



Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

INTERIM REPORT 2023

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Corporate Information

Registered Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Head Office and Principal Place of Business

59/F, Bank of China Tower
1 Garden Road, Hong Kong

Board of Directors

Executive Directors

Mr. Zhang Dafan (*Chairman*)
Mr. Wang Jianwen (*Chief Executive Officer*)
Mr. Lin Kaihua

Non-executive Director

Mr. Wang Wenjin

Independent Non-executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Audit Committee/ Remuneration Committee

Ms. Wong Wai Ling (*Chairman*)
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

Nomination Committee

Mr. Zhang Dafan (*Chairman*)
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Environmental, Social and Governance (ESG) Committee

Mr. Zhang Dafan (*Chairman*)
Mr. Wang Jianwen
Mr. Lin Kaihua
Mr. Chu Wing Yiu

Joint Company Secretaries

Ms. Cheng Mei
Ms. Ho Sze Man

Corporate Information

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Legal Adviser as to Hong Kong law

HW Lawyers
Units 2511-2512
K11 Atelier King's Road
No. 728 King's Road
Hong Kong

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China Development Bank
Hong Kong Branch
China Everbright Bank Co., Ltd.
Hong Kong Branch
Hang Seng Bank Limited
Industrial Bank Co., Ltd.
Hong Kong Branch
Nanyang Commercial Bank, Limited

Stock Information

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

Company's Website

<http://www.oct-asia.com>

Management Discussion and Analysis

OPERATING RESULTS AND BUSINESS REVIEW

In the first half of 2023, China's economy and society's development returned to normal in an all-rounded way, with production demand steadily recovering. In particular, the consumption and service industries, which were previously subject to greater impact of the pandemic, recorded significant growth and showed a stronger effect in driving economic growth. China's economic development has gradually recovered from the pandemic and returned to the track of normal growth. In the first half of the year, the GDP grew by 5.5% year-on-year, of which the growth rate in the second quarter was 6.3%, showing a relatively obvious rebound in economic growth. At present, however, there are still structural contradictions in China's employment, consumption, export and business operations, and the endogenous growth momentum of the economy is yet to be strengthened. Nonetheless, the fact that Chinese economy is characterized by strong resilience, great potential and sufficient vitality remains unchanged, and the economy still possesses the conditions to support high-quality development. In the first half of the year, amid a challenging external environment, the Group continued to implement lean management and strictly controlled costs, as well as speeded up the revitalization of assets to prevent and mitigate major risks. Also, the Group continued to strengthen the empowerment of invested companies to promote mutual benefit and win-win results.

During the six months ended 30 June 2023 (the "Reporting Period"), the Group's operating revenue was approximately RMB0.194 billion, a decrease of approximately 77.9% over the same period last year. This was mainly attributable to (among other things) a significant decrease in income carried forward from the comprehensive development business as compared to the same period last year. The loss attributable to the equity holders of the Company was approximately RMB0.212 billion, mainly attributable to the increase in the share of loss of associates, as some associates incurred substantial losses resulting from the continued decline of the market environment of the real estate industry and a decrease in income carried forward from the real estate projects for the Reporting Period.

Management Discussion and Analysis

Comprehensive Development Business

In the first half of 2023, China adhered to the principle of “houses should be for living in, not for speculation” and implemented policies according to the actual conditions of each city to support rigid and reasonable improvement housing demands, leading to the release of part of the previously depressed purchasing demands. Since the second quarter, the real estate market has gradually returned to the right track, however, the imbalance between supply and demand in the real estate market still exists. The real estate industry is still undergoing in-depth adjustments, with real estate development investments fell by 7.9% year-on-year, and the nation-wide sales area of residential properties fell by 5.3% year-on-year. The market differentiation between different cities has intensified, and projects were generally under pressure. Besides, the liquidity risks of certain enterprises have not been fully removed, and it will take time for the easing policy on real estate industry to take effect.

Particularly, the Group made its presence in cities in the core metropolitan areas of the Yangtze River Delta + Guangdong-Hong Kong-Macao Greater Bay Area. It holds comprehensive development projects in Hefei, Shanghai, Chongqing, Zhongshan, etc., with land reserves (full calibre) totaling approximately 936,700 square meters. In the first half of 2023, the Group's total sales area was approximately 52,300 square meters, recording a total sales amount of approximately RMB811 million, of which the attributable sales amount was approximately RMB284 million.

Management Discussion and Analysis

Basic information of the Group's projects are as follows:

No.	1	2	3	4	5
Project name	Hefei Airport International Town Project	Hefei OCT Bantang Hot Spring Town Project	Shanghai Suhewan Project	Chongqing OCT Land Project	Zhongshan Yuhong Project
Location	Hefei Xinqiao Science and Technology Innovation Demonstration Zone	Chaohu Economic Development Zone	Core Area of Inner Ring of Jing'an District, Shanghai	Chongqing Liangjiang New Area	Zhongshan Torch Industrial Development Zone
Use of land	Residential + Commercial + Hotel	Residential + Commercial + Hotel	Residential + Commercial + Hotel	Residential	Residential
Shareholding ratio	51%	51%	50.50%	49%	21%
Area of land (ten thousand m^2 , full calibre)	130.4	41.5	7.1	18	9.1
Gross floor area (ten thousand m^2 , full calibre)	159.3	34.5	43	44	27.2
Total saleable area being launched (ten thousand m^2 , full calibre)	63.11	4.51	20.67	61.56	28.29

Note: The Group intends to dispose of 51% equity interests in Shanghai Shouchi Enterprise Management Ltd. See also the paragraph headed "Proposed disposal of partial interests in Shouchi Enterprises" on page 20.

Management Discussion and Analysis

Industrial Park Projects

The Group has three industrial park projects in Huizhou, Guangdong and Suzhou, Jiangsu. The construction of the new district of the Huizhou OCT Entrepreneurship and Innovation Industrial Park project has commenced in April this year. During the Reporting Period, the leasable area of the industrial parks was approximately 154,700 square meters, with an occupancy rate of 98%. The operation of the industrial parks was stable and well-run during the Reporting Period, with rental income of approximately RMB14.77 million, an increase of approximately 10.62% over the same period last year.

During the Reporting Period, the Group recorded revenue of approximately RMB0.189 billion from the comprehensive development business, a decrease of approximately 78.4% over the same period last year. The segment loss attributable to equity holders of the Company was approximately RMB6.2278 million, a decrease of approximately 210.2% over the same period last year, mainly attributable to the loss attributable to equity holders of the segment during the Reporting Period, as a result of a decrease in income carried forward from real estate projects during the Reporting Period and an increase in interest expense caused by the interest rate hike of US dollars during the Reporting Period, although the hotel and apartment leasing business in Shanghai recovered as compared with the same period of 2022.

Management Discussion and Analysis

Equity Investment and Fund Business

In the first half of 2023, according to the China Equity Investment Research Report for the First Half of 2023 (《2023年上半年中國股權投資研究報告》) released by Zero2IPO Research Center, due to the impact of unfavorable factors including the weaker-than-expected economic recovery and continued tightening of global liquidity, the index performance of the stock market has diverged, and venture capital investment, especially mature unlisted investment projects, in the private equity market of China also showed a significant trend of divergence. The trilemma of the industry (being difficulties in financing, investment and divestment) is further aggravated.

Being the only overseas listed company under OCT Group, the Group has its fund business rooted in advantageous areas, such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Circle. With its investment focused on the “cultural tourism + technology” industrial ecosystem, the Group fully utilised the advantages of industrial capital investment and mergers and acquisitions, enhanced investment management capabilities, and improved the post-investment empowerment effect to promote the rapid development of the invested companies, thereby achieving an all-win situation.

The total size of funds managed and invested by the Group amounted to approximately RMB4.37 billion as of 30 June 2023, and the size of actively managed funds was approximately RMB1.5 billion. During the Reporting Period, the fund of funds managed by the Group successfully invested in the Nanshan Phase III Fund, with a focus on investment in the fields of cultural and entertainment technologies. Meta-Bounds, a leading high-tech company in the fields of augmented reality (AR) and optical waveguide technology, as well as Epropulsion Technology, a research and development and manufacturing company of marine electric drive system, which are invested by the Group’s funds, have achieved a substantive increase in valuations based on their current market values. Four of the companies invested by the funds that the Group participated in have entered the preparatory stages of listing.

Management Discussion and Analysis

During the Reporting Period, the segment loss attributable to the equity holders of the Company was approximately RMB0.187 billion, representing an increase of approximately 433.8% compared to the same period last year, which was mainly attributable to the substantial loss incurred by some associates from the continued decline of the market environment of the real estate industry.

FINANCIAL REVIEW

As of 30 June 2023, the Group's total assets amounted to approximately RMB24.091 billion, representing an increase of approximately 5.77% as compared to approximately RMB22.776 billion as of 31 December 2022; and the Group's total equity amounted to approximately RMB5.769 billion, representing a decrease of approximately 41.6% as compared to approximately RMB9.881 billion as of 31 December 2022.

For the six months ended 30 June 2023, the Group realized revenue of approximately RMB0.194 billion, representing a decrease of approximately 77.9% as compared to approximately RMB0.877 billion for the same period of 2022, of which, the revenue of the comprehensive development business was approximately RMB0.189 billion, representing a decrease of approximately 78.4% compared to approximately RMB0.875 billion for the same period of 2022, primarily due to a significant decrease in income carried forward from the Hefei Airport International Town Project in the first half of the year as compared to the same period last year. No revenue from the finance lease business was recorded during the Reporting Period as the finance lease business completed the exit during the Reporting Period and was in the final stage of liquidation, as compared with the revenue of approximately RMB1.67 million for the same period of 2022.

Management Discussion and Analysis

For the six months ended 30 June 2023, the Group's gross profit margin was approximately 31.6% (2022: approximately -1.2%), representing an increase of 32.8 percentage points compared to the same period of 2022, of which, the gross profit margin of the comprehensive development business was approximately 31.7%, representing an increase of 33.1 percentage points compared to the same period of 2022, mainly due to a strong rebound in the hotel and apartment leasing business during the Reporting Period as compared to the same period last year following the lift of pandemic control measures in Shanghai, which led to a higher overall gross profit margin of the comprehensive development segment as compared to the same period last year. As the finance lease business was in the final stage of liquidation, its gross profit margin for the Reporting Period was nil, representing an increase of 26.1 percentage points compared to the same period of 2022.

For the six months ended 30 June 2023, loss attributable to equity holders of the Company was approximately RMB212.43 million as compared to the loss of approximately RMB61.55 million for the same period of 2022.

Among these, loss attributable to the comprehensive development business was approximately RMB6.23 million (2022: profit of approximately RMB5.65 million), representing a decrease of approximately 210.2% compared to the same period of 2022, mainly attributable to the loss attributable to equity holders of the Company from such business during the Reporting Period, as a result of a decrease in income carried forward from other real estate projects during the Reporting Period and an increase in interest expense caused by the interest rate hike of US dollars during the Reporting Period, although the hotel and apartment leasing business in Shanghai recovered in the first half of 2023 as compared with the same period of 2022.

Management Discussion and Analysis

Loss attributable to the investment and fund business was approximately RMB186.99 million (2022: loss of approximately RMB35.03 million), representing an increase of approximately 433.8% compared to the same period of 2022, mainly attributable to the facts that some of the Group's associates incurred substantial losses resulting from the macro-control measures on industry and the continued decline of the market environment of the real estate industry, which led to a year-on-year increase in share of losses of associates for the Reporting Period.

Profit attributable to the finance lease business was approximately RMB1.23 million (2022: approximately RMB3.30 million), representing a decrease of approximately 62.7% compared to the same period of 2022, mainly attributable to a decrease in the revenue of the finance lease business.

For the six months ended 30 June 2023, the basic loss per share attributable to the shareholders of the Company was approximately RMB0.46 (2022: basic loss per share of approximately RMB0.24), representing an increase of approximately RMB0.22 compared to the same period of 2022. The losses for the Reporting Period were approximately RMB244 million (2022: losses of approximately RMB114 million), representing an increase of approximately RMB130 million compared to the same period of 2022, mainly due to the continued decline of the performance of the investment and fund segment during the Reporting Period due to the market environment of the real estate industry, and some associates were expected to continue to incur substantial losses, which led to a year-on-year increase in share of losses of associates. As the Group's comprehensive development business recorded a year-on-year decrease in properties being delivered and income carried forward, the comprehensive development segment continued to suffer losses for the Reporting Period.

Management Discussion and Analysis

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2023, the Group's distribution costs were approximately RMB33.96 million (2022: approximately RMB39.87 million), representing a decrease of approximately 14.8% compared to the same period of 2022.

For the six months ended 30 June 2023, the Group's administrative expenses were approximately RMB78.00 million (2022: approximately RMB94.00 million), representing a decrease of approximately 17% compared to the same period of 2022, of which, administrative expenses of the comprehensive development business were approximately RMB61.38 million (2022: approximately RMB56.30 million), representing an increase of approximately 9% compared to the same period of 2022, mainly due to the reclassification of land acquisition tax and surcharges in Shanghai to administrative expenses; and administrative expenses of the investment and fund business were approximately RMB3.43 million (2022: approximately RMB16.61 million), representing a decrease of approximately 79% compared to the same period of 2022, mainly due to the decrease in brokerage fees and amortised costs on contract arrangement.

Management Discussion and Analysis

Interest Expenses

For the six months ended 30 June 2023, the Group's interest expenses were approximately RMB74.30 million (2022: approximately RMB56.77 million), representing an increase of approximately 31% compared to the same period of 2022, of which, interest expenses of the comprehensive development business were approximately RMB45.60 million (2022: approximately RMB45.39 million), representing an increase of approximately 0.5% compared to the same period of 2022; interest expenses of the finance lease business were approximately RMB1.81 million (2022: approximately RMB2.07 million), representing a decrease of approximately 13% compared to the same period of 2022; and interest expenses of the investment and fund business were approximately RMB24.85 million (2022: approximately RMB6.80 million), representing an increase of approximately 265% compared to the same period of 2022, mainly due to the significant increase in head office interest expense costs caused by the interest rate hike of US dollars and a year-on-year increase in the sharing of segment expenses for the Reporting Period.

Dividends

The Board did not recommend the payment of an interim dividend for the half year ended 30 June 2023 (2022: Nil) after considering the Group's long-term development and active participation in potential investment opportunities.

Management Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2023 was approximately RMB5.769 billion (31 December 2022: approximately RMB9.881 billion); current assets were approximately RMB18.315 billion (31 December 2022: approximately RMB16.728 billion); and current liabilities were approximately RMB14.911 billion (31 December 2022: approximately RMB10.378 billion). The current ratio was approximately 1.23 as at 30 June 2023, representing a decrease of 0.38 as compared to that as at 31 December 2022 (31 December 2022: approximately 1.61), mainly due to the reclassification of certain loans from banks and related parties from long-term liabilities to short-term liabilities and the reclassification of the perpetual capital securities with an amount of US\$0.5 billion from equity instruments to short-term liabilities. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 30 June 2023, the Group had outstanding bank and other loans of approximately RMB9.021 billion, without fixed rate loans in RMB (31 December 2022: outstanding bank and other loans of approximately RMB4.733 billion, without fixed rate loans in RMB). As at 30 June 2023, the interest rates of bank and other loans of the Group ranged from 3.55% to 6.57% per annum (31 December 2022: ranged from 3.30% to 5.95% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 48.6% as at 30 June 2023, representing an increase of approximately 18.5 percentage points as compared with that of approximately 30.1% as at 31 December 2022, which was mainly due to the increase in bank and other loans.

Management Discussion and Analysis

As at 30 June 2023, approximately 68.8% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB6.207 billion was denominated in Hong Kong Dollars (31 December 2022: approximately 47.3%); and approximately 31.2% amounting to approximately RMB2.814 billion was denominated in Renminbi (31 December 2022: approximately 52.7%). As at 30 June 2023, approximately 0.1% of the total amount of cash and cash equivalents of the Group was denominated in United States Dollars (31 December 2022: approximately 0.1%); approximately 65.6% was denominated in Renminbi (31 December 2022: approximately 97.5%); and approximately 34.4% was denominated in Hong Kong Dollars (31 December 2022: approximately 2.4%).

The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the six months ended 30 June 2023, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the six months ended 30 June 2023, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risk purposes.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly instalment before the issuance of the individual property ownership certificate, the banks could draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance if the deposit balance is insufficient.

Management Discussion and Analysis

The amount of guarantee deposits required varies among different banks, but is usually within a range of 0% to 5% of the mortgage loans granted to buyers, with a prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees over the term of the guarantee as the banks have the right to sell the properties and recover the outstanding loan balance from the sale proceeds if the property buyers default on payment. The management also considers that the market value of the underlying properties can cover the outstanding mortgage loans guaranteed by the Group. Therefore, no liabilities are recognised in respect of these guarantees.

As at 30 June 2023, guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's properties amounted to approximately RMB898 million in total (31 December 2022: approximately RMB936 million).

OUTLOOK

In the second half of 2023, it is expected that global inflation will remain high, and the global economy will further slow down. China's economic recovery will rely more on domestic demand, with increasing downward pressure on the economy. With continuous uneven recovery across various industries, more specific measures to stabilize growth and shore up confidence are expected to be introduced. In terms of real estate policies, the central government and the State Council have emphasized the adjustment and optimization of real estate policies. In the second half of the year, it is expected that the real estate industry will still be guided by the supporting and caring policies. The real estate market is expected to recover slowly amid fluctuations, as the confidence in house purchasing and the commencement of construction may still take time to recover.

Management Discussion and Analysis

In the second half of 2023, in terms of comprehensive development business, the Group will catch up with the new situation of major changes in the relationship between supply and demand in the real estate market, seize the window period of the recovery of real estate market, implement policies according to the actual conditions of each city to better meet the rigid and reasonable improvement housing demands of residents, and accelerate the sales of inventory. With “property group purchase + government housing vouchers” as the engine, Hefei Airport International Town will, on the one hand, engage enterprises to provide exclusive property purchase discounts and subsidies for the talents, and on the other hand, collaborate with Hefei Economic and Technological Development Area to take over the demand of 14,000 people for resettlement in the area. It will further accelerate sales by virtue of its advantages of low-density green projects in international and quality communities.

The Group will take forward the construction of the Huizhou OCT Entrepreneurship and Innovation Industrial Park project in full stream, and start its pre-sale. Construction of the project is expected to be completed in 2024, providing an estimated additional area of approximately 93,000 square meters and bringing new momentum to the high-quality development of the OCT Entrepreneurship and Innovation Industrial Park. The Group will continue to expand the industrial park business and expand the management and operation of characteristic industrial parks, aiming to continuously consolidate and improve service quality. At the same time, the Group will actively explore the asset-light operation mode of the industrial parks, and connect industrial funds with industrial park business and create mutual benefits between capital investment and business solicitation, thereby realizing the coordinated development of “industrial fund + industrial park” business.

Management Discussion and Analysis

In the second half of 2023, with respect to the equity investment and fund business, the Group will fully leverage OCT's industrial resource advantage to strengthen cooperations with government-guided funds, market-oriented master funds and leading enterprises in the industry. With a diversified fund product matrix preliminarily formed, the Group will build a reserve of high-quality targets of mergers and acquisitions for the Company. In the future, the Group will actively mobilize industrial resources and financial resources in promoting the development and growth of invested companies, and exit at appropriate time.

In the second half of 2023, the Group will adhere to the business development idea of “revitalizing the existing assets and adjusting the structure, implementing lean management to improve efficiency, and focusing on the main business to deliver excellent and strong performance”, and strengthen risk prevention and control and improve operating efficiency under the principle of prudent operation. The Group will also build a standardized operating system to improve and optimize the management efficiency and level and to enhance the operational capabilities, with a view to building itself into a market-oriented operating entity with excellence in both industrial operation and capital operation.

EMPLOYEES

As at 30 June 2023, the Group employed 475 full-time staff. Basic remuneration of the employees of the Group is determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities are offered to all staff members. Staff salaries are maintained at a competitive level, and are reviewed periodically with reference to the relevant labour market and the economic situation. Apart from the basic remuneration and statutory benefits, the Group also provides bonuses to the staff based upon the Group's results and their individual performance. The Group also participates in pension schemes pursuant to relevant laws and regulations. Directors' and senior management remuneration is determined based on a variety of factors such as individual duties and responsibilities assumed by them, qualifications and experience, prevailing market conditions, and the Company's performance and their individual performance.

Management Discussion and Analysis

The Group provides comprehensive training to its employees covering areas such as operation and business-oriented training, legal and risk management, and integrity education.

The Group has not experienced any significant problems with its employees or disruptions to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff during the Reporting Period. The Group maintains a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

IMPORTANT EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

Amendments to the memorandum and articles of association

With the approval of the shareholders by way of a special resolution at a general meeting, the Company has adopted the second amended and restated memorandum and articles of association (the “M&A”) with effect from 20 June 2023. The amendments (among other things) brought the Company’s M&A in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the applicable laws of the Cayman Islands. Further information is set out in the Company’s circular dated 24 May 2023.

Change of director and personnel

With effect from 23 March 2023, Mr. Wang Jianwen has been appointed as an executive Director and the chief executive officer of the Company, in place of Ms. Xie Mei. Further information is set out in the Company’s announcement dated 23 March 2023.

With effect from 26 June 2023, Ms. Cheng Mei and Ms. Ho Sze Man have been appointed as joint company secretaries in place of Mr. Fong Fuk Wai. Further information is set out in the Company’s announcement dated 26 June 2023.

Management Discussion and Analysis

Proposed disposal of partial interests in Shouchi Enterprise

With the approval of the shareholders at the general meeting held on 9 November 2022 and the required supervisory approvals, Overseas Chinese Town (Shanghai) Land Company Limited (an indirect non-wholly-owned subsidiary of the Company) has proceeded with the public tender for the disposal of its 51% equity interests in Shanghai Shouchi Enterprise Management Ltd.. Shanghai Shengfenlai Enterprise Consultation Partnership (Limited Partnership) is the successful bidder with the final consideration of RMB612 million. The disposal is expected to be completed during the year. Further information is set out in the Company's circular dated 25 October 2022 and the Company's announcement dated 3 April 2023.

Redemption of perpetual capital securities after the Reporting Period

The Company has redeemed, in whole, the US\$500 million senior guaranteed perpetual capital securities (debt stock code: 40303, delisted on 25 July 2023) on 17 July 2023 and the US\$300 million senior guaranteed perpetual capital securities (debt stock code: 40356, delisted on 4 September 2023) on 25 August 2023. Accordingly, the above perpetual capital securities were fully redeemed and no longer in issue. Further information is set out in the Company's announcements dated 18 July 2023 and 28 August 2023, respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in this report, the Group had no significant investments held, nor material acquisitions and disposal of subsidiaries, associates or joint ventures during the Reporting Period, and there are no plan for material investments or capital assets which have been approved by the Board as of the date of this report.

Shareholding Disclosure

Save as disclosed below, as at 30 June 2023, no interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules:

Long positions in ordinary shares of the Company (“Shares”)

<u>Name of Directors</u>	<u>Capacity/Nature</u>	<u>Number of Shares</u>	<u>Percentage of the Shares in issue (approximate)</u>
Lam Sing Kwong Simon	Beneficial owner	1,000,000	0.13%

Shareholding Disclosure

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2023, so far as the Directors are aware of, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which shall be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of Shares	Percentage of the Shares in issue (approximate)
Pacific Climax Limited ("Pacific Climax")	Beneficial owner (note 1)	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation (note 2)	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation (note 3)	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation (note 4)	530,894,000 (long position)	70.94%

Shareholding Disclosure

Notes:

- (1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 Shares. Mr. Wang Jianwen, an executive Director, is a director of Pacific Climax.
- (2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. Wang Jianwen is also a director of OCT (HK).
- (3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.
- (4) OCT Group is the holding company of OCT Ltd. and together with its wholly-owned subsidiary, Shenzhen OCT Capital Investment Management Company Limited (深圳華僑城資本投資管理有限公司), hold approximately 47.97% interests in OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 30 June 2023, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

Code provision F.2.2 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules stipulates that the chairman of the Board should attend annual general meetings. Mr. Zhang Dafan was unable to attend the 2022 annual general meeting of the Company due to other engagements. Mr. Zhang had fully communicated with other Directors on the contents of the meeting before the meeting, and followed up the opinions of the shareholders at the meeting with the Company after the meeting. Save for the above, during the Reporting Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Upon specific enquiry, all Directors have confirmed their compliance with the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Reporting Period.

CHANGES IN BIOGRAPHIES OF DIRECTORS

The following changes with respect to biographies of Directors took place during or after the Reporting Period: Professor Lam Sing Kwong Simon, ceased to be an independent non-executive director of Sinomax Group Limited (stock code: 1418.HK). Mr. Chu Wing Yiu has been appointed as an independent non-executive director of Dah Sing Insurance Company (1976) Limited and a member of the Group Insurance Risk Management Committee of Dah Sing Financial Holdings Limited (stock code: 0440.HK). Mr. Lin Kaihua and Mr. Wang Wenjin ceased to be directors of Pacific Climax Limited.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Audit Committee of the Company have reviewed with management the unaudited interim results for the Reporting Period, the interim results announcement and this report, and discussed the internal control, accounting principles and practices adopted by the Group with the management of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of its listed securities during the Reporting Period. Subsequent to the Reporting Period, the Company has redeemed, at the principal amount (together with any distributions accrued up to (but excluding) the date of redemption), all of the US\$500 million senior guaranteed perpetual capital securities (debt stock code: 40303) and the US\$300 million senior guaranteed perpetual capital securities (debt stock code: 40356). For further information, please see the paragraph headed “Redemption of perpetual capital securities after the Reporting Period” in this report.

By Order of the Board
Overseas Chinese Town (Asia) Holdings Limited
Zhang Dafan
Chairman

Hong Kong, 31 August 2023

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	193,621	877,008
Cost of sales		(132,468)	(887,416)
Gross profit/(loss)		61,153	(10,408)
Other income		15,662	21,927
Other net (loss)/gain		(2,662)	8,005
Distribution costs		(33,961)	(39,867)
Administrative expenses		(77,531)	(93,876)
Loss from operations		(37,339)	(114,219)
Finance costs	4(a)	(74,300)	(56,769)
Share of profits less losses of associates		(93,103)	52,816
Share of profits less losses of joint ventures		(30,642)	(4,135)
Loss before taxation	4	(235,384)	(122,307)
Income tax	5	(8,157)	8,537
Loss for the period		(243,541)	(113,770)
Attributable to:			
Equity holders of the Company		(212,428)	(61,546)
Non-controlling interests		(31,113)	(52,224)
Loss for the period		(243,541)	(113,770)
Basic loss per share (RMB)	6	(0.456)	(0.242)

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	<u>RMB'000</u>	<u>RMB'000</u>
Loss for the period	<u>(243,541)</u>	(113,770)
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences	(178,199)	(62,486)
Share of other comprehensive income of associates	<u>7,316</u>	<u>(40,372)</u>
	<u>(170,883)</u>	<u>(102,858)</u>
Other comprehensive income for the period	<u>(170,883)</u>	<u>(102,858)</u>
Total comprehensive income for the period	<u>(414,424)</u>	<u>(216,628)</u>
Attributable to:		
Equity holders of the Company	(383,311)	(164,404)
Non-controlling interests	<u>(31,113)</u>	<u>(52,224)</u>
Total comprehensive income for the period	<u>(414,424)</u>	<u>(216,628)</u>

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2023 – unaudited
(Expressed in Renminbi)

		At 30 June 2023 <u>RMB'000</u>	At 31 December 2022 <u>RMB'000</u>
Non-current assets			
Investment property		420,639	425,071
Property, plant and equipment	7	1,075,516	1,117,909
Interests in leasehold land held for own use		<u>1,127,610</u>	1,148,499
		2,623,765	2,691,479
Intangible assets		20,048	24,517
Interests in associates	8	2,037,430	2,124,711
Interests in joint ventures	9	595,425	706,395
Other financial assets		351,119	353,098
Deferred tax assets		<u>148,325</u>	148,325
		<u>5,776,112</u>	6,048,525
Current assets			
Inventories and other contract costs		13,432,058	12,512,456
Trade and other receivables	10	380,167	355,324
Cash at bank and on hand	11	<u>2,559,850</u>	1,915,139
		<u>16,372,075</u>	14,782,919
Assets of disposal group classified as held for sale	12	<u>1,942,744</u>	1,944,595
		<u>18,314,819</u>	16,727,514

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2023 – unaudited
(Expressed in Renminbi)

		At 30 June 2023 <u>RMB'000</u>	At 31 December 2022 <u>RMB'000</u>
	Note		
Current liabilities			
Trade and other payables	13	3,088,555	2,689,507
Contract liabilities		1,769,974	1,609,712
Lease liabilities		8,993	11,734
Bank and other loans		6,577,064	2,578,088
Loans from related parties and non-controlling interests		1,911,000	1,941,000
Current taxation		<u>142,194</u>	<u>147,846</u>
		<u>13,497,780</u>	<u>8,977,887</u>
Liabilities directly associated with assets of disposal group classified as held for sale	12	<u>1,413,609</u>	1,399,868
		<u>14,911,389</u>	<u>10,377,755</u>
Net current assets		<u>3,403,430</u>	<u>6,349,759</u>
Total assets less current liabilities		<u>9,179,542</u>	<u>12,398,284</u>
Non-current liabilities			
Bank and other loans		2,443,895	2,155,215
Related party loans		783,507	175,000
Lease liabilities		2,057	6,283
Deferred tax liabilities		<u>181,103</u>	<u>181,103</u>
		<u>3,410,562</u>	<u>2,517,601</u>
NET ASSETS		<u>5,768,980</u>	<u>9,880,683</u>

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2023 – unaudited
(Expressed in Renminbi)

		At 30 June 2023 <u>RMB'000</u>	At 31 December 2022 <u>RMB'000</u>
CAPITAL AND RESERVES			
Share capital		67,337	67,337
Perpetual capital securities	14(b)	2,082,620	5,615,314
Reserves		<u>(45,272)</u>	<u>502,624</u>
Total equity attributable to equity holders of the Company		2,104,685	6,185,275
Non-controlling interests		<u>3,664,295</u>	<u>3,695,408</u>
TOTAL EQUITY		<u>5,768,980</u>	<u>9,880,683</u>

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital	Share premium	Contributed surplus	Capital reserve	Perpetual capital securities (note 14(b))	PRC statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	67,337	36,884	147,711	31,020	5,606,480	318,996	(467,890)	(32,058)	2,912,028	8,620,508	3,778,934	12,399,442
Changes in equity for the six months ended 30 June 2022:												
Loss for the period	-	-	-	-	119,387	-	-	-	(180,933)	(61,546)	(52,224)	(113,770)
Other comprehensive income	-	-	-	-	-	-	(102,858)	-	-	(102,858)	-	(102,858)
Total comprehensive income	-	-	-	-	119,387	-	(102,858)	-	(180,933)	(164,404)	(52,224)	(216,628)
Distribution to holders of perpetual capital securities	-	-	-	-	(114,351)	-	-	-	-	(114,351)	-	(114,351)
Balance at 30 June 2022 and 1 July 2022	67,337	36,884	147,711	31,020	5,611,516	318,996	(570,748)	(32,058)	2,731,095	8,341,753	3,726,710	12,068,463
Changes in equity for the six months ended 31 December 2022												
Loss for the period	-	-	-	-	126,000	-	-	-	(1,976,990)	(1,850,990)	(31,302)	(1,882,292)
Other comprehensive income	-	-	-	-	-	-	(183,286)	-	-	(183,286)	-	(183,286)
Total comprehensive income	-	-	-	-	126,000	-	(183,286)	-	(1,976,990)	(2,034,276)	(31,302)	(2,065,578)

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital	Share premium	Contributed surplus	Capital reserve	Perpetual capital securities	PRC statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(note 14(b))							
Transfer to PRC statutory reserves	-	-	-	-	-	38,369	-	-	(38,369)	-	-	-
Distribution to holders of perpetual capital securities	-	-	-	-	(122,202)	-	-	-	-	(122,202)	-	(122,202)
Balance at 31												
December 2022	<u>67,337</u>	<u>36,884</u>	<u>147,711</u>	<u>31,020</u>	<u>5,615,314</u>	<u>357,365</u>	<u>(754,034)</u>	<u>(32,058)</u>	<u>715,736</u>	<u>6,185,275</u>	<u>3,695,408</u>	<u>9,880,683</u>

The notes on pages 36 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital	Share premium	Contributed surplus	Capital reserve	Perpetual capital securities	PRC statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note 14(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	<u>67,337</u>	<u>36,884</u>	<u>147,711</u>	<u>31,020</u>	<u>5,615,314</u>	<u>357,365</u>	<u>(754,034)</u>	<u>(32,058)</u>	<u>715,736</u>	<u>6,185,275</u>	<u>3,695,408</u>	<u>9,880,683</u>
Changes in equity for the six months ended 30 June 2023:												
Loss for the period	-	-	-	-	128,484	-	-	-	(340,912)	(212,428)	(31,113)	(243,541)
Other comprehensive income	-	-	-	-	-	-	(170,883)	-	-	(170,883)	-	(170,883)
Total comprehensive income	-	-	-	-	128,484	-	(170,883)	-	(340,912)	(383,311)	(31,113)	(414,424)
Distribution to holders of perpetual capital securities	-	-	-	-	(122,364)	-	-	-	-	(122,364)	-	(122,364)
Redemption of perpetual capital securities (note 14(b))	-	-	-	-	(3,538,814)	-	-	(36,101)	-	(3,574,915)	-	(3,574,915)
Balance at 30 June 2023	<u>67,337</u>	<u>36,884</u>	<u>147,711</u>	<u>31,020</u>	<u>2,082,620</u>	<u>357,365</u>	<u>(924,917)</u>	<u>(68,159)</u>	<u>374,824</u>	<u>2,104,685</u>	<u>3,664,295</u>	<u>5,768,980</u>

The notes on pages 36 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	<u>RMB'000</u>	<u>RMB'000</u>
OPERATING ACTIVITIES		
Cash used in operations	(781,515)	(571,074)
Tax paid	(46,415)	(136,135)
Interest element of lease rentals paid	(177)	(376)
Other interest paid	<u>(158,493)</u>	<u>(89,519)</u>
Net cash used in operating activities	<u>(986,600)</u>	<u>(797,104)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets	1,979	8,802
Dividends received from associates and joint ventures	14,822	15,788
Return of investment from a joint venture	67,000	–
Interest received	13,999	17,842
Payment for purchase of property, plant and equipment and intangible assets	(3,715)	(12,366)
Proceeds from deposit for property, plant and equipment and investment property	10,427	–
Proceeds from disposal of assets held for sale	123,600	–
Repayment to the advance from an associate	<u>(4,950)</u>	<u>(1,980)</u>
Net cash generated from investing activities	<u>223,162</u>	<u>28,086</u>

The notes on pages 36 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Capital element of lease rentals paid		(5,805)	(6,435)
Proceeds from loans		2,403,676	55,000
Repayment of loans		(1,335,275)	(135,412)
Distribution to holders of perpetual capital securities		(122,364)	(114,351)
Increase of restricted cash for REITS programme		—	(1,741)
Net cash generated from/(used in) financing activities		940,232	(202,939)
Net increase/(decrease) in cash and cash equivalents		176,794	(971,957)
Cash and cash equivalents at 1 January		2,357,139	3,326,517
Effect of foreign exchange rate changes		25,917	2,579
Cash and cash equivalents at 30 June	11	2,559,850	2,357,139

The notes on pages 36 to 56 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 31 August 2023.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA.

The interim financial report is unaudited and has not been reviewed by the auditor, but has been reviewed by the audit committee of the Company.

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) New and amended HKFRSs (continued)

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the Transition Date¹). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (continued)

In this interim financial report and in prior periods, consistent with the HKICPA guidance the group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

3 REVENUE AND SEGMENT REPORTING

(a) Disaggregating of revenue

The principal activities of the Group are comprehensive development, equity investment and fund business and finance lease.

Revenue represents the sales value of goods or services supplied to customers net of sales related tax. Disaggregation of revenue with customer by business lines is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Sale of properties	22,129	795,697
– Hotel revenue	113,738	39,564
– Fund management fee income	4,849	–
	<u>140,716</u>	<u>835,261</u>
Revenue from other sources		
– Rental income from investment properties	52,905	40,078
– Finance lease income	–	1,669
	<u>193,621</u>	<u>877,008</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregating of revenue (continued)

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Further details regarding the Group's principal activities are disclosed in note 3(b).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following three reportable segments.

- Comprehensive development business: this segment engaged in development and sale of residential properties, development and management of properties, property investment and operation of hotel.
- Equity investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund.
- Finance lease business: this segment engaged in the finance lease business.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and non-current assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June								
Revenue from contracts with customers within the scope of HKFRS 15								
Disaggregated by timing of revenue recognition								
Point in time	135,867	835,261	-	-	-	-	135,867	835,261
Over time	-	-	4,849	-	-	-	4,849	-
Revenue from other sources	52,905	40,078	-	-	-	1,669	52,905	41,747
Revenue from external customers	188,772	875,339	4,849	-	-	1,669	193,621	877,008
Reportable segment revenue	188,772	875,339	4,849	-	-	1,669	193,621	877,008
Reportable segment (loss)/profit for the period	(37,340)	(46,571)	(186,980)	(35,034)	1,232	3,298	(223,098)	(78,307)
As at 30 June/31 December								
Reportable segment assets	20,614,712	19,670,119	2,057,454	2,298,817	315,723	312,761	22,987,889	22,281,697
Reportable segment liabilities	11,291,439	10,295,022	1,025,466	1,061,652	40,951	42,868	12,357,856	11,399,542

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Reportable segment loss	(223,098)	(78,307)
Unallocated head office and corporate expense	(20,443)	(35,463)
Consolidated loss	(243,541)	(113,770)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Assets		
Reportable segment assets	22,987,889	22,281,697
Unallocated head office and corporate assets	1,103,042	494,342
Consolidated total assets	24,090,931	22,776,039
Liabilities		
Reportable segment liabilities	12,357,856	11,399,542
Unallocated head office and corporate liabilities	5,964,095	1,495,814
Consolidated total liabilities	18,321,951	12,895,356

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external. The geographical location of customers is based on the location at which the services were provided or the goods and properties sold.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Mainland China	191,197	874,739
Hong Kong	2,424	2,269
	193,621	877,008

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(Expressed in Renminbi)

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest on bank and other loans	129,218	92,693
Interest on loans from related parties and non-controlling interests	48,489	54,566
Interest on lease liabilities	177	376
Total interest expense	177,884	147,635
Less: amount capitalised	(103,584)	(90,866)
	74,300	56,769

(b) Other items

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income	(14,959)	(20,721)
Amortisation of intangible assets	4,469	4,561
Depreciation charge		
– investment property, owned property, plant and equipment	39,034	52,132
– right-of-use assets	24,035	41,878
Total depreciation expense	63,069	94,010
Less: amount capitalised to construction in progress	(2,841)	(3,237)
	60,228	90,773
Fair value gain on financial assets measured at fair value through profit or loss (“FVTPL”)	-	(25,700)
Net exchange (gain)/loss	(5,385)	20,518

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5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax		
Provision for corporate income tax ("CIT")	6,086	8,697
Under-provision in respect of prior period	–	947
Withholding tax	–	1,445
	<u>6,086</u>	<u>11,089</u>
PRC land appreciation tax ("LAT")	<u>2,071</u>	<u>–</u>
	<u>8,157</u>	<u>11,089</u>
Deferred tax		
Origination and reversal of temporary differences	<u>–</u>	<u>(19,626)</u>
	<u>8,157</u>	<u>(8,537)</u>

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the Reporting Period (six months ended 30 June 2022: nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2023 and 2022.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (six months ended 30 June 2022: 25%).

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(Expressed in Renminbi)

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(ii) PRC 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 of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

(iii) Withholding tax

Withholding taxes are levied on dividend distributions arising from profit of the Mainland China subsidiaries within the Group earned after 1 January 2008, and disposal gain earned by Hong Kong subsidiaries upon disposal of Mainland China subsidiaries at the applicable tax rates.

6 BASIC LOSS PER SHARE

(a) Loss attributable to ordinary equity shareholders of the Company

	For the six months ended 30 June	
	2023	2022
	<u>RMB'000</u>	<u>RMB'000</u>
Loss attributable to equity holders of the Company	(212,428)	(61,546)
Less: profit attributable to the holders of perpetual capital securities	<u>(128,484)</u>	<u>(119,387)</u>
Loss attributable to ordinary equity shareholders	<u>(340,912)</u>	<u>(180,933)</u>

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(Expressed in Renminbi)

6 BASIC LOSS PER SHARE (CONTINUED)

(b) Weighted average number of ordinary shares

	Six months ended 30 June	
	2023	2022
	'000	'000
Issued ordinary shares	<u>748,366</u>	<u>748,366</u>

No dilutive loss per share is presented as there were no dilutive potential ordinary shares in issue during both periods.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB3,715,000 (six months ended 30 June 2022: RMB15,603,000).

8 INTERESTS IN ASSOCIATES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Listed investments (note):		
- Share of net assets	1,054,375	1,163,125
- Impairment	(600,000)	(600,000)
- Goodwill	<u>220,835</u>	<u>246,911</u>
	<u>675,210</u>	<u>810,036</u>
Unlisted investments:		
- Share of net assets	1,360,860	1,313,315
- Goodwill	<u>1,360</u>	<u>1,360</u>
	<u>1,362,220</u>	<u>1,314,675</u>
	<u>2,037,430</u>	<u>2,124,711</u>

Note: As at 30 June 2023, the fair value of interests in associates whose shares are listed amounted to RMB335,138,000 (31 December 2022: RMB581,189,000).

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(Expressed in Renminbi)

9 INTERESTS IN JOINT VENTURES

	At 30 June 2023 <u>RMB'000</u>	At 31 December 2022 <u>RMB'000</u>
Unlisted investments:		
– Share of net assets	<u>595,425</u>	<u>706,395</u>

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <u>RMB'000</u>	At 31 December 2022 <u>RMB'000</u>
Trade receivable		
– Amounts due from third parties	10,649	5,292
Less: loss allowance	<u>(294)</u>	<u>(294)</u>
	<u>10,355</u>	<u>4,998</u>
Other receivables (note (i)):		
– Amounts due from associates	9,920	14,478
– Amount due from an intermediate parent	1,094	1,094
– Amounts due from fellow subsidiaries	4,094	2,648
– Amounts due from third parties	<u>57,201</u>	<u>36,779</u>
	<u>72,309</u>	<u>54,999</u>
Less: loss allowance	<u>(55)</u>	<u>(55)</u>
	<u>72,254</u>	<u>54,944</u>
Financial assets measured at amortised cost	82,609	59,942
Prepaid taxes (note (ii))	281,896	275,919
Deposits and other prepayments	<u>15,662</u>	<u>19,463</u>
	<u>380,167</u>	<u>355,324</u>

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(Expressed in Renminbi)

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (i) As at 30 June 2023, these amounts are unsecured and repayable on demand within one year. These amounts due from associates, intermediate parents, fellow subsidiaries or other related parties are interest-free (31 December 2022: RMB4,377,000 at 2.5% per annum).
- (ii) As at 30 June 2023, the prepaid taxes include CIT amounting to RMB42,634,000 (2022: RMB11,903,000) and LAT amounting to RMB64,468,000 (2022: RMB62,593,000).
- (iii) As at 30 June 2023, all of the trade and other receivables, and deposits are expected to be recovered within one year.

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	<u>10,355</u>	<u>4,998</u>

11 CASH AT BANK AND ON HAND

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank and on hand	<u>1,978,214</u>	1,039,455
Property pre-sale proceeds (note)	<u>581,636</u>	<u>875,684</u>
Cash at bank and on hand on the consolidated statement of financial position	<u>2,559,850</u>	1,915,139
Cash and cash equivalents on the consolidated cash flow statement	<u>2,559,850</u>	<u>1,915,139</u>

Note: In accordance with the relevant laws and regulations governing the pre-sale of residential properties in Mainland China, prepayments by customers are held by the local authorities and the relevant banks. The amounts can be released to the Group for meeting certain prescribed costs associated with the property development or if certain conditions are fulfilled.

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12 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 11 November 2022, the Group proceeded with public tender of disposal of 51% equity interests in Shanghai Shouchi on China Beijing Equity Exchange (CBEX). On 3 April 2023, the Group has been informed by CBEX that Shanghai Shengfenlai Enterprise Consultation Partnership (Limited Partnership) was the successful bidder of the proposed disposal. It is expected the Group and the bidder will enter into the transaction agreement at the consideration of HK\$685,123,000 (equivalent to RMB612,000,000) and complete the transaction in the third quarter of 2023.

(a) Assets of disposal group classified as held for sale:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash and cash equivalents	5,022	6,873
Investment properties	1,937,722	1,937,722
	<u>1,942,744</u>	<u>1,944,595</u>

(b) Liabilities directly associated with assets of disposal group classified as held for sale:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade and other payables	18,300	1,556
Bank and other loan (note)	1,392,500	1,395,000
Current taxation	2,809	3,312
	<u>1,413,609</u>	<u>1,399,868</u>

Note: The bank and other loan was secured by the investment properties in the assets of disposal group.

The assets and liabilities of disposal group excluded an amount of RMB5,000,000 due to the Group which was eliminated in consolidation (2022: RMB10,064,000).

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13 TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade creditors:		
– Amounts due to fellow subsidiaries	41,935	35,608
– Amounts due to third parties	988,879	835,730
	<u>1,030,814</u>	<u>871,338</u>
Other payables and accruals:		
– Amounts due to associates	214,513	219,463
– Amounts due to fellow subsidiaries	346,146	346,834
– Amounts due to intermediate parents	380,388	391,214
– Amounts due to third parties	814,188	530,261
	<u>1,755,235</u>	<u>1,487,772</u>
Interest payables:		
– Amount due to an associate	45,752	36,662
– Amount due to an intermediate parent	14,799	41,455
– Amount due to a fellow subsidiary	380	380
– Amounts due to non-controlling interests	177,722	141,474
– Amounts due to third parties	8,056	7,524
	<u>246,709</u>	<u>227,495</u>
Financial liabilities measured at amortised cost	3,032,758	2,586,605
Deposits	55,797	102,902
	<u>3,088,555</u>	<u>2,689,507</u>

As at 30 June 2023, the ageing analysis of trade creditors payables, based on the invoice date, are as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	1,020,948	853,066
1 to 2 years	5,936	16,011
2 to 3 years	1,831	15
Over 3 years	2,099	2,246
	<u>1,030,814</u>	<u>871,338</u>

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14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was approved and paid to equity shareholders of the Company during the interim period attributable to the previous financial year (six months ended 30 June 2022: nil).

(b) Perpetual capital securities

On 15 July 2020, the Company issued senior guaranteed perpetual capital securities with a principal amount of US\$500,000,000 ("First Perpetual Capital Securities", equivalent to RMB3,468,150,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 15 July 2020, payable semi-annually on 15 July and 15 January of each year. After 15 July 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.312%, (b) the Treasury Rate and (c) a margin of 4% per annum.

On 25 August 2020, the Company issued another senior guaranteed perpetual capital securities with a principal amount of US\$300,000,000 ("Second Perpetual Capital Securities", equivalent to RMB2,052,900,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 25 August 2020, payable semi-annually on 15 February and 15 August of each year. After 25 August 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.343%, (b) the Treasury Rate and (c) a margin of 4% per annum.

The securities are unconditionally and irrevocably guaranteed by Overseas Chinese Town Enterprises Limited Company.

The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control its obligations to deliver cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

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14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Perpetual capital securities (continued)

On 14 June 2023, the Company irrevocably made the redemption notice of First Perpetual Capital Securities with a principal amount of US\$500,000,000 (equivalent to RMB3,578,300,000). The Company has redeemed such amount in whole on 17 July 2023 pursuant to the terms and conditions of the First Perpetual Capital Securities. As at 30 June 2023, the principal amount along with the dividend amounted to USD11,250,000 (equivalent to RMB81,290,000) was classified as bank and other loans.

On 24 July 2023, the Company irrevocably made the redemption notice of Second Perpetual Capital Securities with a principal amount of US\$300,000,000 (equivalent to RMB2,143,530,000 using exchange rate on that day, which was different from the principal amount RMB2,082,620,000 as at 30 June 2023 of the balance of perpetual capital securities using historical exchange rate). The Company has redeemed the Capital Securities in whole on 25 August 2023 pursuant to the terms and conditions of the Capital Securities.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

The Group has an investment team performing valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the team at the interim reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June	Fair value measurements as at 30 June 2023 categorised into		
	2023	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
- Unlisted equity securities	<u>351,119</u>	-	-	<u>351,119</u>

	Fair value at 31 December	Fair value measurements as at 31 December 2022 categorised into		
	2022	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
- Unlisted equity securities	<u>353,098</u>	-	-	<u>353,098</u>

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level 3 fair value measurements (continued)

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Rate</u>
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	22% – 38% (2022: 22% – 38%)

The fair value of unlisted equity instruments is determined using the price/earning ratios and price/book value ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB2,164,000 (six months ended 30 June 2022: RMB1,769,000)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	<u>At 30 June 2023 RMB'000</u>	<u>At 31 December 2022 RMB'000</u>
Unlisted equity securities:		
At 1 January	353,098	309,638
Disposal	(1,979)	(8,802)
Changes in fair value		
recognised in profit or loss	<u>-</u>	<u>25,700</u>
At 30 June	<u>351,119</u>	<u>326,536</u>

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not significantly different from their fair values as at 31 December 2022 and 30 June 2023.

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16 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report are as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for:		
Inventories	3,709,626	4,325,154
Investment in an associate and joint ventures	783,475	783,475
	<u>4,493,101</u>	<u>5,108,629</u>

17 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 30 June 2023, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB897,564,000 (31 December 2022: RMB936,306,000).

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18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the interim financial report, major related party transactions entered by the Group during the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Purchase of goods and services	8,876	14,198
Rental expense	908	2,032
Interest expense	12,241	18,318
Interest expense to non-controlling interests	36,248	36,248
Interest income	51	76
New borrowing from an intermediate parent	586,665	–
Repayment of loans to an intermediate parent	30,000	–
Finance lease income	–	838
Finance lease received	–	120,000

(b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	1,104	1,988
Post-employment benefits	193	309
	1,297	2,297

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18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party loans

Related party loans are analysed as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current		
– Loan from an associate	421,400	421,400
– Loan from an intermediate parent	–	30,000
– Loans from non-controlling interests	1,489,600	1,489,600
	<u>1,911,000</u>	<u>1,941,000</u>
Non-current		
– Loan from intermediate parents	783,507	175,000
	<u>2,694,507</u>	<u>2,116,000</u>