Xi’an and Taiyuan, etc.), Cheng Yu region (including Chongqing and Chengdu, etc.), Yun Gui region (including Kunming and Guiyang, etc.) and Global Sunac (including the Global Sunac projects in Sichuan, Yunnan and Hunan Province).



融創中國控股有限公司(「本公司」，連同其附屬公司統稱為「本集團」)是一家於開曼群島註冊成立的有限公司，其股份於2010年在香港聯合交易所有限公司(「聯交所」)主板上市。本集團以「至臻·致遠」為品牌理念，致力於通過高品質的產品與服務，整合優質資源，為中國家庭提供美好生活場景與服務。本集團以地產為核心主業，佈局房地產開發、物業管理、冰雪運營管理、文旅、文化等業務板塊。經過20年發展，本集團已是中國房地產行業的頭部企業及中國領先的冰雪產業運營服務商、文旅產業運營商和物業持有者，具備全國領先的綜合城市開發與產業整合運營能力。

本集團依托優勢佈局的高質量土地儲備以及領先的產品能力，房地產開發業務主要佈局於長三角、環渤海、華南、中部和西部地區核心城市，並劃分為十大區域進行管理，即北京區域(含北京、濟南及青島等城市)、華北區域(含天津及鄭州等城市)、上海區域(含上海、南京及蘇州等城市)、東南區域(含杭州、福州及合肥等城市)、華中區域(含武漢、長沙及南昌等城市)、華南區域(含廣州、深圳及三亞等城市)、西北區域(含西安及太原等城市)、成渝區域(含重慶及成都等城市)、雲貴區域(含昆明及貴陽等城市)及環球融創(含四川、雲南及湖南地區環融項目)。

**SUNAC
CHINA
HOLDINGS
LIMITED**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Hongbin (*Chairman*)
Mr. Wang Mengde (*Chief Executive Officer*)
Mr. Jing Hong
Mr. Tian Qiang
Mr. Huang Shuping
Mr. Sun Kevin Zheyi
Mr. Chi Xun (*resigned with effect from 13 April 2023*)
Mr. Shang Yu (*resigned with effect from 13 April 2023*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Gao Xi

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Gao Xi

AUDIT COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

NOMINATION COMMITTEE

Mr. Sun Hongbin (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Ma Lishan
Mr. Yuan Zhigang

REMUNERATION COMMITTEE

Mr. Zhu Jia (*Chairman*)
Mr. Sun Hongbin
Mr. Poon Chiu Kwok
Mr. Ma Lishan
Mr. Yuan Zhigang

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Wang Mengde (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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Camana Bay
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITOR

PricewaterhouseCoopers
(resigned with effect from 28 June 2022)

BDO Limited
(appointed with effect from 8 July 2022)
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communications
China CITIC Bank
China Minsheng Bank
SPD Bank
China Merchants Bank
CZBANK
Industrial Bank Co., Ltd.
China Everbright Bank
China Bohai Bank

STOCK CODE

HKEx: 01918

COMPANY'S WEBSITE

www.sunac.com.cn

CHAIRMAN'S STATEMENT

Dear Shareholders and Investors,

Since the fourth quarter of 2021, the industry environment has been constantly changing. A number of situations went beyond the Group's expectation. The Group has proactively taken all necessary measures to ensure stable cash flow. However, sales have declined precipitously since March 2022, and various funding proposals such as asset disposals and targeted financing, which were aggressively promoted to satisfy the liquidity requirements in the second quarter of 2022, could not be implemented due to the unfavorable changes in the external environment, resulting in the Group encountering liquidity issues and facing unprecedented operating pressure in the past year. On behalf of the Board, I would like to express my sincere apologies to the stakeholders for any inconvenience that has been caused. At the same time, I am also very grateful for your patience, understanding and trust in the Group.

On the one hand, the Group continuously reflects on and summarizes its own problems, on the other hand, the management and employees are working in unity and making every effort to find a way out of the difficult situation. Since the first half of 2022, the Group has made positive progress in the main risk mitigation work.

The Group has been actively pushing forward the restructuring process of onshore and offshore public bonds. With the support of all parties, the onshore open market bond restructuring had been completed by the end of 2022, and significant progress has been made in the offshore debt restructuring. On 28 March 2023, the Group and the AHG entered into the restructuring support agreement in relation to the offshore debt restructuring plan. The Group will strive to complete the necessary legal procedures for the offshore debt restructuring within 2023. The Group believes that the successful restructuring of onshore and offshore public bonds, and the release of the 2022 interim results announcement and the 2022 annual results announcement are critical milestones for the Group to resume normal operations, and also lay a solid foundation to support the continuous business recovery of the Group.

The Group has been working closely with asset-management companies to raise capital for its high-quality projects and to revitalize its assets. Benefiting from the Group's good asset quality and market reputation, the cooperation between the Group and major asset-management companies has progressed smoothly. At present, the Group has, amongst others, revitalized the Shanghai Dongjiadu project and the Wuhan Tao Hua Yuan project, with an aggregate fundraising of over RMB20 billion. Currently, several other projects are in progress. Through the collaboration with asset-management companies, the Group will hopefully be able to revitalize more high-quality projects and drive the overall recovery of the Group's business.

A majority of the Group's onshore project level loans remain normal, particularly for projects in core cities or those in cooperation with strong joint venture partners. For those project loans that require extension due to the market downturn, the Group has been actively seeking support from the financial institutions. For bank loans, reasonable extension is being sought through the negotiations between headquarters. For certain trust loans that are subject to more constraints on extension, the Group is also actively liaising with relevant financial institutions to formulate holistic resolutions, such as bringing in third-party financing from asset management companies, or AMCs. Overall speaking, the Group has quality assets, and a majority of the Group's project loans are secured by sufficient underlying assets. In future, the Group will continue to actively communicate with financial institutions to resolve financing issues at project level.

The Group regarded ensuring property project delivery as its primary operational objective while actively responding to the government's requirement of property project delivery, and fulfilled its primary responsibility. The Group has been actively applying for special funds for guaranteed home delivery, ancillary financing and other types of supportive financing, in order to ensure the development and construction and the smooth completion and delivery of the property projects. Currently, the Group has received the first batch of special funds for guaranteed home delivery in the aggregate amount of approximately RMB11 billion. At the same time, the Group has made significant progress in the application for the second batch of special funds, and, so far, additional special funds have been approved by the relevant government departments for dozens of projects. Furthermore, the Group is also actively discussing with banks for guaranteed home delivery ancillary financing, and has so far received such financing for a number of projects. As it still takes time for the financing market and contracted sales to recover, such special funds are crucial for resumption of project work and construction and project delivery as well as for future recovery. In the first half of 2022, the Group achieved the delivery of approximately 90,000 houses in 59 cities. The Group will strive to take full advantage of the policy opportunities to support and ensure the development, construction, completion and delivery of its property projects by applying for guaranteed home delivery special borrowings, securing guaranteed home delivery ancillary financing from banks, and continuing its efforts to revitalize quality projects in collaboration with asset management companies and other financial institutions.

In the first half of 2022, the Group, together with its joint ventures and associates, recorded contracted sales of approximately RMB112.82 billion, representing a significant decline as compared with the same period last year. Currently, the real estate sales market is in the process of gradual recovery following a series of supportive policies. With the recovery of the overall economy and the restoration of market confidence, the Group believes that contracted sales will continue to improve in the second half of 2023. The Group will increase its supply during this recovery window to facilitate the recovery of contracted sales in the second half of 2023, which will in turn support the improvement of confidence of all parties, and better promote the recovery of the operation.

In the first half of 2022, Sunac Services Holdings Limited ("Sunac Services", stock code: 01516.HK), the property management segment of the Group, maintained stable growth in its core business and achieved continuous improvement in its business structure. It maintained a rising trend for its business management scale and made achievements in market exploration in terms of quantity and quality. In the first half of 2022, the ice and snow segment of the Group continuously developed with a stable layout of new ski resorts and the successful signing of Suzhou Nanda Snow World, a third-party entrusted management project. The number of operating ski resorts under the management of the ice and snow segment reached 9 (including 6 indoor and 3 outdoor ski resorts). In the first half of 2022, the success of the Beijing Olympic Winter Games aroused the enthusiasm of the people across the country for skiing. Against this background, the ice and snow sector "Hot Snow Miracle APP" was successfully launched and operated, which rapidly accumulated private domain traffic and assisted the operations and development of the ice and snow segment.

Looking into the future, I strongly believe in the gradual recovery of the business of the Group, on the basis of, on the one hand, the many favorable policies that have been rolled out by the government to support the overall economic growth and stabilize the real estate industry, as a result of which the external environment will continue to improve, and, on the other hand, the solid asset quality and strong brand, and the resilient and hardworking team of the Group. With the assistance and support from all parties, the Group will be able to orderly resolve problems, overcome difficulties and restore the normal course of operations to come back on track for a healthy business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1 REVENUE

For the six months ended 30 June 2022, most of the Group's revenue came from sales of residential and commercial properties business, and the other revenue came from cultural and tourism city construction and operation, property management and other businesses.

As at 30 June 2022, the Group's national strategic layout of real estate development business consisted of core cities in the Yangtze River Delta, Bohai Rim, South China, Central regions and Western regions, which are divided into 9 major regional groups for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Shenyang, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.), South China region (including Guangzhou, Shenzhen and Sanya, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Cheng Yu region (including Chongqing and Chengdu, etc.) and Yun Gui region (including Kunming and Guiyang, etc.).

Total revenue of the Group for the six months ended 30 June 2022 amounted to approximately RMB48.54 billion, representing a decrease of 49.3% compared with the total revenue of approximately RMB95.82 billion for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the total revenue of the Group and its joint ventures and associates was approximately RMB114.48 billion, representing a decrease of approximately RMB68.89 billion (approximately 37.6%) as compared with the total revenue of approximately RMB183.37 billion for the six months ended 30 June 2021, of which approximately RMB73.11 billion was attributable to owners of the Company, representing a decrease of approximately RMB51.38 billion (approximately 41.3%) as compared to approximately RMB124.49 billion for the six months ended 30 June 2021.

The following table sets forth certain details of the revenue:

	Six months ended			
	2022		2021	
	RMB billion	%	RMB billion	%
Revenue from sales of properties	41.44	85.4%	87.50	91.3%
Cultural and tourism city construction and operation income	2.17	4.5%	2.61	2.7%
Property management income	3.22	6.6%	2.42	2.5%
Revenue from other business	1.71	3.5%	3.29	3.5%
Total	48.54	100.0%	95.82	100.0%
Total gross floor area delivered during the period (<i>in million sq.m.</i>)	3.726		7.821	

For the six months ended 30 June 2022, revenue from sales of properties decreased by approximately RMB46.06 billion (approximately 52.6%) as compared with that for the six months ended 30 June 2021. Total area of delivered properties decreased by 4.095 million square meters ("sq.m.") (approximately 52.4%) as compared with that for the six months ended 30 June 2021, mainly due to the decrease in delivered areas and average selling price of property projects delivered in some areas for the six months ended 30 June 2022 as compared with that for the six months ended 30 June 2021 under such a grim environment caused by the downturn in the real estate industry and the COVID-19 epidemic in the first half of 2022.

2 COST OF SALES

Cost of sales mainly includes the costs directly incurred in the course of property development for the Group's properties sold.

For the six months ended 30 June 2022, the Group's cost of sales was approximately RMB54.61 billion, representing a decrease of approximately RMB21.23 billion (approximately 28.0%) as compared to the cost of sales of approximately RMB75.84 billion for the six months ended 30 June 2021, mainly due to the decrease in the delivery area of the properties.

3 GROSS (LOSS)/PROFIT

For the six months ended 30 June 2022, the Group's gross loss was approximately RMB6.06 billion, representing a decrease of approximately RMB26.04 billion as compared with the gross profit of approximately RMB19.98 billion for the six months ended 30 June 2021. Decrease in gross profit was mainly due to a combination of decreased sales revenue, lower gross profit margin recorded and the provision for property impairment made by the Group for the period.

For the six months ended 30 June 2022, the Group's gross profit margin was approximately minus 12.5%, representing a significant decrease as compared to approximately 20.8% for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of approximately RMB2.08 billion. The Group's gross profit would have been approximately RMB4.31 billion and gross profit margin would have been approximately 8.9% for the six months ended 30 June 2022 without taking into account such impact of fair value adjustments and provision for impairment of properties on gross profit.

For the six months ended 30 June 2022, total gross profit of the Group and its joint ventures and associates was approximately RMB2.75 billion, with a gross profit margin of approximately 2.4%, of which approximately RMB1.27 billion was gross loss attributable to owners of the Company. For the six months ended 30 June 2021, total gross profit of the Group and its joint ventures and associates was approximately RMB36.02 billion, with a gross profit margin of approximately 19.6%, of which approximately RMB23.46 billion was gross profit attributable to owners of the Company.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs decreased by approximately 31.2% from approximately RMB3.82 billion for the six months ended 30 June 2021 to approximately RMB2.63 billion for the six months ended 30 June 2022. The decrease in selling and marketing costs was in line with the decrease in the Group's contracted sales for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's administrative expenses increased by approximately RMB60 million from approximately RMB3.75 billion for the six months ended 30 June 2021 to approximately RMB3.81 billion for the six months ended 30 June 2022 with no material change.

5 OTHER INCOME AND GAINS

For the six months ended 30 June 2022, the Group recognised other income and gains of approximately RMB3.11 billion, which mainly comprised income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB1.46 billion and the gain from the disposal of subsidiaries and joint ventures of approximately RMB0.73 billion. For the six months ended 30 June 2021, the Group's other income and gains amounted to approximately RMB4.05 billion, comprising income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB1.75 billion and net fair value gains on investment properties of approximately RMB0.82 billion.

6 OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2022, other expenses and losses recognised by the Group amounted to approximately RMB5.55 billion, mainly including the loss of approximately RMB3.91 billion from the disposal of subsidiaries, joint ventures and associates and other assets, and the net fair value losses on investment properties of approximately RMB0.59 billion. The Group recorded an increase in other expenses and losses of approximately RMB3.66 billion as compared with that for the six months ended 30 June 2021 of approximately RMB1.89 billion.

7 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Given the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments for the six months ended 30 June 2022, the Group made provisions for expected credit losses of approximately RMB1.65 billion on amounts due from related companies, amounts due from non-controlling interests and other receivables.

8 OPERATING (LOSS)/PROFIT

Concluding from the above analysis, the Group's operating profit decreased by approximately RMB31.13 billion from approximately RMB14.55 billion for the six months ended 30 June 2021 to the operating loss of approximately RMB16.58 billion for the six months ended 30 June 2022, mainly due to the following reasons:

- (i) gross profit decreased by approximately RMB26.04 billion;
- (ii) selling and marketing costs and administrative expenses decreased by approximately RMB1.13 billion;
- (iii) net impairment losses on financial and contract assets increased by approximately RMB1.63 billion; and
- (iv) other income and gains decreased by approximately RMB0.94 billion and other expenses and losses increased by approximately RMB3.66 billion.

9 FINANCE INCOME AND EXPENSES

The Group's finance expenses increased by approximately RMB6.00 billion from approximately RMB0.70 billion for the six months ended 30 June 2021 to approximately RMB6.70 billion for the six months ended 30 June 2022, and finance income decreased by approximately RMB0.85 billion from approximately RMB1.52 billion for the six months ended 30 June 2021 to approximately RMB0.67 billion for the six months ended 30 June 2022 at the same time, mainly due to the following reasons:

- (i) Suffered from the downturn in the real estate industry and the COVID-19 epidemic, construction progress of the Group's projects slowed down, resulting in decreases in delivered areas and proportion of capitalised interests in total interest expenses as compared to that of the six months ended 30 June 2021, which led to an increase of approximately RMB2.21 billion in expensed interest from approximately RMB0.70 billion for six months ended 30 June 2021 to approximately RMB2.91 billion for six months ended 30 June 2022; and
- (ii) due to the change in trend of foreign exchange rates fluctuations, the exchange gain or loss of the Group turned from a net exchange gain of approximately RMB0.70 billion for the six months ended 30 June 2021 to a net exchange loss of approximately RMB3.79 billion for the six months ended 30 June 2022.

10 SHARE OF POST-TAX PROFITS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Share of post-tax profits of investments accounted for using the equity method, net recognised by the Group decreased by approximately RMB1.42 billion from approximately RMB2.24 billion for the six months ended 30 June 2021 to approximately RMB0.82 billion for the six months ended 30 June 2022, mainly due to the decreases in revenue and gross profit margin from sales of the Group's joint ventures and associates during the period.

11 (LOSS)/PROFIT

Profit of the Group attributable to owners of the Company decreased by approximately RMB30.75 billion from approximately RMB11.99 billion for the six months ended 30 June 2021 to loss of approximately RMB18.76 billion for the six months ended 30 June 2022. After excluding the impact of gains from business combination and its effect on fair value adjustments, gains or losses on changes in fair value of financial assets, derivative financial instruments and investment properties, disposal gains or losses on financial assets, subsidiaries and investments in joint ventures and associates, exchange gain or loss, charitable donations and loss on project demolition, profit attributable to owners of the Company (the "core net (loss)/profit", a non-GAAP financial measure) decreased by approximately RMB24.21 billion from core net profit of approximately RMB13.15 billion for the six months ended 30 June 2021 to core net loss of approximately RMB11.06 billion for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out (loss)/profit attributable to owners of the Company and other non-controlling interests for the stated periods:

	For the period ended 30 June	
	2022 RMB billion	2021 RMB billion
(Loss)/profit during the period	(20.35)	13.30
Attributable to:		
Owners of the Company	(18.76)	11.99
Other non-controlling interests	(1.59)	1.31
	(20.35)	13.30

12 CASH STATUS

The Group operates in a capital-intensive industry and the Group's liquidity requirements relate to meeting its working capital requirements, funding the development of its new property projects and servicing its debt. The funding sources of the Group mainly include proceeds from the pre-sale and sale of properties, and to a lesser extent, capital contributions from shareholders, share issuances and loans.

The Group's cash balances (including restricted cash) decreased to approximately RMB48.96 billion as at 30 June 2022 from approximately RMB69.20 billion as at 31 December 2021, of which non-restricted cash decreased to approximately RMB13.32 billion as at 30 June 2022 from approximately RMB14.34 billion as at 31 December 2021.

Decrease in non-restricted cash was mainly due to:

- (i) approximately RMB20.27 billion of net cash inflow from operating activities;
- (ii) approximately RMB4.91 billion of net cash inflow from investing activities; and
- (iii) approximately RMB26.29 billion of net cash outflow used in financing activities.

Currently, the Group is taking the initiative in mitigating risks, and will continue to focus on completion and delivery of its property projects and the improvement of sales performance, so as to secure the steady business growth and sustainable operation of the Group.

13 BORROWINGS AND SECURITIES

As at 30 June 2022, the total borrowings of the Group were approximately RMB296.34 billion. Approximately RMB265.90 billion (as at 31 December 2021: approximately RMB288.20 billion) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, etc. (total amount was approximately RMB242.42 billion (as at 31 December 2021: approximately RMB254.30 billion)) and equities of certain of the Group's subsidiaries.

14 GEARING RATIO

The gearing ratio is calculated by dividing the net debt by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) and lease liabilities less cash balances (including restricted cash). Total capital is calculated by adding total equity and net debt. As at 30 June 2022, the Group's gearing ratio was approximately 70.1%, representing an increase as compared to approximately 67.0% as at 31 December 2021.

The Group's gearing ratio experienced fluctuations. The Group will proactively deal with debt situation, continue to accelerate sales, release operating cash flow so as to improve the gearing ratio.

15 INTEREST RATE RISK

As the Group has no material interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Long-term borrowings include borrowings issued at variable rates and borrowings issued at fixed rates, of which borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates while borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the liabilities stated at carrying amounts, categorised by maturity dates.

	As at 30 June 2022 RMB billion	As at 31 December 2021 RMB billion
Floating interests		
Less than 12 months	49.91	45.22
1-5 years	9.97	18.44
Over 5 years	0.82	3.31
Subtotal	60.70	66.97
Fixed interests		
Less than 12 months	209.96	189.93
1-5 years	23.21	59.48
Over 5 years	2.47	5.33
Subtotal	235.64	254.74
Total	296.34	321.71

The Group will continue to pay attention to and monitor interest rate risks.

MANAGEMENT DISCUSSION AND ANALYSIS

16 FOREIGN EXCHANGE RISKS

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Given that some of the Group's bank deposits, financial assets at fair value through profit or loss and senior notes are denominated in US dollars or Hong Kong dollars, the Group is exposed to foreign exchange risks. For the six months ended 30 June 2022, the Group recorded an exchange loss in the amount of approximately RMB3.79 billion 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. The Group will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign exchange risks.

17 CONTINGENT LIABILITIES

(a) Financial guarantee

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was approximately RMB98.88 billion as at 30 June 2022 as compared with approximately RMB156.72 billion as at 31 December 2021. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months after the properties' delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

(b) Litigation

Up to the date of this report, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The Directors have assessed the impact of the above litigation matters on the condensed consolidated interim financial information for the six months ended 30 June 2022 and accrued provision on the condensed consolidated interim financial information of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

BUSINESS HIGHLIGHTS

SUMMARY OF LAND BANK

As at 30 June 2022, the Group and its joint ventures and associates had a total land bank of approximately 233 million sq.m. and an attributable land bank of approximately 139 million sq.m.. The breakdown of land bank by cities was as follows:

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Yangtze River Delta	Hangzhou	3,428.5	6,935.4
	Wenzhou	2,752.2	3,535.1
	Wuxi	1,993.8	3,383.2
	Shaoxing	1,549.4	3,000.9
	Shanghai	1,498.7	3,513.6
	Jiaxing	1,489.7	1,779.5
	Xuzhou	1,446.8	1,933.9
	Ningbo	1,054.7	1,887.5
	Suzhou	976.4	2,004.7
	Nantong	890.8	1,564.7
	Nanjing	840.1	2,024.9
	Hefei	696.3	827.3
	Changzhou	602.9	975.2
	Others	2,901.6	7,143.1
	Subtotal	22,121.9	40,509.0

BUSINESS HIGHLIGHTS

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Bohai Rim	Qingdao	9,108.3	13,143.5
	Tianjin	6,794.0	7,929.4
	Ji'nan	4,102.3	6,418.9
	Taiyuan	2,382.7	3,750.3
	Dalian	2,043.9	2,125.9
	Harbin	1,955.7	3,456.4
	Shijiazhuang	1,267.2	2,177.9
	Beijing	1,214.1	2,037.9
	Shenyang	1,170.3	2,596.7
	Yantai	1,013.4	1,728.0
	Tangshan	877.4	1,075.1
	Langfang	840.8	1,523.4
	Others	2,631.6	3,341.9
		Subtotal	35,401.7
Southern China	Jiangmen	3,454.2	4,255.9
	Qingyuan	1,645.1	1,779.7
	Hainan Province	1,565.2	2,636.6
	Guangzhou	1,505.5	2,956.4
	Zhuhai	774.3	824.7
	Zhongshan	735.6	860.4
	Fuzhou	714.8	1,584.1
	Huizhou	706.4	740.7
	Zhaoqing	672.3	802.1
	Shenzhen	665.1	1,278.0
	Foshan	625.4	1,113.9
	Others	2,134.2	4,413.1
	Subtotal	15,198.1	23,245.6

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Core Western China	Chongqing	11,617.8	17,530.7
	Meishan	6,279.4	12,069.7
	Kunming	3,542.3	6,919.7
	Xi'an	3,436.5	5,798.5
	Chengdu	2,766.7	6,713.7
	Xianyang	2,615.0	5,230.0
	Xishuangbanna	2,523.6	3,181.4
	Guiyang	2,508.0	4,660.7
	Guilin	2,069.9	3,903.3
	Nanning	1,899.8	3,832.0
	Dali	1,235.2	2,058.7
	Yinchuan	1,215.5	1,402.3
	Liuzhou	992.1	2,278.2
	Beihai	709.6	1,730.0
	Others	5,217.3	11,593.6
	Subtotal	48,628.7	88,902.5
Core Central China	Wuhan	7,283.6	12,988.6
	Zhengzhou	4,959.4	6,565.9
	Changsha	2,115.9	2,738.0
	Nanchang	721.8	1,111.6
	Yueyang	656.0	1,338.8
	Ezhou	583.2	1,264.2
	Xianning	569.3	813.3
	Others	1,166.6	2,234.4
	Subtotal	18,055.8	29,054.8
	Total	139,406.2	233,017.2

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code on corporate governance and had, throughout the six months ended 30 June 2022, complied with all applicable code provisions under the Corporate Governance Code.

The board (the “Board”) of directors (the “Directors”) of the Company recognizes the importance and benefits of good corporate governance and has adopted certain corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members have regular discussions about the business strategies and performance of the Group. They, together with the relevant senior executives of the Company, have also attended regular trainings on the Listing Rules and other regulatory requirements. The Company has established an internal reporting practice within the Group in order to monitor the operation and business development of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. Upon specific enquiries being made with all the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2022 in relation to their securities dealings, if any.

CHANGES OF INFORMATION OF DIRECTORS

Since 1 January 2023, Mr. Zhu Jia has promoted from the managing director to partner of Bain Capital Private Equity (Asia), LLC.

Since 20 January 2023, Mr. Yuan Zhigang has ceased to be an independent director of Shanghai Pudong Development Bank Co., Ltd..

Since 13 April 2023, Mr. Chi Xun and Mr. Shang Yu have resigned as executive directors of the Company.

Save as disclosed in this report, there is no change in Directors’ information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2021 by the Company.

SHARE OPTION SCHEMES

The Company has adopted three share option schemes (collectively, the “Share Option Schemes”) as follows:

- (i) The Company adopted a Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 9 September 2010 and had granted in aggregate 51,080,000 share options to the Directors and employees under the Pre-IPO Share Option Scheme before the completion of the global offering of the Company, representing approximately 1.67% of the total issued shares of the Company immediately following the completion of the capitalization issue and the global offering. No share option could be offered or granted under the Pre-IPO Share Option Scheme upon the completion of the global offering of the Company. As at 30 June 2022, no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme;
- (ii) The Company adopted a Post-IPO share option scheme (the “2011 Share Option Scheme”) on 29 April 2011 and proposed certain amendments to the 2011 Share Option Scheme, which were approved and adopted on 17 March 2014. The 2011 Share Option Scheme had a term of six years from its adoption date, i.e. 29 April 2011 and expired on 28 April 2017. The Company had granted in aggregate 99,900,000 share options to the Directors and employees during the period, representing approximately 3.33% of the total issued shares as at the adoption date of the 2011 Share Option Scheme. As at 30 June 2022, no share option remained outstanding and exercisable under the 2011 Share Option Scheme; and

(iii) The Company adopted a new share option scheme (the “2014 Share Option Scheme”) on 19 May 2014, which had a term of five years from its adoption date, i.e. 19 May 2014 and expired on 18 May 2019. The Company had granted in aggregate 166,374,246 share options to the Directors and employees, representing approximately 5% of the total issued shares as at the adoption date of the 2014 Share Option Scheme. As at 30 June 2022, 40,226,964 share options remained outstanding and exercisable under the 2014 Share Option Scheme, representing approximately 0.74% of total number of issued shares as at 30 June 2022.

The purpose of each share option scheme is to provide an incentive for the Directors, management and employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of all its shareholders and to attract and retain high caliber working partners who are or may be beneficial to the growth and development of the Group.

For the six months ended 30 June 2022, the details and changes of the share options granted under the 2014 Share Option Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK\$)	Closing price before the date of grant (HK\$)	Number of options granted	Accumulated	Accumulated	Accumulated	Number of options outstanding 30 June 2022	Number of options exercised for the six months ended 30 June 2022	Weighted-average closing price before the exercise date for the six months ended 30 June 2022 (HK\$)
							number of options exercised from the date of grant to 30 June 2022	number of options cancelled from the date of grant to 30 June 2022	number of options lapsed from the date of grant to 30 June 2022			
2014/6/5	2014/6/5	30%										
	2015/6/5	30%	2019/6/4	4.07	3.96	33,267,000	31,544,600	1,363,400	359,000	-	-	-
	2016/6/5	40%										
2015/7/9	2015/7/9	30%										
	2016/7/9	30%	2020/7/8	7.27	6.34	33,267,000	31,452,200	900,280	914,520	-	-	-
	2017/7/9	40%										
2016/6/20	2016/6/20	30%										
	2017/6/20	30%	2021/6/19	4.62	4.56	39,920,000	39,178,000	590,000	152,000	-	-	-
	2018/6/20	40%										
2017/12/22	2017/12/22	30%										
	2018/12/22	30%	2022/12/21	30.25	30.25	59,920,246	16,533,282	1,595,000	1,565,000	40,226,964	-	-
	2019/12/22	40%										
Total						166,374,246	118,708,082	4,448,680	2,990,520	40,226,964	-	

CORPORATE GOVERNANCE AND OTHER INFORMATION

For the six months ended 30 June 2022, the movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on	Granted on	Granted on	Granted on	Granted in aggregate	Number of	Number of	Number of	Number of	
	5 June 2014	9 July 2015	20 June 2016	22 December 2017		options as at 1 January 2022	options exercised for the six months ended 30 June 2022	options cancelled for the six months ended 30 June 2022	options lapsed for the six months ended 30 June 2022	options as at 30 June 2022
Directors										
Mr. Sun Hongbin	1,300,000	-	-	-	1,300,000	-	-	-	-	-
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	2,800,000	-	-	-	2,800,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	2,000,000	-	-	-	2,000,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	2,600,000	-	-	-	2,600,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	1,830,082	-	-	-	1,830,082
Mr. Chi Xun <i>(resigned with effect from 13 April 2023)</i>	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	2,800,000	-	-	-	2,800,000
Mr. Shang Yu <i>(resigned with effect from 13 April 2023)</i>	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	2,500,000	-	-	-	2,500,000
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	25,808,882	-	-	112,000	25,696,882
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	40,338,964	-	-	112,000	40,226,964

SHARE AWARD SCHEME

In order to encourage the employees of the Group to continuously make greater contributions for the Group's long-term growth in the future, the Board resolved to adopt a share award scheme (the "Share Award Scheme") on 8 May 2018 (the "Adoption Date").

Unless early terminated by the Board, the Share Award Scheme shall be effective for ten years from the Adoption Date. Pursuant to the Share Award Scheme, the Company will entrust the trustee of the Share Award Scheme to purchase existing ordinary shares of the Company ("Shares", each a "Share") in the open market based on the Company's overall remuneration incentive plan. The trustee will hold such Shares on behalf of the relevant selected employees on trust, until such Shares are vested with the relevant selected employees in accordance with the rules of the Share Award Scheme. The aggregated maximum number of Shares that the trustee may purchase must not exceed 5% of the total number of issued Shares on the Adoption Date (being 220,113,960 Shares).

During the period from the Adoption Date to 30 June 2019, the trustee of the Share Award Scheme purchased on the open market a total of 94,653,000 Shares of the Company at the total consideration of approximately HK\$2.57 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. For the six months ended 30 June 2022, the trustee of the Share Award Scheme did not purchase any Shares.

From the Adoption Date to 31 December 2022, there have been 57,505,000 share awards granted to selected employees (not yet excluding share awards granted but lapsed due to the resignation of selected employees) under the Share Award Scheme on a cumulative basis, and there was no granted share award in 2022 (16,690,000 share awards¹ granted in early 2021). The number of awards available for grant under the Share Award Scheme at the beginning and the end of the six months ended 30 June 2022 were 164,124,960 and 164,787,460, respectively, representing approximately 3.01% and 3.02% respectively of the Shares in issue as at the date of this report.

Note 1: Due to the resignation of selected employees, 320,000 share awards among 16,690,000 share awards initially granted in early 2021 were lapsed. Therefore the number of share awards actually granted was 16,370,000.

Details of the awards granted or to be granted under the Share Award Scheme for the six months ended 30 June 2022 were as follows:

Name of grantees	Number of awards granted on 1 April 2019	Number of awards granted on 1 April 2020	Number of awards granted on 1 April 2021	Total number of awards granted ¹	Number of awards granted during the six month-period ended 30 June 2022	Number of awards vested during the six month-period ended 30 June 2022	Number of awards cancelled during the six month-period ended 30 June 2022	Number of awards lapsed during the six month-period ended 30 June 2022	Number of awards unvested as at 30 June 2022
					Number of awards unvested as at 1 January 2022				
Directors									
Mr. Sun Hongbin	-	-	-	-	-	-	-	-	-
Mr. Wang Mengde	1,000,000	800,000	900,000	2,700,000	1,860,000	-	-	-	1,860,000
Mr. Jing Hong	1,000,000	800,000	650,000	2,450,000	1,610,000	-	-	-	1,610,000
Mr. Tian Qiang	900,000	800,000	650,000	2,350,000	1,570,000	-	-	-	1,570,000
Mr. Huang Shuping	500,000	500,000	400,000	1,400,000	950,000	-	-	-	950,000
Mr. Sun Kevin Zheyi	300,000	270,000	300,000	870,000	609,000	-	-	-	609,000
Mr. Chi Xun ²	900,000	800,000	650,000	2,350,000	1,570,000	-	-	-	1,570,000
Mr. Shang Yu ²	900,000	1,000,000	900,000	2,800,000	1,960,000	-	-	-	1,960,000
Five Highest Paid Individuals (in total)³	4,600,000	4,200,000	4,000,000	12,800,000	8,780,000	-	-	-	8,780,000
Other grantees⁴	14,640,000	14,005,000	11,340,000	39,985,000	25,711,500	-	-	662,500	25,049,000
Employees of the Group	21,040,000	19,775,000	16,690,000	57,505,000	37,660,500	-	-	662,500	36,998,000

Notes:

- All granted share awards would be vested in three years, with 30%, 30% and 40% to be vested on the day before the first, the second and the third anniversary of the granting date respectively. For 37,033,000 share awards unvested ("Unvested Award Shares") and to be vested on or after 30 March 2022, because of the Group's 2021 performance falling short of expectations and the substantial changes encountering in the industry, the Board of the Company resolved to extend the vesting of all Unvested Award Shares. In the future, the Board will make discretionary decision on the conditions of vesting according to the Group's operation results and/or market condition.
- The Director has resigned with effect from 13 April 2023.
- The five highest paid individuals for the six-month period ended 30 June 2022 include Mr. Wang Mengde, Mr. Tian Qiang, Mr. Chi Xun, Mr. Shang Yu and a senior management.
- Senior management and employees of the Group other than the Directors and the five highest paid individuals.

Pursuant to the terms of the Company's Share Award Scheme, the Company will not issue new Shares in connection with the awards granted under the Share Award Scheme. Accordingly, the number of new Shares that can be issued under the awards granted under all share award schemes of the Company during the six-month period ended 30 June 2022 divided by the weighted average number of Shares issued during the period was not applicable.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register 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:

INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of ordinary Shares	Approximate percentage of interest in the Company ²
Mr. Sun Hongbin	Interest in controlled corporations ¹	2,091,329,884	38.38%
	Beneficial owner	19,930,000	0.37%
Mr. Wang Mengde	Beneficial owner	17,177,000	0.32%
Mr. Jing Hong	Beneficial owner	11,546,000	0.21%
	Interest of spouse	609,000	0.01%
Mr. Tian Qiang	Beneficial owner	6,982,000	0.13%
Mr. Huang Shuping	Beneficial owner	5,400,000	0.10%
Mr. Sun Kevin Zheyi	Beneficial owner	261,000	0.005%
Mr. Chi Xun (<i>resigned with effect from 13 April 2023</i>)	Beneficial owner	8,228,396	0.15%
Mr. Shang Yu (<i>resigned with effect from 13 April 2023</i>)	Beneficial owner	6,190,000	0.11%

Notes:

1. These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International Investment Holdings Ltd ("Sunac International") and 48,706,000 Shares by 天津標的企業管理有限公司 (for identification only, Tianjin Biaodi Enterprise Management Limited) ("Tianjin Biaodi"). The entire issued share capital of Sunac International was held by Sun family trusts, 70% of which was held by the new family trust ("New Family Trust") and the remaining 30% was held by two original family trusts. The new family trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiaries. The two original family trusts were established in May and June 2018, respectively, the beneficiaries of which were family members of Mr. Sun Hongbin. All the shares of Tianjin Biaodi were held by Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.
2. Calculated on the basis of 5,448,883,911 Shares in issue as at 30 June 2022.

INTERESTS IN THE UNDERLYING SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Number of outstanding share options granted under the Share Option Schemes	Number of unvested Shares awarded under the Share Award Scheme	Total	Approximate percentage of interest in the Company ¹
Mr. Wang Mengde	2,800,000	1,860,000	4,660,000	0.09%
Mr. Jing Hong	2,000,000	1,610,000	3,610,000	0.07%
Mr. Tian Qiang	2,600,000	1,570,000	4,170,000	0.08%
Mr. Huang Shuping	1,830,082	950,000	2,780,082	0.05%
Mr. Sun Kevin Zheyi	–	609,000	609,000	0.01%
Mr. Chi Xun (<i>resigned with effect from 13 April 2023</i>)	2,800,000	1,570,000	4,370,000	0.08%
Mr. Shang Yu (<i>resigned with effect from 13 April 2023</i>)	2,500,000	1,960,000	4,460,000	0.08%

Note 1: Calculated on the basis of 5,448,883,911 Shares in issue as at 30 June 2022.

INTERESTS IN SHARES AND UNDERLYING SHARES OF SUNAC SERVICES, AN ASSOCIATED CORPORATION OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of ordinary shares of Sunac Services	Number of unvested shares awarded under the share award scheme of Sunac Services	Total	Approximate percentage of interest in the associated corporation ²
Mr. Sun Hongbin	Interest in controlled corporations ¹	2,048,229,606	–	2,048,229,606	67.00%
	Beneficial owner	916,472	550,000	1,466,472	0.05%
Mr. Wang Mengde	Beneficial owner	1,707,734	450,000	2,157,734	0.07%
Mr. Jing Hong	Beneficial owner	598,551	275,000	873,551	0.03%
	Interest of spouse	1,019,594	–	1,019,594	0.03%
Mr. Tian Qiang	Beneficial owner	1,650,321	200,000	1,850,321	0.06%
Mr. Huang Shuping	Beneficial owner	1,664,092	200,000	1,864,092	0.06%
Mr. Sun Kevin Zheyi	Beneficial owner	52,895	50,000	102,895	0.003%
Mr. Chi Xun (<i>resigned with effect from 13 April 2023</i>)	Beneficial owner	1,833,989	350,000	2,183,989	0.07%
Mr. Shang Yu (<i>resigned with effect from 13 April 2023</i>)	Beneficial owner	1,882,592	450,000	2,332,592	0.08%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- These 2,048,229,606 shares of Sunac Services were held as to:
 - 1,540,000,000 shares of Sunac Services by Sunac Services Investment Limited (融創服務投資有限公司) (“Sunac Services Investment”);
 - 440,941,000 shares of Sunac Services by Sunac Shine (PTC) Limited (“Sunac Shine”);
 - 65,721,489 shares of Sunac Services by Sunac International; and
 - 1,567,117 shares of Sunac Services by Tianjin Biaodi.

Sunac Services Investment is wholly owned by Sunac China. Sunac Shine, wholly owned by Sunac China, has adopted a share award scheme in respect of shares of Sunac Services and acts as a trustee of the scheme on 11 June 2021. By virtue of the SFO, Sunac China is deemed to be interested in the shares of Sunac Services held by Sunac Services Investment and Sunac Shine, and Mr. Sun Hongbin is deemed to be interested in these shares of Sunac Services through Sunac China, Sunac International and Tianjin Biaodi.

- Calculated on the basis of 3,056,844,000 shares in issue of Sunac Services as at 30 June 2022.

Save as disclosed herein, as at 30 June 2022, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2022, the following persons (other than a Director or chief executive of the Company) had an interest in 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of shareholder	Nature of interest/ capacity	Number of Shares	Approximate percentage of interest in the Company ³
Sunac International	Beneficial owner ¹	2,042,623,884	37.49%
	Holder of equity derivative ²	2,179,000	0.04%
South Dakota Trust Company LLC	Trustee ¹	2,042,623,884	37.49%
	Holder of equity derivative ²	2,179,000	0.04%

Notes:

- These 2,042,623,884 Shares were held by Sunac International. 70% of the issued shares of Sunac International were held by Sunac Holdings LLC. All issued shares of Sunac Holdings LLC were held by the New Family Trust. South Dakota Trust Company LLC was the trustee of the New Family Trust. The New Family Trust was established by Mr. Sun Hongbin and Mr. Sun Hongbin and some of his family members are the beneficiaries. Mr. Sun Hongbin was deemed to be interested in all those 2,042,623,884 Shares by virtue of the SFO.

2. The Company signed a total return swap agreement with a financial institution in December 2020. As at 30 June 2022, the financial institution has purchased a total of 2,179,000 Shares. According to the total return swap agreement, the financial institution may sell the Shares to the trustee of the Share Award Scheme, but will not make physical delivery of the Shares to the Company. Each of Sunac International and South Dakota Trust Company LLC, as the trustee of the New Family Trust, is deemed to have interests in the relevant Shares in the swap transaction through the Company.
3. Calculated on the basis of 5,448,883,911 in issue as at 30 June 2022.

Save as disclosed herein, as at 30 June 2022, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not undertaken any other significant investments, material acquisitions or disposals of subsidiaries, joint ventures or associates during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

As at 30 June 2022, the Group had no definite plan authorised by the Board for material investments or purchase of capital assets.

INTERIM DIVIDEND

The Board 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).

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES DURING THE PERIOD

On 12 January 2022, the Company, Sunac International Investment Holdings Ltd (the "Vendor") and Morgan Stanley & Co. International plc (the "Placing Agent") entered into the Placing and Subscription Agreement, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 452 million Shares at a price of HK\$10 per Share on behalf of the Vendor, and the Vendor conditionally agreed to subscribe for 452 million Shares at the placing price of HK\$10 per Share (the "Subscription"). The gross proceeds from the Subscription were HK\$4.520 billion (equivalent to approximately US\$580 million) and the net proceeds therefrom were HK\$4.484 billion (equivalent to approximately US\$575 million). Out of the net proceeds from the Subscription, the Company has used in accordance with its plan of (1) approximately 50% for general corporate purposes; and (2) approximately 50% for repayment of loans. Details of the placing of existing Shares and the subscription for new Shares are set out in the announcement of the Company dated 13 January 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSEQUENT EVENTS

THE WINDING-UP PETITION AND ITS LATEST PROGRESS

On 8 September 2022, the Company received a winding-up petition against the Company (the “Petition”) filed by Chen Huaijun at the High Court of the Hong Kong Special Administrative Region (the “High Court”) in relation to the non-repayment by the Company of the senior notes held by him in a principal amount of US\$22 million and accrued interests. At the hearing of the High Court on 16 November 2022, the High Court ordered the hearing of the Petition to be adjourned to 14 June 2023. Since the receipt of the Petition, the Company has been actively pursuing legal measures to resolutely oppose the Petition, and taking all necessary actions to protect its legal rights. The Company does not believe the Petition will have a meaningful impact on the restructuring plan or timetable.

LATEST PROGRESS OF THE OFFSHORE DEBT RESTRUCTURING

The Company has been working closely with its legal and financial advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the “AHG”), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring of the Company’s offshore indebtedness (the “Restructuring”).

On 28 March 2023, the Company and the AHG entered into the restructuring support agreement (the “RSA”) in relation to the terms of the Restructuring. The contemplated Restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The Company expects to commence the process of implementing the Restructuring on terms set forth in the RSA as soon as possible.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

2019 FACILITY AGREEMENT

As stated in the announcement of the Company dated 20 August 2019, on 20 August 2019, the Company as the borrower entered into a facility agreement (the “2019 Facility Agreement”) with The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited, Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch, Hang Seng Bank Limited, Deutsche Bank AG, Singapore Branch, Morgan Stanley Senior Funding, Inc. and EnTie Commercial Bank as the lenders (the “2019 Lenders”), and China Construction Bank (Asia) Corporation Limited as the facility agent (the “2019 Facility Agent”), pursuant to which the 2019 Lenders agreed to make available to the Company a term loan facility (the “2019 Facility”) up to US\$400 million (or its equivalents). The term of the 2019 Facility is 36 months from the date of the 2019 Facility Agreement. Pursuant to the 2019 Facility Agreement, among other things, if (i) Mr. Sun Hongbin, his family members and family trusts, together, cease to hold, whether directly or indirectly through any person, beneficially (a) 30% or more of the issued share capital of the Company, or (b) issued share capital having the right to cast at least 30% of the votes capable of being cast in general meetings of the Company; (ii) Mr. Sun Hongbin, his family members and family trusts, together, cease to control the Company; or (iii) Mr. Sun Hongbin ceases to be the chairman of the Board, following the instructions given by the majority of the 2019 Lenders, the 2019 Facility Agent may cancel the 2019 Facility and declare all outstanding loans together with accrued interest and other payables immediately due and payable by giving prior notice to the Company.

2021 FACILITY AGREEMENT

As stated in the announcement of the Company dated 28 June 2021, on 25 June 2021, the Company as the borrower and certain subsidiaries of the Company as subsidiary guarantors entered into a facility agreement (the “2021 Facility Agreement”) with The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Morgan Stanley Senior Funding, Inc., Chong Hing Bank Limited, and China CITIC Bank International Limited as the lenders (the “2021 Lenders”), and The Hongkong and Shanghai Banking Corporation Limited as the facility agent (the “2021 Facility Agent”), in relation to certain facilities (the “2021 Facility”) up to US\$350 million (or its equivalent). The term of the 2021 Facility is 36 months from the date of the 2021 Facility Agreement. The proceeds from the 2021 Facility will be used to refinance the existing debt of the Group. Pursuant to the 2021 Facility Agreement, among other things, if (i) Mr. Sun Hongbin, his family members and family trust and their respective affiliates (collectively, the “Permitted Holders”), together, cease to hold, whether directly or indirectly through any person, beneficially (a) 30% or more of the issued share capital of the Company, or (b) the issued share capital of the Company having the right to cast at least 30% of the votes capable of being cast in general meetings of the Company; (ii) the Permitted Holders, together, cease to control the Company; or (iii) Mr. Sun Hongbin ceases to be the chairman of the Board, following the instruction given by the majority of the 2021 Lenders, the 2021 Facility Agent will cancel the facilities under the 2021 Facility Agreement and declare all outstanding loans together with accrued interest and other payables immediately due and payable by giving prior notice to the Company.

Save as disclosed above, there was no other matter subsisting as at 30 June 2022 which requires disclosure in this report pursuant to Rule 13.21 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 52,445 employees in the Mainland China and Hong Kong. For the six months ended 30 June 2022, the staff cost of the Group was approximately RMB5.37 billion (for the six months ended 30 June 2021: RMB5.26 billion).

The employees’ remuneration policy of the Group is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal twice every year for its employees, the results of which are applied in annual salary review and promotion assessment. Social insurance contributions are made by the Group for its Mainland China employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained by the Group for its Hong Kong staff. The Group also maintains social insurance or other retirement schemes for its overseas employees in accordance with local regulations overseas.

In order to attract and retain excellent talents, the Company adopted the Pre-IPO Share Option on 9 September 2010, the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 16 to 18 of this report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 and awarded Shares were vested to selected employees in accordance with the rules of the Share Award Scheme and the terms of the trust deed, details of which are set out on pages 18 to 19 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees for the six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the “Audit Committee”) with written terms of reference in compliance with the applicable Listing Rules and code provisions of the Corporate Governance Code. The Audit Committee currently consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang, and is chaired by Mr. Poon Chiu Kwok who possesses the qualification of professional accountant. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and practices of the Group and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting, including the review of the unaudited interim results of the Group for the six months ended 30 June 2022.

The unaudited interim financial information for the six months ended 30 June 2022 has been reviewed by BDO Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Sunac China Holdings Limited
Sun Hongbin
Chairman

Hong Kong, 31 March 2023

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the Board of Directors of Sunac China Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We were engaged to review the interim financial information set out on pages 29 to 76, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2022 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “interim financial information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information described in the “Basis for Disclaimer of Conclusion” section of our report, however, it is not possible for us to express a conclusion on the interim financial information.

Basis for disclaimer of conclusion

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As disclosed in note 2(I) to the interim financial information, the Group incurred a net loss of approximately RMB20.35 billion for the six months ended 30 June 2022 and, as at 30 June 2022, the Group had net current liabilities of approximately RMB89.56 billion. The Group’s current and non-current borrowings amounted to approximately RMB259.87 billion and approximately RMB36.47 billion as at 30 June 2022 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB48.96 billion. As at 30 June 2022, the Group had not repaid borrowings of approximately RMB41.28 billion in aggregate according to their scheduled repayment dates, and non-current borrowings of approximately RMB104.59 billion in aggregate might be demanded for early repayment. Up to the date of this report, the Group had not repaid borrowings in principal amount of approximately RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of approximately RMB83.55 billion in aggregate might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons as disclosed in note 29(B) to the interim financial information. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Nevertheless, the interim financial information have been prepared on a going concern basis. The Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position, and have developed debt solutions which are set out in note 2(l) to the interim financial information. The validity of going concern assumption on which the interim financial information have been prepared depends upon the successful implementation of these plans and measures, which are subject to multiple uncertainties, including (i) the successful completion of Proposed Offshore Debt Restructuring Plan (as defined in note 2(l) to the interim financial information); and (ii) the successful negotiation with lenders on the extension of borrowings or the deferral of the repayment of the Group's borrowings.

As a result of the above-mentioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form a conclusion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2(l) to the interim financial information, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the interim financial information.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2021 relating to the going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2021 are presented as corresponding figures in the interim condensed consolidated balance sheet as at 30 June 2022.

Disclaimer of conclusion

Because of the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements described in the "Basis for Disclaimer of Conclusion" section of our report, we do not express a conclusion on the interim financial information.

Other matter

The comparatives in the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months ended 30 June 2022, and the related explanatory notes were reviewed by another auditor who expressed an unmodified conclusion on those statements on 30 August 2021.

BDO Limited

Certified Public Accountants

Amy Yau Shuk Yuen

Practising Certificate Number: P06095

Hong Kong, 31 March 2023

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	85,385,023	87,221,505
Investment properties	8	27,039,976	30,619,994
Right-of-use assets	9	16,315,237	16,811,547
Intangible assets	10	4,610,701	4,704,255
Deferred tax assets		31,366,811	27,092,067
Investments accounted for using the equity method	11	75,293,434	79,555,170
Financial assets at fair value through profit or loss	12	13,703,377	13,546,259
Other receivables	15	63,983	104,904
Prepayments	16	3,074,645	3,498,580
Derivative financial instruments		—	79,049
		256,853,187	263,233,330
Current assets			
Properties under development	13	611,546,449	619,172,767
Completed properties held for sale	14	53,629,973	60,583,750
Inventories		919,777	835,020
Trade and other receivables	15	66,665,732	67,477,719
Contract costs	6	6,800,042	6,439,589
Amounts due from related companies	31(C)	66,467,874	59,703,461
Prepayments	16	16,977,182	16,335,014
Prepaid income tax		13,864,459	12,556,005
Financial assets at fair value through profit or loss	12	447,190	1,015,444
Restricted cash	17	35,633,406	54,858,788
Cash and cash equivalents	17	13,323,661	14,344,001
		886,275,745	913,321,558
Total assets		1,143,128,932	1,176,554,888
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	466,030	429,113
Other reserves	19	29,543,959	25,977,044
Retained earnings		37,302,715	56,063,172
		67,312,704	82,469,329
Non-controlling interests		38,719,163	42,204,917
Total equity		106,031,867	124,674,246

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	36,466,866	86,557,898
Derivative financial instruments		—	182,008
Lease liabilities	9	527,326	535,311
Deferred tax liabilities		24,199,535	26,563,862
Other payables	20	65,270	129,906
		61,258,997	113,968,985
Current liabilities			
Trade and other payables	20	269,278,085	269,323,553
Contract liabilities		343,958,272	341,867,335
Amounts due to related companies	31(C)	43,001,985	37,648,739
Current tax liabilities	6	58,947,226	53,454,925
Borrowings	21	259,871,459	235,147,248
Lease liabilities	9	169,623	197,836
Derivative financial instruments		—	36,254
Provisions		611,418	235,767
		975,838,068	937,911,657
Total liabilities		1,037,097,065	1,051,880,642
Total equity and liabilities		1,143,128,932	1,176,554,888

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

The condensed consolidated interim financial information on pages 29 to 76 was approved by the Board of Directors on 31 March 2023 and was signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	6	48,544,008	95,816,336
Cost of sales	22	(54,605,939)	(75,840,639)
Gross (loss)/profit		(6,061,931)	19,975,697
Other income and gains	23	3,111,624	4,051,131
Selling and marketing costs	22	(2,626,234)	(3,818,211)
Administrative expenses	22	(3,809,778)	(3,749,034)
Other expenses and losses	24	(5,549,108)	(1,892,149)
Net impairment losses on financial and contract assets		(1,645,136)	(18,163)
Operating (loss)/profit		(16,580,563)	14,549,271
Finance income	25	666,279	1,523,160
Finance expenses	25	(6,696,764)	(700,516)
Finance (expenses)/income – net		(6,030,485)	822,644
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		816,932	2,238,285
(Loss)/profit before income tax		(21,794,116)	17,610,200
Income tax credits/(expenses)	26	1,443,057	(4,313,537)
(Loss)/profit and total comprehensive (loss)/income for the period		(20,351,059)	13,296,663
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		(18,760,457)	11,989,112
– Non-controlling interests		(1,590,602)	1,307,551
		(20,351,059)	13,296,663
(Loss)/earnings per share attributable to owners of the Company (expressed in RMB per share):			
– Basic	27	(3.51)	2.62
– Diluted		(3.51)	2.59

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Unaudited					Total equity RMB'000
		Attributable to owners of the Company				Non- controlling interests RMB'000	
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2022		429,113	25,977,044	56,063,172	82,469,329	42,204,917	124,674,246
Total comprehensive loss for the six months ended 30 June 2022		—	—	(18,760,457)	(18,760,457)	(1,590,602)	(20,351,059)
Transactions with owners, recognised directly in equity							
Capital contributions from non-controlling interests		—	—	—	—	4,290	4,290
Disposal of subsidiaries	30(B)	—	—	—	—	(279,794)	(279,794)
Transactions with non-controlling interests		—	(236,926)	—	(236,926)	(132,257)	(369,183)
Dividends to non-controlling interests		—	—	—	—	(1,487,391)	(1,487,391)
Capital contributions from controlling shareholder	19	—	58,494	—	58,494	—	58,494
Share award scheme:							
– Value of employee services	19	—	120,088	—	120,088	—	120,088
Proceeds from placing of new shares	18,19	36,917	3,625,259	—	3,662,176	—	3,662,176
		36,917	3,566,915	—	3,603,832	(1,895,152)	1,708,680
Balance at 30 June 2022		466,030	29,543,959	37,302,715	67,312,704	38,719,163	106,031,867

Unaudited						
Attributable to owners of the Company						
Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	400,938	28,025,584	97,200,984	125,627,506	52,202,977	177,830,483
Total comprehensive income for the six months ended 30 June 2021	—	—	11,989,112	11,989,112	1,307,551	13,296,663
Transactions with owners, recognised directly in equity						
Capital contributions from non-controlling interests	—	—	—	—	20,369,102	20,369,102
Acquisition of assets and liabilities through acquisition of subsidiaries	—	(1,067,977)	—	(1,067,977)	1,598,593	530,616
Acquisition of subsidiaries on business combination	—	(182,500)	—	(182,500)	40,058	(142,442)
Disposal of subsidiaries	—	—	—	—	(7,390)	(7,390)
Transactions with non-controlling interests	—	(648,148)	—	(648,148)	4,487,473	3,839,325
Dividends to non-controlling interests	—	—	—	—	(54,723)	(54,723)
Employees share option schemes:						
– Proceeds from shares issued	18,19	983	50,935	—	51,918	—
Share award scheme:						
– Value of employee services	19	—	312,122	—	312,122	—
Dividends relating to 2020	—	(7,011,089)	(683,168)	(7,694,257)	—	(7,694,257)
	983	(8,546,657)	(683,168)	(9,228,842)	26,433,113	17,204,271
Balance at 30 June 2021	401,921	19,478,927	108,506,928	128,387,776	79,943,641	208,331,417

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Unaudited	
		Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations		21,101,510	23,163,143
Income tax paid		(832,121)	(11,444,256)
Net cash generated from operating activities		20,269,389	11,718,887
Cash flows from investing activities			
Net cash outflow on business combinations		—	(736,526)
Net cash inflow/(outflow) on disposal of subsidiaries		724,780	(314)
Proceeds from disposal and capital decreasing of joint ventures and associates		393,029	175,979
Payments for the considerations of equity transactions		(289,394)	(14,097,238)
Cash advances received for potential equity transactions		319,056	3,050,003
Investments in joint ventures and associates		(632,876)	(8,685,694)
Dividend received from joint ventures and associates		—	70,290
Loans granted to joint ventures and associates		(2,295,089)	(6,591,736)
Repayments of loans received from joint ventures and associates		7,292,398	1,300,499
Payments for purchases of financial assets at fair value through profit or loss		(911,112)	(2,714,241)
Purchases of property, plant and equipment, land use rights, intangible assets and investment properties		(1,959,854)	(9,502,047)
Proceed from redemption of financial assets at fair value through profit or loss		1,660,054	3,039,600
Proceeds from disposal of property, plant and equipment, land use rights, intangible assets and investment properties		165,998	106,781
Interest received		433,278	1,520,649
Others		5,832	174,036
Net cash generated from/(used in) investing activities		4,906,100	(32,889,959)

		Unaudited Six months ended 30 June	
Note	2022 RMB'000	2021 RMB'000	
Cash flows from financing activities			
Proceeds from issue of ordinary shares	3,662,176	51,918	
Proceeds from borrowings	11,605,937	96,543,064	
Repayments of borrowings	(38,918,353)	(103,409,277)	
Proceeds paid for derivative financial instruments	(23,519)	(24,892)	
Dividends or deem distribution paid to non-controlling interests	(473,829)	(6,364,371)	
Loans from non-controlling interests and equity investment partners	1,529,597	21,948,201	
Repayments of loans to non-controlling interests and equity investment partners	(3,135,923)	(3,396,996)	
Proceeds received from transaction with non-controlling interests	45,345	4,451,561	
Interest paid	(9,357,698)	(13,794,235)	
Deposit received for borrowings	8,819,956	7,310,338	
Contribution from non-controlling interests	4,290	20,369,102	
Principal elements of lease payments	(51,036)	(112,474)	
Net cash (used in)/generated from financing activities	(26,293,057)	23,571,939	
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	14,344,001	98,710,644	
Effect of exchange difference	97,228	(12,043)	
Cash and cash equivalents at end of period	13,323,661	101,099,468	

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 General information

Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the businesses of property development and investment, cultural and tourism city construction and operation, property management services and other services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcement made by the Company during the interim reporting period.

(I) GOING CONCERN

The Group incurred a net loss of approximately RMB20.35 billion for the six months ended 30 June 2022 and, as at 30 June 2022, the Group had net current liabilities of approximately RMB89.56 billion.

As at 30 June 2022, the Group’s current and non-current borrowings amounted to approximately RMB259.87 billion and RMB36.47 billion respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB48.96 billion. As at 30 June 2022, the Group had not repaid borrowings of approximately RMB41.28 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of approximately RMB104.59 billion in aggregate might be demanded for early repayment. Up to the date of approval of this condensed consolidated interim financial information, the Group had not repaid borrowings in principal amount of approximately RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of approximately RMB83.55 billion in aggregate might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

2 Basis of preparation *(Continued)*

(I) GOING CONCERN *(Continued)*

In light of the above, the Directors have carefully considered the Group's expected cash flow projections for the next 18 months from 30 June 2022 and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure. The Group has continued to implement the following plans and measures:

- Sunac Real Estate Co., Ltd. ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, had issued 5 corporate bonds and 4 non-publicly issued corporate bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. On 30 December 2022, a modified repayment arrangement was made in respect of the principal and related interests RMB14.12 billion in aggregate, where the repayment period has been extended 3 to 4 years with the interest rates remaining unchanged. The modified arrangement was approved by the bondholders' meeting. Therefore, the Company's domestic open market bond restructuring plan has been successfully completed;
- The Group has been actively negotiating with other onshore lenders on the extension of borrowings, and an extension of loans of approximately RMB18.17 billion in aggregate principal amount was agreed up to the date of approval of this condensed consolidated financial information. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans with individual lenders case-by-case. Having considered the successful extension of loans in 2022, the Group's credit history and longstanding relationships with the relevant lenders, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the remaining borrowings progressively;
- The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from asset management companies or financial institutions, special borrowings and supporting borrowings for guaranteed home delivery, business cooperation with business partners, and assets disposals. Up to the date of approval of this condensed consolidated interim financial information, the Group has achieved certain business cooperations, and has obtained new financing or additional capital for certain projects through the above channels. The Group will also continue to seek new financing or additional capital;
- The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of this condensed consolidated interim financial information, the Group has completed the settlement arrangements with certain creditors. The Group is positive that it can continue to reach an amicable solution to the litigations which have not yet reached a definite outcome at the current stage;
- The Group has further flattened the organizational structure to reduce the management levels, enhance management efficiency and effectively control costs and expenses; and
- In response to the local Government's call to ensure delivery, the Group will continue to focus on the completion and delivery of property projects to ensure the stability and sustainable operation of the Group's business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

2 Basis of preparation *(Continued)*

(I) GOING CONCERN *(Continued)*

At the same time, the Group will continue to follow up on the offshore debt restructuring that has not yet been completed. As of the date of approval of this condensed consolidated interim financial information, the progress is as follows:

- The Company has been working closely with its legal and financial advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the “AHG”), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring of the Company’s offshore indebtedness (the “Restructuring”);
- On 28 March 2023, the Company and the AHG entered into the restructuring support agreement (the “RSA”) in relation to the terms of the Restructuring. The contemplated Restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The Company expects to commence the process of implementing the Restructuring on terms set forth in the RSA as soon as possible;
- The restructuring plan includes: (1) de-leveraging plan, where creditors will exchange US\$1.0 billion in aggregate of their existing debt claims into US\$1.0 billion of convertible bonds with a nine-year maturity (which are convertible into shares of the Company during the first 12 months after the restructuring effective date, following which the convertible bonds shall no longer have any conversion rights and will be redeemed at its maturity date); creditors may voluntarily elect to exchange their existing debt claims into zero-coupon, five-year mandatory convertible bonds of the Company, subject to an aggregate cap of US\$1.75 billion (which may be increased by the Company); and creditors may voluntarily elect to exchange their existing debt claims into existing shares of Sunac Services Holdings Limited (“Sunac Services Shares”), subject to an aggregate cap of approximately 14.7% of the total issued Sunac Services Shares as of the date of approval of this condensed consolidated interim financial information; (2) creditors exchanging their remaining existing debt claims into up to eight series of new US\$ denominated senior notes (the “New Notes”). The New Notes will mature between two to up to nine years from the earlier of restructuring effective date or 30 September 2023; (3) providing part of the net income from disposal of assets as an additional source of funds for repaying the New Notes; while intending to provide consent fees to the creditors who support the restructuring plan before the relevant deadline (“Proposed Offshore Debt Restructuring Plan”);

2 Basis of preparation *(Continued)*

(I) GOING CONCERN *(Continued)*

- Together with the financial adviser, the Group has always maintained active communication with offshore creditors, and strived to obtain support from a sufficient number of relevant creditors to join and sign the RSA as soon as possible, so as to complete the relevant legal procedures for implementing the Proposed Offshore Debt Restructuring Plan as soon as possible. The Directors are positive in obtaining the support of relevant creditors and completing the Proposed Offshore Debt Restructuring Plan.

The Directors have reviewed the cash flow projections of the Group prepared by the management covering a period of at least 18 months from 30 June 2022. In their opinion, in view of the above plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 18 months from 30 June 2022. Accordingly, the Directors consider that the preparation of this condensed consolidated interim financial information as at 30 June 2022 on a going concern basis is appropriate.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the Proposed Offshore Debt Restructuring Plan and (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings.

If the Group is unable to complete the Proposed Offshore Debt Restructuring Plan and unable to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the the estimation of income tax and the adoption of new and amended standards as set out below.

(I) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Below amendments or annual improvements became effective for annual reporting periods commencing on 1 January 2022 and adopted by the Group for the first time in 2022 interim report:

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16;*
- *Onerous Contracts-Cost of Fulfilling a Contract – Amendments to HKAS 37;*
- *Annual Improvements to HKFRS Standards 2018-2020;*
- *Reference to the Conceptual Framework – Amendments to HKFRS 3; and*
- *Amendments to AG 5 Merger Accounting for Common Control Combinations.*

The amendments and improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 Accounting policies (Continued)

(II) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 2022 interim reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
<i>Insurance contracts – HKFRS 17</i>	1 January 2023
<i>Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2</i>	1 January 2023
<i>Definition of Accounting Estimates – Amendments to HKAS 8</i>	1 January 2023
<i>Deferred tax related to assets and liabilities arising from a single transaction – Amendments to HKAS 12</i>	1 January 2023
<i>Classification of liabilities as current or non-current – Amendments to HKAS 1</i>	1 January 2024
<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16</i>	1 January 2024
<i>Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 and HKAS 28</i>	To be determined

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

5 Financial risk management and financial instruments

5.1 FINANCIAL RISK FACTORS

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

There have been no significant changes in the risk or in any risk management policies since 31 December 2021.

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2022 and 31 December 2021 on a recurring basis:

At 30 June 2022	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at fair value through profit or loss ("FVPL")	12	20,023	8,585	14,121,959	14,150,567
Financial liabilities					
Derivative financial instruments		—	218,262	—	218,262

At 31 December 2021	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	12	20,023	45,097	14,496,583	14,561,703
Derivative financial instruments		—	79,049	—	79,049
Financial liabilities					
Derivative financial instruments		—	218,262	—	218,262

5 Financial risk management and financial instruments *(Continued)*

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value hierarchy *(Continued)*

During the six months ended 30 June 2022, there were no transfers between levels 1, 2 and 3 for recurring fair value measurements during this period.

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

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- market approach, equity allocation model, option pricing method and discounted cash flow model with observable and unobservable inputs, including risk-free rate, expected volatility, discount of lack of marketability, discount rate, market multiples rate, etc;
- for currency derivative contracts, collar option contracts and total return swap contracts – option pricing model and the present value of the estimated future premium payments set out in these contracts; and
- for option embedded in the corporate bond contracts – trinomial option pricing model and monte carlo simulation model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates, etc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

5 Financial risk management and financial instruments (Continued)

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(ii) Valuation techniques used to determine fair values (Continued)

The financial instruments classified as level 2 included currency derivative contracts, collar option contracts, total return swap and interest rate swap derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts.

As at 30 June 2022 and 31 December 2021, the Group's level 3 instruments included equity investments measured at fair value through profit or loss and debt instruments. For the investment in unlisted equity securities and debt instruments, as these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including market approach etc.

(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value

The following table presents the changes in level 3 items for the six months ended 30 June 2022:

	Financial assets at FVPL		
	Equity	Debt	Total
	investment	instruments	
	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2022	12,641,361	1,855,222	14,496,583
Acquisitions	—	917,633	917,633
Disposals	(319,710)	(1,335,716)	(1,655,426)
Gains recognised in other income and gains*	354,541	8,628	363,169
Closing balance at 30 June 2022	12,676,192	1,445,767	14,121,959

* includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period

	905,594	(170,982)	734,612
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5 Financial risk management and financial instruments (Continued)

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at		Valuation method	Significant unobservable inputs	Range of significant unobservable inputs	
	30 Jun 2022 RMB'000	31 Dec 2021 RMB'000			30 June 2022	31 December 2021
Equity investments	12,676,192	12,641,361	Market approach, equity allocation model, option pricing method and discounted cash flow model	Discount rate for lack of marketability Expected volatility rate Discount rate	8.7%-30% 47.30%-85.80% 13%	10%-30% 41.85%-50.06% 13%
Debt instruments	1,445,767	1,855,222	Discounted cash flow model	Discount rate	3.7%-4.3%	3.8%-4.65%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate for lack of marketability, expected volatility rate and discount rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

5 Financial risk management and financial instruments *(Continued)*

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(iv) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2022:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings:		
– Senior Notes (note 21)	51,506,577	8,016,815
– Corporate bonds (note 21)	10,920,962	4,364,845
– Private domestic corporate bonds (note 21)	3,956,373	1,581,426

6 Segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assess the performance of the Group organised as follows:

- Property development
- Cultural and tourism city construction and operation
- Property management
- All other segments

Other segments mainly include fitting and decoration services, film and culture investment and office building rentals. The results of these operations are included in the "all other segments" column.

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, finance expenses and income tax expenses, defined as segment results. The segment results exclude the fair value and disposal gains or losses on financial assets at FVPL and derivative financial instruments, which are managed on a central basis.

6 Segment information (Continued)

Segment assets primarily consist of all assets excluding deferred tax assets, prepaid income tax, financial assets at FVPL and derivative financial instruments, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities and derivative financial instruments.

The Group's revenue is mainly attributable to the market in the PRC and more than 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

The segment results are as follows:

	Six months ended 30 June 2022				Total RMB'000
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	
Total segment revenue	41,436,880	2,167,926	3,988,551	4,633,989	52,227,346
Recognised at a point in time	23,036,055	995,247	210,653	179,087	24,421,042
Recognised over time	18,400,825	1,172,679	3,777,898	4,454,902	27,806,304
Inter-segment revenue	—	—	(772,080)	(2,911,258)	(3,683,338)
Revenue from external customers	41,436,880	2,167,926	3,216,471	1,722,731	48,544,008
Net impairment losses on financial and contract assets	(1,476,357)	—	(53,995)	(114,784)	(1,645,136)
Net fair value losses on investment properties	—	(356,230)	—	(229,381)	(585,611)
Interest income	1,443,988	—	13,721	—	1,457,709
Finance income	618,992	—	47,287	—	666,279
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	776,044	(272)	4,409	36,751	816,932
Segment results	(12,808,859)	(1,244,529)	557,930	126,456	(13,369,002)
Other information					
Capital expenditure	289,866	596,816	52,101	16,005	954,788

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 Segment information (Continued)

	As at 30 June 2022				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	905,047,899	108,694,159	12,837,969	57,167,068	1,083,747,095
Investments accounted for using the equity method	74,547,837	21,178	83,480	640,939	75,293,434
Total segment liabilities	894,039,393	26,140,222	3,924,552	29,846,137	953,950,304
	Six months ended 30 June 2021				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	87,503,605	2,608,912	3,319,248	14,132,323	107,564,088
Recognised at a point in time	65,773,086	1,130,729	276,473	285,959	67,466,247
Recognised over time	21,730,519	1,478,183	3,042,775	13,846,364	40,097,841
Inter-segment revenue	—	—	(898,503)	(10,849,249)	(11,747,752)
Revenue from external customers	87,503,605	2,608,912	2,420,745	3,283,074	95,816,336
Net impairment losses on financial and contract assets	—	—	(18,163)	—	(18,163)
Net fair value gains on investment properties	—	812,176	—	6,000	818,176
Interest income	1,741,853	—	7,080	—	1,748,933
Finance income	1,427,483	—	95,677	—	1,523,160
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	2,207,634	14,668	6,494	9,489	2,238,285
Segment results	18,345,684	1,289,634	558,320	1,071,506	21,265,144
Other information					
Capital expenditure	1,584,906	8,128,305	36,664	597,107	10,346,982

6 Segment information (Continued)

	As at 31 December 2021				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	937,633,192	114,325,193	10,394,377	59,913,302	1,122,266,064
Investments accounted for using the equity method	78,780,367	88,275	77,601	608,927	79,555,170
Total segment liabilities	903,054,954	27,612,092	4,180,710	36,795,837	971,643,593

Reportable segment results are reconciled to total (loss)/profit as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Total segment results	(13,369,002)	21,265,144
Depreciation and amortisation	(1,887,488)	(1,659,249)
Finance expenses	(6,696,764)	(700,516)
Other income and gains	349,686	28,423
Other expenses and losses	(190,548)	(1,323,602)
Income tax credits/(expenses)	1,443,057	(4,313,537)
(Loss)/profit for the period	(20,351,059)	13,296,663

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 Segment information (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Total segment assets	1,083,747,095	1,122,266,064
Deferred tax assets	31,366,811	27,092,067
Other assets	28,015,026	27,196,757
Total assets	1,143,128,932	1,176,554,888
Total segment liabilities	953,950,304	971,643,593
Deferred tax liabilities	24,199,535	26,563,862
Other liabilities	58,947,226	53,673,187
Total liabilities	1,037,097,065	1,051,880,642

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Related to development and sales of properties contracts:		
Contract liabilities	343,958,272	341,867,335

The Group had no material contract assets as at 30 June 2022 and 31 December 2021.

In addition to the contract balances disclosed above, the Group has also recognised the sales commissions directly attributable to obtaining a contract as contract costs as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Cost to obtain the contract	6,800,042	6,439,589

7 Property, plant and equipment

	Buildings and equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2021						
Cost	87,206,292	289,219	857,930	772,194	11,981,092	101,106,727
Accumulated depreciation and impairment	(13,082,354)	(95,369)	(409,294)	(298,205)	—	(13,885,222)
Net book amount	74,123,938	193,850	448,636	473,989	11,981,092	87,221,505
Six months ended 30 June 2022						
Opening net book amount	74,123,938	193,850	448,636	473,989	11,981,092	87,221,505
Additions	43,946	3,819	21,212	32,836	767,635	869,448
Transfers	894,343	—	—	—	(894,343)	—
Disposal of subsidiaries (note 30(B))	(123,399)	—	(39)	(597)	(366,250)	(490,285)
Disposals	(775,604)	(4,838)	(9,230)	(3,625)	(172)	(793,469)
Depreciation charges	(1,313,324)	(17,680)	(48,451)	(42,721)	—	(1,422,176)
Closing net book amount	72,849,900	175,151	412,128	459,882	11,487,962	85,385,023
At 30 June 2022						
Cost	87,114,292	263,170	864,020	798,333	11,487,962	100,527,777
Accumulated depreciation and impairment	(14,264,392)	(88,019)	(451,892)	(338,451)	—	(15,142,754)
Net book amount	72,849,900	175,151	412,128	459,882	11,487,962	85,385,023

For the six months ended 30 June 2022, depreciation expense of RMB1,087 million, RMB31 million and RMB304 million has been charged to “cost of sales”, “selling and marketing costs” and “administrative expenses” respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

7 Property, plant and equipment (Continued)

(I) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT (“PP&E”) AND LAND USE RIGHTS

As at 30 June 2022, the management of the Group identified impairment indicators for cash generating units (“CGUs”) in the cultural and tourism city construction and operation segment and carried out an impairment review on the CGUs’ non-current assets, mainly PP&E and land use rights (note 9). The recoverable amounts of those CGUs, to which these assets were belonged, were determined as the higher of fair value less cost to sell and its value-in-use.

The valuation models used to estimate the fair values of relevant assets were with reference to recent prices of similar assets of similar conditions when such prices could be reliably obtained, where applicable. The fair values upon which recoverable amounts of these assets were based were within level 3 of fair value hierarchy. For individual CGUs with impairment indicators, the value-in-use calculation used cash flow projections based on financial forecasts approved by management covering ten years. There were no significant changes to the valuation techniques and key assumptions during the interim period as comparing with 31 December 2021, and no impairment losses were recognised in “Other expenses and losses” for the interim period.

8 Investment properties

Office buildings, shopping malls and commercial properties measured at fair value:

	Total
	RMB’000
At 31 December 2021	30,619,994
Additions	20,593
Fair value changes	(585,611)
Disposals	(3,015,000)
	<hr/>
At 30 June 2022	27,039,976

The Group’s investment properties are office building, shopping malls and commercial properties located in the PRC.

As at 30 June 2022, all the investment properties are within level 3 of the fair value hierarchy. Management performs valuations for its investment properties including office buildings, shopping malls and commercial properties for financial reporting purposes. There were no significant changes to the valuation techniques during the period.

9 Leases

	Land use rights RMB'000	Properties RMB'000	Vehicles RMB'000	Total RMB'000
Right-of-use assets				
31 December 2021	16,197,802	596,459	17,286	16,811,547
Additions	15,546	15,467	7,075	38,088
Disposal of subsidiaries (note 30(B))	(111,436)	—	—	(111,436)
Disposals	(92,701)	(7,704)	—	(100,405)
Depreciation charges	(217,059)	(101,577)	(3,921)	(322,557)
30 June 2022	15,792,152	502,645	20,440	16,315,237
			30 June 2022 RMB'000	31 December 2021 RMB'000
Lease liabilities				
Current			169,623	197,836
Non-current			527,326	535,311
Total lease liabilities			696,949	733,147

For the six months ended 30 June 2022, depreciation expense of RMB223 million and RMB100 million has been charged to “cost of sales” and “administrative expenses” respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

10 Intangible assets

	Goodwill (A) RMB'000	Customer relationships and others RMB'000	Total RMB'000
At 31 December 2021			
Cost	8,639,689	2,758,424	11,398,113
Accumulated amortisation and impairment	(5,243,073)	(1,450,785)	(6,693,858)
Net book amount	3,396,616	1,307,639	4,704,255
Half-year ended 30 June 2022			
Opening net book amount	3,396,616	1,307,639	4,704,255
Additions	—	49,201	49,201
Amortisation charges	—	(142,755)	(142,755)
Closing net book amount	3,396,616	1,214,085	4,610,701
At 30 June 2022			
Cost	8,639,689	2,807,625	11,447,314
Accumulated amortisation and impairment	(5,243,073)	(1,593,540)	(6,836,613)
Net book amount	3,396,616	1,214,085	4,610,701

10 Intangible assets (Continued)

(A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a cash-generating unit ("CGU") and the recoverable amount of a CGU or group of CGUs is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

	30 June 2022 RMB'000	31 December 2021 RMB'000
Property management	1,721,146	1,721,146
Property development	396,857	396,857
All other segments	1,278,613	1,278,613
	3,396,616	3,396,616

There have been no significant changes in goodwill allocation for the six months ended 30 June 2022. Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2022.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Assumption	30 June 2022
Revenue growth rate	4.9%-241.5%
Profit rate over the stable period	6.8%-25.2%
Terminal growth rate	2.5%
Pre-tax discount rate	19.2%-19.8%

The directors and management have considered and assessed reasonably possible changes for above key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

11 Investments accounted for using the equity method

The investment amounts recognised in the balance sheet were as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Joint ventures	59,150,588	61,603,834
Associates	16,142,846	17,951,336
	75,293,434	79,555,170

11.1 INVESTMENTS IN JOINT VENTURES

An analysis of the movement of equity investments in joint ventures is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At beginning of period	61,603,834	64,478,669
Increasing:		
– New investments in joint ventures	820,636	9,961,620
Decreasing:		
– Disposal and capital decreasing of joint ventures	(2,165,766)	(290,645)
– Impact on asset acquisition transactions	(1,292,570)	(370,740)
Share of profits of joint ventures, net	951,454	1,822,206
Dividends from joint ventures	(767,000)	(2,499,329)
At end of period	59,150,588	73,101,781

11 Investments accounted for using the equity method *(Continued)*

11.2 INVESTMENTS IN ASSOCIATES

An analysis of the movement of equity investments in associates is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At beginning of period	17,951,336	22,064,466
Increasing:		
– New investments in associates	561,000	4,231,738
– Subsidiaries becoming associates	166,272	—
Decreasing:		
– Disposal and capital decreasing of associates	(1,516,662)	(23,776)
– Impact on asset acquisition transactions	—	(51,765)
Share of (losses)/profits of associates, net	(134,522)	416,079
Dividends from associates	(884,578)	(800,020)
At end of period	16,142,846	25,836,722

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

12 Financial assets at fair value through profit or loss

	30 June 2022 RMB'000	31 December 2021 RMB'000
Equity investments	12,704,800	12,706,481
Debt investments	1,445,767	1,855,222
	14,150,567	14,561,703

Information about the methods and assumptions used in determining the fair values of financial assets at FVPL is set out in note 5.2.

13 Properties under development

	30 June 2022 RMB'000	31 December 2021 RMB'000
Comprising:		
Land use rights costs	399,255,220	418,227,686
Construction costs and capitalised expenditures	150,397,889	140,409,588
Capitalised finance costs	90,238,073	82,658,916
	639,891,182	641,296,190
Less: provision for loss on realisable value	(28,344,733)	(22,123,423)
	611,546,449	619,172,767
Including: To be completed within 12 months	141,754,865	213,651,294
To be completed after 12 months	469,791,584	405,521,473
	611,546,449	619,172,767

The properties under development ("PUDs") are all located in the PRC.

14 Completed properties held for sale

	30 June 2022 RMB'000	31 December 2021 RMB'000
Completed properties held for sale	67,144,694	72,032,449
Less: provision for loss on realisable value	(13,514,721)	(11,448,699)
	53,629,973	60,583,750

The completed properties held for sale (“CPHFS”) are all located in the PRC.

15 Trade and other receivables

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Lease receivables	61,983	54,904
Other receivables (iii)	2,000	2,000
Amounts due from construction customers	—	48,000
	63,983	104,904
Current –		
Trade receivables from contracts with customers (i)	4,568,697	3,355,269
Amounts due from non-controlling interests and their related parties (ii)	32,543,739	33,957,944
Notes receivables	55,536	64,163
Deposits receivables	8,285,875	9,944,787
Other receivables (iii)	25,559,292	25,279,593
	71,013,139	72,601,756
Less: loss allowance	(4,347,407)	(5,124,037)
	66,665,732	67,477,719

As at 30 June 2022 and 31 December 2021, the carrying amounts of the Group’s trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

15 Trade and other receivables (Continued)

Notes:

- (i) Trade receivables mainly arise from sales of properties and rendering of property management services. The consideration in respect of sales of properties is paid by customers in accordance with the credit terms agreed in the property sale contracts. Property management services income is received in accordance with the term of the relevant property service agreements and is due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of delivery of goods and dates of rendering of services is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 90 days	2,386,933	1,866,228
91-180 days	383,539	168,035
181-365 days	392,891	422,643
Over 365 days	1,405,334	898,363
	4,568,697	3,355,269

- (ii) The amounts due from non-controlling interests and their related parties were unsecured, interest free and had no fixed repayment terms.

- (iii) Other receivables mainly included the receivables from disposal of equity interests, the cash advance for land use rights acquisition, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

16 Prepayments

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Prepayments for equity transactions	3,002,899	3,466,015
Prepayments for purchases of PP&E	71,746	32,565
	3,074,645	3,498,580
Current –		
Prepayments for land use rights acquisitions	7,058,692	7,331,929
Prepaid value added taxes and other taxes	7,051,001	6,045,159
Prepayments for construction costs	1,173,762	1,371,507
Others	1,693,727	1,586,419
	16,977,182	16,335,014

17 Cash and cash equivalents and restricted cash

	30 June 2022 RMB'000	31 December 2021 RMB'000
Cash at banks and on hand	48,957,067	69,202,789
Less: restricted cash (A)	(35,633,406)	(54,858,788)
	13,323,661	14,344,001

(A) Restricted cash mainly included the restricted cash from property pre-sale proceeds and guarantee deposits as reserve for bank loans. In certain subsidiaries of the Group, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones. The deposits can be used for payments of constructions costs and other due debts of related property projects upon the approval of the relevant authorities.

18 Share capital

	Number of shares (thousands)	Share capital	
		HK\$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2022 and 30 June 2022, HK\$0.1 per share	10,000,000	1,000,000	
Issued and fully paid:			
As at 1 January 2022	4,996,884	499,689	429,113
Proceeds from placing of new shares (i)	452,000	45,200	36,917
As at 30 June 2022	5,448,884	544,889	466,030

(i) On 12 January 2022, the Company entered into a placing and subscription agreement to issue 452,000,000 placing shares at a price of HK\$10.00 per share. The net proceeds from this placement after deducting related fees were approximately HK\$4.48 billion (equivalent to approximately RMB3.66 billion).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 Reserves

	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2022				
At 1 January 2022	3,856,592	2,408,781	19,711,671	25,977,044
Transactions with non-controlling interests	—	—	(236,926)	(236,926)
Capital contributions from controlling shareholder	—	—	58,494	58,494
Share award scheme				
– Value of employee services (i)	—	120,088	—	120,088
Proceeds from placing of new shares (note 18(i))	3,625,259	—	—	3,625,259
At 30 June 2022	7,481,851	2,528,869	19,533,239	29,543,959
Six months ended 30 June 2021				
At 1 January 2021	6,960,154	1,909,578	19,155,852	28,025,584
Transactions with non-controlling interests	—	—	(648,148)	(648,148)
Acquisition of subsidiaries on business combination	—	—	(182,500)	(182,500)
Acquisition of assets and liabilities through acquisition of subsidiaries	—	—	(1,067,977)	(1,067,977)
Employees share option schemes				
– Exercise of employees' share options	50,935	—	—	50,935
Share award scheme				
– Value of employee services	—	312,122	—	312,122
Dividends relating to 2020	(7,011,089)	—	—	(7,011,089)
At 30 June 2021	—	2,221,700	17,257,227	19,478,927

- (i) A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the "Share Award Scheme"). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this Share Award Scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

For the six months ended 30 June 2022, no additional share was purchased from open market pursuant to the Share Award Scheme. For the six months ended 30 June 2022, no additional shares in connection with the Share Award Scheme was granted to the eligible employees. The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the six months ended 30 June 2022 was RMB95.47 million.

20 Trade and other payables

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Other payables (iv)	65,270	129,906
Current –		
Trade payables (i)	98,428,283	95,951,743
Notes payables (v)	36,869,444	39,271,758
Amounts due to non-controlling interests and their related parties (ii)	30,539,226	36,269,544
Un-paid amounts for acquisition of equity investments	11,704,490	11,689,193
Interests payable	8,672,259	5,174,922
Other taxes payable	6,810,786	6,166,548
Payroll and welfare payables	1,353,728	1,556,368
Consideration payable arising from non-controlling shareholders' put option (iii)	1,305,001	1,305,001
Other payables (iv)	73,594,868	71,938,476
	269,278,085	269,323,553

Notes:

- (i) As at 30 June 2022, the ageing analysis of the trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 90 days	37,308,648	35,886,336
91-180 days	9,200,470	8,953,762
181-365 days	23,762,937	22,649,962
Over 365 days	28,156,228	28,461,683
	98,428,283	95,951,743

- (ii) The amounts due to non-controlling interests and their related parties were unsecured and had no fixed repayment date.
- (iii) Several put options were granted to the non-controlling shareholders of some subsidiaries of the Group which they have the right to sell the remaining equity interests to the Group at any time. The financial liabilities being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables.
- (iv) As at 30 June 2022, other payables mainly included value-added tax relevant to pre-sale of properties amounting to RMB19.46 billion (31 December 2021: RMB17.56 billion). The remaining balances were mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers, cash advance from potential equity investment partners and amount due to equity investment partners.
- (v) As at 30 June 2022, the balance of the overdue notes payables was RMB 17.63 billion.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

21 Borrowings

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current		
Secured,		
– Bank and other institution borrowings	201,307,358	224,968,774
– Senior notes (A)	51,506,577	49,081,294
	252,813,935	274,050,068
Unsecured,		
– Bank and other institution borrowings	14,226,736	14,079,985
– Corporate bonds (B)	10,920,962	11,620,725
– Private domestic corporate bonds (C)	3,956,373	7,094,232
	29,104,071	32,794,942
	281,918,006	306,845,010
Less: current portion of long-term borrowings (D)	(245,451,140)	(220,287,112)
	36,466,866	86,557,898
Current		
Secured,		
– Bank and other institution borrowings	13,081,428	14,149,304
Unsecured,		
– Bank and other institution borrowings	1,338,891	710,832
	14,420,319	14,860,136
Current portion of long-term borrowings (D)	245,451,140	220,287,112
	259,871,459	235,147,248
Total borrowings	296,338,325	321,705,146

21 Borrowings (Continued)

(A) SENIOR NOTES

The Company issued senior notes (the “Senior Notes”) on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 30 June 2022, the total principal amount of the outstanding Senior Notes was USD7.70 billion.

During the six months ended 30 June 2022, the Company did not issue any new senior notes.

According to the terms of the Senior Notes, at any time and from time to time on or after the redemption date, which are set in the first to fourth year after the issue dates, the Company may redeem the Senior Notes, in whole or in part, at a redemption price in range of 101%-108.35% of principal amount plus accrued and unpaid interests, if any, to (but not including) the redemption date.

(B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the “Corporate Bonds”) on the Shanghai Stock Exchange and Shenzhen Stock Exchange, payable annually in arrears. During six months ended 30 June 2022, the Group did not issue any new Corporate Bonds.

All the Corporate Bonds are with the issuer’s option to raise the coupon rate and the investors’ option to sell back the bonds at the end of the second, third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the “Private Bonds”) on Shanghai Stock Exchange and Shenzhen Stock Exchange. During six months ended 30 June 2022, the Group did not issue any new Private Bonds.

Certain Private Bonds are with the issuer’s option to raise the coupon rate and the investors’ option to sell back the bonds at the end of the first, second, third or fifth years.

(D) SHORT-TERM BORROWINGS

As at 30 June 2022, the Group had not repaid borrowings of approximately RMB41.28 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of RMB104.59 billion in aggregate might be demanded for early repayment. These borrowings have been reclassified as current liabilities as at 30 June 2022 accordingly. In addition, current portion of long-term borrowings classified as current borrowings of approximately RMB84.76 billion might be demand for early repayment.

Up to the approval date of the condensed consolidated interim financial information, notwithstanding the Group has successfully renewed certain of the current and non-current borrowings of RMB18.17 billion, the Group had not repaid borrowings in principal amount of RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of RMB83.55 billion in aggregate might be demanded for early repayment. In addition, current portion of long-term borrowings classified as current borrowings of approximately RMB47.00 billion might be demand for early repayment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

21 Borrowings (Continued)

(E) LONG-TERM BORROWINGS

As at 30 June 2022, RMB265.90 billion (as at 31 December 2021: RMB288.20 billion) of the Group's total borrowings were secured or jointly secured by the Group's certain assets, comprised of restricted cash, PUDs, CPHFS, PP&E, investment properties, land used rights and financial assets at FVPL, which total amount was RMB242.42 billion (as at 31 December 2021: RMB254.30 billion) and equity interests of certain subsidiaries of the Group.

During the six months ended 30 June 2022, extension of certain loans and bonds of the Group was agreed, details of which are set out in note 2(l) to the condensed consolidated interim financial information. The impact of the debt extension was immaterial to the condensed consolidated interim financial information of the Group.

22 Expenses by nature

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Costs of properties sold	36,427,375	68,827,048
Value-added tax surcharges	559,017	855,035
Staff costs	3,372,306	2,729,567
Provision for impairment of properties	11,282,630	88,242
Advertisement and promotion costs	1,360,671	2,359,416
Depreciation and amortisation*	1,887,488	1,659,249

* Depreciation and amortisation expense of RMB1.35 billion has been charged to "cost of sales" for the six months ended 30 June 2022 (for the six months ended 30 June 2021, RMB0.97 billion).

23 Other income and gains

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income	1,457,709	1,748,933
Gains from disposal of subsidiaries	482,712	—
Net fair value gains on financial assets at FVPL	349,686	—
Gains from disposal of joint ventures and associates	248,564	5,816
Net fair value gains on investment properties	—	818,176
Fair value gains on derivative financial instruments	—	28,423
Others	572,953	1,449,783
	3,111,624	4,051,131

24 Other expenses and losses

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Losses from disposal of subsidiaries	1,801,293	—
Losses from disposal of joint ventures and associates	1,382,334	—
Losses from disposal of PP&E, investment properties and land use rights	611,216	—
Net fair value losses on investment properties	585,611	—
Provision for litigations	351,564	—
Losses from disposal of financial assets at FVPL	118,873	—
Net fair value losses on financial assets at FVPL	—	1,222,268
Others	698,217	669,881
	5,549,108	1,892,149

25 Finance income and expenses

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance expenses:		
Interest expenses	13,495,532	13,055,553
Interest expenses for lease liabilities	29,686	29,507
Less: capitalised finance costs	(10,618,500)	(12,384,544)
	2,906,718	700,516
Net exchange losses	3,790,046	—
	6,696,764	700,516
Finance income:		
Interest income on bank deposits	(666,279)	(826,532)
Net exchange gains	—	(696,628)
	(666,279)	(1,523,160)
Finance expenses/(income) – net	6,030,485	(822,644)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

26 Income tax (credits)/expenses

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Corporate income tax ("CIT")		
– Current income tax	3,131,725	6,005,328
– Deferred income tax	(5,828,252)	(3,864,497)
	(2,696,527)	2,140,831
Land appreciation tax ("LAT")	1,253,470	2,172,706
	(1,443,057)	4,313,537

(A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2022 based on existing legislations, interpretations and practices.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2022 was 25% (2021: 25%).

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

(B) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

27 (Loss)/earnings per share

(A) BASIC

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period, excluding shares purchased for the Share Award Scheme (note 19).

	Six months ended 30 June	
	2022	2021
(Loss)/profit attributable to owners of the Company (RMB'000)	(18,760,457)	11,989,112
Weighted-average number of ordinary shares in issue (thousand)	5,418,917	4,664,970
Adjusted for repurchase of shares for Share Award Scheme (thousand)	(76,325)	(82,453)
Weighted-average number of ordinary shares for basic earnings per share (thousand)	5,342,592	4,582,517

(B) DILUTED

For the six months ended 30 June 2022, diluted loss per share was the same as the basic loss per share as potential ordinary shares arising from share options and awarded shares were not treated as dilutive as the conversion to ordinary shares would not increase the loss per share.

For the six months ended 30 June 2021 diluted earnings per share was calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June 2021
Profit attributable to owners of the Company (RMB'000)	11,989,112
Weighted-average number of ordinary shares in issue (thousand)	4,664,970
Adjusted for purchase of shares for share award scheme (thousand)	(82,453)
Adjusted for share options and awarded shares (thousand)	37,843
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	4,620,360

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

27 (Loss)/earnings per share (Continued)

(B) DILUTED (Continued)

The Company has two categories of dilutive potential ordinary shares:

- (i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.
- (ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the proceeds equal to unamortised fair value is the number of shares issued for no consideration.

The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

28 Commitments

- (A) Property development expenditures and capital expenditures at the balance sheet date but not yet incurred is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Contracted but not provided for		
– PUDs and CPHFS	184,988,506	200,463,293
– PP&E	9,943,088	5,875,619
– Investment properties	642,432	622,468
– Land use rights	272,436	—
	195,846,462	206,961,380

(B) EQUITY INVESTMENTS

	30 June 2022 RMB'000	31 December 2021 RMB'000
– Contracted but not provided for	923,611	923,611

29 Contingent liabilities

(A) GUARANTEE ON MORTGAGE FACILITIES

The Group and the Company had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	98,883,735	156,716,554

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The Directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB38.87 billion (31 December 2021: RMB55.01 billion) together with the business partners on pro rata basis.

(B) LITIGATION

Up to the date of approval of the condensed consolidated interim financial information, various parties have filed litigation against the Group for the settlement of the unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The Directors have assessed the impact of the above litigation matters on the condensed consolidated interim financial information for the six months ended 30 June 2022 and accrued provision on the condensed consolidated interim financial information of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

30 Disposal of subsidiaries

(A) The financial impacts arising from the disposals are summarised as follows:

	Total RMB'000
Cash consideration received or receivable	3,413,974
Fair value of the remaining equity interest held by the Group at disposal	166,272
Less: carrying value of the disposed subsidiaries	(4,898,827)
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Gains from disposal of subsidiaries	482,712
Losses from disposal of subsidiaries	(1,801,293)
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(B) The carrying values of the equity interests owned by the Group as at the disposal dates are summarised as follows:

	Total RMB'000
Non-current assets	
PP&E	490,285
Right-of-use assets	111,436
Investments accounted for using the equity method	867,964
Deferred tax assets	123,973
Current assets	
PUDs	12,746,051
CPHFS	78,319
Inventories	250
Restricted cash	204,481
Cash and cash equivalents	282,911
Other current assets	1,781,429
Non-current liabilities	
Borrowings	(757,805)
Deferred tax liabilities	(291)
Current liabilities	
Borrowings	(1,631,200)
Other current liabilities	(9,119,182)
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Net assets	5,178,621
Less: non-controlling interests	(279,794)
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Carrying value of the equity owned by the Group	4,898,827
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(C) The cash impact arising from the disposals in above transactions are summarised as follows:

	Total RMB'000
Cash considerations received as of 30 June 2022	1,007,691
Cash of the subsidiaries disposed	(282,911)
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Net cash impact	724,780
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31 Related party transactions

(A) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

(i) Cash (paid to)/received from related parties

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Cash paid to joint ventures and associates	(41,051,712)	(74,498,035)
Cash received from joint ventures and associates	45,950,163	67,506,347
	4,898,451	(6,991,688)

(ii) Rendering of services and interest income

Nature of transaction	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Joint ventures:		
– Interest income	1,164,314	1,481,547
– Fitting and decoration services	687,449	1,766,506
– Property management services	348,637	374,777
Associates		
– Interest income	183,585	53,185
– Property management services	34,783	46,649
– Fitting and decoration services	—	106,406

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

31 Related party transactions (Continued)

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries and other short-term benefits	11,698	44,911
Share Award Scheme	44,878	142,122
	56,576	187,033

(C) RELATED PARTIES BALANCES

	30 June 2022 RMB'000	31 December 2021 RMB'000
	Amounts due from joint ventures	
– Trade receivable	5,314,106	5,105,124
– Interest receivable	2,764,949	2,237,717
– Other receivables	53,490,908	48,168,995
	61,569,963	55,511,836
Less: loss allowance	(4,084,618)	(2,249,045)
	57,485,345	53,262,791
Amounts due from associates		
– Trade receivable	170,182	161,921
– Interest receivable	551,935	332,777
– Other receivables	8,898,665	6,158,674
	9,620,782	6,653,372
Less: loss allowance	(638,253)	(212,702)
	8,982,529	6,440,670
Amounts due to joint ventures	32,131,352	30,131,152
Amounts due to associates	7,672,106	4,455,201
Amounts due to immediate controlling shareholder and key management	3,198,527	3,062,386
	43,001,985	37,648,739

31 Related party transactions *(Continued)*

(C) RELATED PARTIES BALANCES *(Continued)*

Most of the amounts due from joint ventures and associates had no fixed repayment date and born interest rates from 2% to 14% per annum for the six months ended 30 June 2022.

The amounts due to joint ventures and associates were unsecured, interest-free and repayable on demand.

As at 30 June 2022, loan from the immediate controlling shareholder amounting to USD450 million (equivalent to approximately RMB3.00 billion) was unsecured and interest-free. Pursuant to the loan agreement, the final repayment date was the date falling sixty months after the utilisation date and the lender may, if it gives the borrower a reasonable prior notice, request the whole or any part of any loan to be prepaid before the final repayment date.

Loans from key management were unsecured, interest-free and repayable on demand.

32 Dividends

No interim dividend for the six months ended 30 June 2022 was proposed by the board of directors of the Company (Six months ended 30 June 2021: Nil).

33 Events after the balance sheet date

(I) THE WINDING-UP PETITION AND ITS LATEST PROGRESS

On 8 September 2022, the Company received a winding-up petition against the Company (the "Petition") filed by Chen Huaijun at the High Court of the Hong Kong Special Administrative Region (the "High Court") in relation to the non-repayment by the Company of the senior notes held by him in a principal amount of US\$22 million and accrued interests. At the hearing of the High Court on 16 November 2022, the High Court ordered the hearing of the Petition to be adjourned to 14 June 2023. Since the receipt of the Petition, the Company has been actively pursuing legal measures to resolutely oppose the Petition, and taking all necessary actions to protect its legal rights. The Company does not believe the Petition will have a meaningful impact on the restructuring plan or timetable.

(II) THE OFFSHORE DEBT RESTRUCTURING PLANS AND ITS LATEST PROGRESS

For the Proposed Offshore Debt Restructuring Plan and its latest progress, refer to note 2(I) of this condensed consolidated interim financial information for details.



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