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GREENLAND HONG KONG HOLDINGS LIMITED

綠地香港控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 337)

USD300 million 6.0 per cent. Bonds due 2021

(Stock Code: 5412)

2020 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Revenue for the period was approximately RMB6,400 million, representing a year-on-year increase of approximately 10%
- Gross profit for the period was approximately RMB2,091 million with a gross profit margin of approximately 33%
- Core net profit⁽¹⁾ for the period was approximately RMB646 million, representing a year-on-year increase of approximately 24%
- Profit for the period attributable to owners of the Company was approximately RMB650 million, representing a year-on-year decrease of approximately 8%
- Net gearing ratio as at 30 June 2020 was approximately 38%
- Weighted average finance cost decreased to approximately 5.5% as at 30 June 2020
- Since the beginning of FY2020 and up to the date of this announcement, acquired 13 land parcels with a total GFA of approximately 2.53 million square meters in 7 cities

⁽¹⁾ It represents profit for the period excluding the post-tax gains on the change in fair value of investment properties, net gain on financial derivatives and net foreign exchange loss.

The directors of Greenland Hong Kong Holdings Limited (the “**Company**”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		six months ended 30 June	
		2020	2019
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3		
– Contracts with customers		6,351,795	5,767,073
– Leases		48,504	34,516
		<hr/>	<hr/>
Total revenue		6,400,299	5,801,589
Cost of sales		(4,309,236)	(3,739,046)
		<hr/>	<hr/>
Gross profit		2,091,063	2,062,543
Other income		20,877	12,792
Other gains and losses		(84,057)	(23,766)
Selling and marketing expenses		(240,727)	(320,334)
Administrative expenses		(317,427)	(362,533)
Other operating expenses		(13,106)	(114,503)
Impairment losses under expected credit loss model, net of reversal		(12,369)	5,831
		<hr/>	<hr/>
Results from operating activities		1,444,254	1,260,030
Finance income		14,304	30,260
Finance costs	4	(56,018)	(69,461)
Share of results of associates		47,333	(8,129)
Share of results of joint ventures		(9,098)	2,701
Gains on the change in fair value of investment properties	8	180,956	508,756
Gain on disposal of interests in an associate		49,071	–
		<hr/>	<hr/>
Profit before income tax		1,670,802	1,724,157
Income tax expenses	5	(973,316)	(844,350)
		<hr/>	<hr/>
Profit for the period		697,486	879,807
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020 – CONTINUED

		six months ended 30 June	
		2020	2019
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income		1,286	–
Other comprehensive income for the period, net of income tax		965	–
Total comprehensive income for the period		<u>698,451</u>	<u>879,807</u>
Profit for the period attributable to:			
Owners of the Company		650,115	705,631
Non-controlling interests		23,647	174,176
Owners of perpetual securities		<u>23,724</u>	<u>–</u>
		<u>697,486</u>	<u>879,807</u>
Total comprehensive income attributable to:			
Owners of the Company		651,080	705,631
Non-controlling interests		23,647	174,176
Owners of perpetual securities		<u>23,724</u>	<u>–</u>
		<u>698,451</u>	<u>879,807</u>
Earnings per share:			
		six months ended 30 June	
		2020	2019
		<i>RMB</i>	<i>RMB</i>
Basic	7	<u>0.23</u>	<u>0.25</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		As at 30 June 2020	As at 31 December 2019
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Investment properties	8	10,595,000	7,754,000
Property, plant and equipment		1,129,754	1,159,218
Intangible assets		1,184	1,206
Right-of-use assets		71,534	78,833
Equity instruments at fair value through other comprehensive income		313,602	312,315
Interests in associates		189,275	197,817
Interests in joint ventures		624,988	634,087
Deferred tax assets		753,484	506,320
Restricted bank deposits		398,400	398,400
		14,077,221	11,042,196
CURRENT ASSETS			
Properties under development		49,044,145	44,391,733
Completed properties held for sale		8,807,105	8,941,822
Trade and other receivables, deposits and prepayments	9	24,258,895	23,023,419
Tax recoverable		1,458,364	1,169,385
Contract assets		825,119	649,843
Contract costs		169,378	122,247
Financial assets at fair value through profit or loss		–	6,397
Restricted bank deposits		3,888,932	2,354,538
Bank balances and cash		6,045,623	7,568,342
		94,497,561	88,227,726
TOTAL ASSETS		108,574,782	99,269,922

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 – CONTINUED

		As at 30 June 2020	As at 31 December 2019
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
EQUITY			
Share capital		1,132,097	1,132,097
Reserves		11,339,074	11,326,416
		<hr/>	<hr/>
Equity attributable to owners of the Company		12,471,171	12,458,513
Perpetual securities	12	788,660	788,208
Non-controlling interests		3,602,637	3,344,717
		<hr/>	<hr/>
TOTAL EQUITY		16,862,468	16,591,438
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		748	1,042
Interest-bearing loans		9,083,151	6,399,050
Bonds	11	2,120,317	2,087,795
Deferred tax liabilities		1,460,662	1,477,795
		<hr/>	<hr/>
		12,664,878	9,965,682
		<hr/>	<hr/>
CURRENT LIABILITIES			
Lease liabilities		3,248	9,974
Trade and other payables	10	33,859,900	33,359,042
Contract liabilities		37,114,772	32,246,672
Tax payable		2,523,255	2,194,891
Interest-bearing loans		5,546,261	3,508,742
Bonds	11	–	1,393,481
		<hr/>	<hr/>
		79,047,436	72,712,802
		<hr/>	<hr/>
TOTAL LIABILITIES		91,712,314	82,678,484
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		108,574,782	99,269,922
		<hr/>	<hr/>
NET CURRENT ASSETS		15,450,125	15,514,924
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,527,346	26,557,120
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standard Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. Chinese government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue from its major products and services is as follows:

	Six months ended 30 June 2020		
	Revenue recognised at a point in time <i>RMB'000</i>	Revenue recognised over time <i>RMB'000</i>	Total <i>RMB'000</i>
Type of goods and service			
Sales of properties and construction management service	5,903,537	225,340	6,128,877
Hotel and related services	–	33,904	33,904
Property management and other services	–	189,014	189,014
Revenue from contracts with customers	<u>5,903,537</u>	<u>448,258</u>	<u>6,351,795</u>
Leases – rental income			<u>48,504</u>
			<u>6,400,299</u>
	Six months ended 30 June 2019		
	Revenue recognised at a point in time <i>RMB'000</i>	Revenue recognised over time <i>RMB'000</i>	Total <i>RMB'000</i>
Type of goods and service			
Sales of properties and construction management service	5,409,246	47,948	5,457,194
Hotel and related services	–	73,673	73,673
Property management and other services	–	236,206	236,206
Revenue from contracts with customers	<u>5,409,246</u>	<u>357,827</u>	<u>5,767,073</u>
Leases – rental income			<u>34,516</u>
			<u>5,801,589</u>

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

	Sales of properties and construction management service <i>RMB'000</i>	Lease of properties <i>RMB'000</i>	Hotel and related services <i>RMB'000</i>	Property management and other services <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2020					
(unaudited)					
Revenue from external customers	6,128,877	48,504	33,904	189,014	6,400,299
Inter-segment revenue	–	–	–	997,510	997,510
Reportable segment revenue	<u>6,128,877</u>	<u>48,504</u>	<u>33,904</u>	<u>1,186,524</u>	<u>7,397,809</u>
Reportable segment profit before income tax	<u>1,512,201</u>	<u>217,932</u>	<u>(31,242)</u>	<u>1,432</u>	<u>1,700,323</u>
As at 30 June 2020 (unaudited)					
Reportable segment assets	<u>104,552,384</u>	<u>10,595,000</u>	<u>569,643</u>	<u>2,059,890</u>	<u>117,776,917</u>
Reportable segment liabilities	<u>90,789,081</u>	<u>6,460,366</u>	<u>189,853</u>	<u>1,301,487</u>	<u>98,740,787</u>
For the six months ended 30 June 2019					
(unaudited)					
Revenue from external customers	5,457,194	34,516	73,673	236,206	5,801,589
Inter-segment revenue	–	–	–	674,153	674,153
Reportable segment revenue	<u>5,457,194</u>	<u>34,516</u>	<u>73,673</u>	<u>910,359</u>	<u>6,475,742</u>
Reportable segment profit before income tax	<u>1,256,880</u>	<u>538,584</u>	<u>2,617</u>	<u>7,627</u>	<u>1,805,708</u>
As at 31 December 2019 (audited)					
Reportable segment assets	<u>95,424,077</u>	<u>7,754,000</u>	<u>634,035</u>	<u>2,022,089</u>	<u>105,834,201</u>
Reportable segment liabilities	<u>80,128,597</u>	<u>4,109,818</u>	<u>223,003</u>	<u>1,260,285</u>	<u>85,721,703</u>

Reconciliations of reportable segment revenue, results are as follow:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenue		
Reportable segment revenue	7,397,809	6,475,742
Elimination of inter-segment revenue	(997,510)	(674,153)
Consolidated revenue	<u>6,400,299</u>	<u>5,801,589</u>
Profit		
Reportable segment profit before income tax	1,700,323	1,805,708
Elimination of inter-segment profits	(67,756)	(76,123)
Share of results of associates	47,333	(8,129)
Share of results of joint ventures	(9,098)	2,701
Consolidated profit before income tax	<u>1,670,802</u>	<u>1,724,157</u>

Reconciliations of reportable segment assets and liabilities are as follow:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
	Assets	
Reportable segment assets	117,776,917	105,834,201
Elimination of inter-segment receivables	(9,148,790)	(6,524,495)
Elimination of inter-segment investments	(867,608)	(871,688)
Interests in associates	189,275	197,817
Interests in joint ventures	624,988	634,087
Consolidated total assets	<u>108,574,782</u>	<u>99,269,922</u>
Liabilities		
Reportable segment liabilities	98,740,787	85,721,703
Elimination of inter-segment payables	(9,148,790)	(6,524,495)
Bonds	2,120,317	3,481,276
Consolidated total liabilities	<u>91,712,314</u>	<u>82,678,484</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Interest expenses on loans	361,536	313,691
Interest expenses on bonds	130,118	190,120
Interest expenses on contract liabilities	319,495	164,020
Interest expenses on lease liabilities	255	336
	<hr/>	<hr/>
	811,404	668,167
Less: financial costs capitalised	(755,386)	(598,706)
	<hr/>	<hr/>
	56,018	69,461
	<hr/>	<hr/>

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”)	643,839	547,514
PRC Land Appreciation Tax (“LAT”)	594,095	338,936
	<hr/>	<hr/>
	1,237,934	886,450
Deferred tax	(264,618)	(42,100)
	<hr/>	<hr/>
	973,316	844,350
	<hr/>	<hr/>

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for both periods.

EIT

Pursuant to the Enterprise Income Tax Law of the PRC (the “EIT Law”), the Group’s main operating companies were subject to PRC Enterprise Income Tax at a rate of 25% (2019: 25%).

In addition, the EIT Law provides that qualified dividend income between two “resident enterprises” that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% or 10% withholding tax under the EIT Law. A 10% withholding tax rate is applicable to the Group.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. For the six months ended 30 June 2020, a provision of LAT in the amount of RMB594,095,000 (for the six months ended 30 June 2019: RMB338,936,000) has been included in profit or loss.

6. DIVIDENDS

During the interim period, a final dividend of HK\$0.25 per share in respect of the year ended 31 December 2019 (for the year ended 31 December 2018: HK\$0.20 per share) was declared. The aggregate amount of the final dividend declared in the interim period amounted to HK\$697,971,000, equivalent to RMB637,555,000 (for six month ended 30 June 2019: HK\$558,377,000, equivalent to RMB491,182,000).

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

(a) Earnings

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company, excluding distribution related to perpetual securities)	<u>650,115</u>	<u>682,719</u>

(b) Number of shares:

	Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,769,188,000</u>	<u>2,769,188,000</u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

8. INVESTMENT PROPERTIES

	Investment properties under development <i>RMB'000</i>	Completed investment properties <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020 (audited)	790,000	6,964,000	7,754,000
Additions	246,321	–	246,321
Disposal	–	(23,402)	(23,402)
Transfer from completed properties held for sale	–	190,098	190,098
Transfer from properties under development	2,247,027	–	2,247,027
Net increase (decrease) in fair value recognised in profit and loss	<u>361,652</u>	<u>(180,696)</u>	<u>180,956</u>
As at 30 June 2020 (unaudited)	<u><u>3,645,000</u></u>	<u><u>6,950,000</u></u>	<u><u>10,595,000</u></u>

The fair value of the Group's investment property as at 30 June 2020 and 31 December 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefield ("C&W"), independent valuers not related to the Group. C&W has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

During the six months ended 30 June 2020, certain properties under development and completed properties held for sale with carrying amount of RMB2,437,125,000 (the six months ended 30 June 2019: RMB256,013,000) were transferred to investment properties upon the change in use of the properties. At the date of transfer, the loss on revaluation of properties transferred from properties under development and completed properties held for sale to investment properties amounting to RMB9,338,000 (the six months ended 30 June 2019: RMB143,271,000) were recognised in the profit or loss.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the respective properties.

For investment properties under construction or development, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for its differences in locations and other factors specific to the respective properties based on the valuer's judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuer based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

There has been no change to the valuation technique during the interim period.

As at 30 June 2020, investment properties with a total carry value of RMB600,000,000 (31 December 2019: RMB580,000,000) were pledged as collateral for the Group's borrowings.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	189,047	369,304
Less: allowance for credit losses	<u>(19,438)</u>	<u>(28,500)</u>
Trade receivables, net off allowance for credit losses	169,609	340,804
Other receivables	16,113,193	15,651,037
Less: allowance for credit losses	<u>(289,486)</u>	<u>(268,119)</u>
Other receivables, net off allowance for credit losses	15,823,707	15,382,918
Advance payments	1,118,750	1,449,279
Advance deposits for right-of-use assets for sale	5,072,257	4,308,034
Other tax prepayments	<u>2,074,572</u>	<u>1,542,384</u>
Total	<u>24,258,895</u>	<u>23,023,419</u>

In general, the Group provides no credit term to its customers. The aged analysis of trade receivables is stated as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
0-90 days	61,389	231,459
91-180 days	4,437	4,590
181-365 days	72,572	57,286
Over 365 days	<u>31,211</u>	<u>47,469</u>
	<u>169,609</u>	<u>340,804</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	14,029,942	13,167,379
Payable on purchase of land use rights	419,402	620,555
Other taxes payable	320,317	188,983
Interest payable	103,961	105,070
Dividends payable	637,801	245
Other payables and accrued expenses	18,348,477	19,276,810
	<u>33,859,900</u>	<u>33,359,042</u>

The aging analysis of trade payables due to related parties and the third parties presented based on the invoice date:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 90 days	6,936,842	6,316,223
Over 90 days and within 180 days	3,424,798	5,103,789
Over 180 days and within 365 days	2,635,334	365,749
Over 365 days	1,032,968	1,381,618
	<u>14,029,942</u>	<u>13,167,379</u>

11. BONDS

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
A Bond	–	1,393,481
B Bond	2,120,317	2,087,795
	<u>2,120,317</u>	<u>3,481,276</u>
Less: Amount due within one year shown under current liabilities	–	(1,393,481)
Amount due after one year shown under non-current liabilities	<u>2,120,317</u>	<u>2,087,795</u>

On 17 December 2018, the Company issued 9.875% bonds due 2020 (the “A Bond”) with an aggregated nominal value of USD200,000,000 at a value equal to 100% of the face value. The A Bond was listed on the Hong Kong Stock Exchange. The A Bond carries interest at the rate of 9.875% per annum, payable semiannually on 26 December and 25 June in arrears and matured and repaid during the period.

On 17 July 2019, the Company issued 6.00% bonds due 2021 (the “**B Bond**”) with an aggregated nominal value of USD300,000,000 at a value equal to 100% of the face value. The B Bond is listed on the Hong Kong Stock Exchange. The B Bond carries interest at the rate of 6.00% per annum, payable semiannually on 17 January and 17 July in arrears and will mature on 17 July 2021, unless redeemed earlier. The net proceeds after deducting the direct issuance costs, amounted to USD299,070,000 (equivalent to RMB2,058,409,000).

The A Bond had an embedded issuer’s redemption option, the Company may, by giving not less than 15 nor more than 30 days’ notice to the trustee in writing and to the bondholders, redeem the bond, in whole or in part, at a redemption price equal to 100 percent of their principal amount, together with accrued and unpaid interest.

The B Bond has an embedded issuer’s redemption option, the Company may, by giving not less than 15 nor more than 30 days’ notice to the trustee in writing and to the bondholders, redeem the bond, in whole or in part, at a redemption price equal to 100 percent of their principal amount, together with accrued and unpaid interest.

The directors consider the fair value of the issuer’s redemption options of the B Bond is immaterial to the Group as at 30 June 2020.

12. PERPETUAL SECURITIES

On 27 July 2016 (the “**Issue Date**”), the Group issued USD denominated senior perpetual capital securities (“**Perpetual Securities**”) with an aggregate principal amount of USD120,000,000. The Perpetual Securities confer the holders a right to receive distributions at the applicable distribution rate from the Issue Date semi-annually in arrears in USD.

The principal terms of the Perpetual Securities are disclosed in the Group’s 2016 consolidated financial statements.

As the Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group’s discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

Distribution of USD3,375,000 (equivalent to RMB23,272,000) has been provided and paid by the Company for the current interim period.

BUSINESS REVIEW

Results

In the first half of 2020, the novel coronavirus (“**COVID-19**”) pandemic raged around the world, which caused the global economy to struggle to restart. China’s economy has also been affected without exception and gross domestic product (“**GDP**”) of China fell by 1.6% year-on-year in the first half of this year, so the enterprises in China experienced unprecedented challenges in terms of development. The central government has repeatedly emphasized the need to intensify counter-cyclical adjustments, maintain reasonable and abundant liquidity and develop prudent and positive monetary policies that are more flexible and appropriate to create a relatively loose financing environment for the industry. Regarding the regulation and control of the real estate industry, the central government adhered to the positioning of “no speculation on residential properties” and implemented measures to “stabilize land prices, stabilize housing prices and stabilize expectations”. In the first half of 2020, as a result of the national control policies on the real estate sector issued by the central government and the improvement of China’s pandemic prevention and control measures since the second quarter, the real estate market as a whole returned to stability in the first half of the year.

As the domestic pandemic is gradually under effective control, China’s economy has been gradually recovering, and the real estate market will also benefit. The decreases in both finance costs for real estate companies and the housing purchase costs for residents are conducive to the recovery and development of the real estate market.

In the market that was subject to volatility due to the pandemic in the first half of 2020, the Group resolutely adopted effective measures and strategies to turn cash into land resources in time. Since the beginning of this year and up to the date of this announcement, the Group acquired a total of 13 land parcels, mainly located in the Yangtze River Delta and Yunnan Province, with a total GFA of approximately 2.53 million sq.m. further providing the sufficient support for sales resources in the second half of the year. In the period when the pandemic situation was temporarily alleviating, the Group resumed work and construction as soon as possible and made every effort to ensure the sufficient supply to sales resources on time to seize the time window to realize the hot sales of some projects such as those in Wuxi, Nantong and Yangzhou.

For the six months ended 30 June 2020 (the “**period under review**”), the total contracted sales of the Group amounted to approximately RMB13,272 million and the contracted total gross floor area (“**GFA**”) sold was 1,113,464 sq.m.. The Group recorded total revenue of approximately RMB6,400 million, an increase of approximately 10% from the same period last year. Core net profit for the period was approximately RMB646 million, representing a year-on-year increase of approximately 24%. The balance of cash and cash equivalents (including restricted cash) remained stable at over RMB10 billion. The Board has resolved not to declare any dividends for the six months ended 30 June 2020.

During the period under review, the total GFA sold and delivered amounted to 457,992 sq.m., and the average selling price was approximately RMB13,212 per sq.m.. Revenue derived from property sales was approximately RMB6,129 million, representing an increase of approximately 12% from approximately RMB5,457 million during the same period last year. The key projects completed and delivered in the first half of 2020 are as follows:

Project	City	Approximate GFA sold and delivered in 1H2020 <i>sq.m.</i>	Approximate sales recognized in 1H2020 <i>RMB'000</i>	Average selling price <i>RMB/sq.m.</i>
Greenland Sky Tree	Wuxi	62,178	1,358,487	21,848
Greenland Jiangnan Huafu	Suzhou	94,201	1,214,280	12,890
Greenland Central Plaza	Nanning	41,727	653,928	15,672
Haikou Greenland City	Haikou	62,102	528,571	8,511
Greenland Lakeside Villa	Xuzhou	47,547	446,503	9,391
Greenland Central Plaza	Jiaxing	31,585	394,370	12,486
Greenland Mountain Time	Foshan	18,258	335,185	18,358
Greenland Xiang Shu Hua Cheng	Kunming	32,596	268,184	8,228
Greenland Dongmeng International Town	Nanning	23,859	242,718	10,173
Greenland Central Culture Center	Haikou	16,128	238,473	14,786
Wuxiang Greenland Center	Nanning	8,831	87,356	9,892
Greenland Xi Shui Dong	Wuxi	2,783	81,608	29,324
Greenland Suzhou ONE	Suzhou	4,939	79,101	16,016
Greenland Shanding Park	Taiyuan	4,169	49,169	11,794
Greenland Bihu International	Ningbo	1,385	17,160	12,390
Greenland Yunduhui Square	Kunming	2,091	16,352	7,820
Greenland Taiping Lake Resort	Huangshan	1,996	14,786	7,408
Greenland Hai Chang Liu	Haikou	766	13,480	17,598
Others		851	11,360	13,349
Sub-total		457,992	6,051,071	13,212
Greenland Central Plaza	Nanning		23,721	
Greenland International Huadu	Nanning		9,876	
Greenland Xiang Shu Hua Cheng	Kunming		9,239	
Greenland Cifi City	Hangzhou		7,646	
Greenland Jiangnan Huafu	Suzhou		7,243	
Greenland Xi Shui Dong	Wuxi		7,179	
Greenland The Florea	Haikou		5,747	
Haikou Greenland City	Haikou		5,124	
Others			2,031	
Sub-total			77,806	
Total property sales			6,128,877	

Contracted Sales

Leveraging the strong brand influence, abundant resources, well-established system and advanced management practices, the Group actively developed high-quality projects, focused our efforts on improvement of the product series, and achieved well-targeted pricing strategy and product positioning. Affected by the macro economic environment, for the first six months of 2020, the contracted sales of the Company amounted to approximately RMB13,272 million with the corresponding contracted GFA sold amounting to 1,113,464 sq.m..

During the period under review, contracted sales of the Group mainly derived from the projects located in the key areas such as Yangtze River Delta and Pan-Pearl River Delta, of which mainly included the projects in Jiangsu Province, Guangxi Zhuang Autonomous Region, Yunnan Province and Zhejiang Province, respectively accounted for approximately 51%, 17%, 17% and 13% of the contracted sales. The contracted average selling price during the period was approximately RMB11,920 per sq.m..

Strategic Cooperation

On 24 February 2020, Greenland Hong Kong and Agile concluded in-depth cooperation to jointly develop a project with a planned GFA of 275,000 sq.m. located in Jinchan Area of Xishan District, the central downtown of Kunming. The project is positioned as a high-quality residential and high-end commercial complex. Both parties will leverage their respective advantages and share resources to bring new impetus to Kunming's urban development.

On 17 March 2020, Greenland Hong Kong and the People's Government of Jinning District, Kunming City signed the Investment and Development Cooperation Agreement, reaching a cooperation consensus on the development of land in Jincheng Town, Jinning District, which marked the new achievement of the Group's major investments in Kunming. This signing officially unveiled the investment and development cooperation between the two parties, which means that Greenland Hong Kong has taken another leap forward in its comprehensive healthcare business in the surrounding area of Dianchi sub-district, Kunming, and will comprehensively accelerate the formation of the "Healthy Kunming". Since the state put forward the "Belt and Road" national development cooperation strategy in 2013, Yunnan has been a radiating center for South Asia and Southeast Asia, and Kunming, as its provincial capital, is a gateway city to the outside world and has been placed high hopes for the city's leaping development. Kunming is now moving southward in its main urban development. Located in the southwest of Kunming, Jinning enjoys the unique advantage of surrounding Dianchi to boast scarce historical and cultural resources. The Group intended to build a comprehensive healthcare project in Jinning district that would integrate healthcare, scientific innovation and cultural tourism. Once implemented, the project will speed up the construction pace of "Healthy Kunming" and improve Kunming's city level in all aspects.

On 19 June 2020, the Education and Training Base in Pudong district of Institute of Cultural and Creative Industry of Shanghai Jiao Tong University was inaugurated in the Greenland International Education Park of the Greenland Seaside City of the Group in Shanghai, which marked the formal cooperation between Institute of Cultural and Creative Industry of Shanghai Jiao Tong University and Greenland Hong Kong to jointly develop an industry chain cluster of education, cultural and creative industry and art. It will also help the Group to deepen and promote its “Real Estate +” strategy and focus on building a comprehensive industrial ecological chain for three major sectors of healthcare, cultural and business tourism and technology innovation.

Land Bank

In the first half of 2020, the Group seized the opportunity to strategically expand the land bank in core urban areas in the Yangtze River Delta and Yunnan Province through flexible and diverse land acquisition methods such as public bidding, strategic joint cooperation and mergers and acquisitions. Up to the date of this interim results announcement, the Group has acquired 13 land parcels with a total of GFA of approximately 2.53 million sq.m. in 7 cities. The major acquisitions are as follows.

In April 2020, the Group successfully won a bid for a land parcel in Fuyang District, Hangzhou City at a total consideration of approximately RMB2.14 billion. The project has a planned GFA of approximately 181,700 sq.m. at an average floor price of approximately RMB11,778 per sq.m.. The land is planned to be constructed as a complex project integrating office towers, commerce and residences, and will become a new landmark in the downtown of Fuyang in the future. In the same month, the Group entered into the agreement to form a joint venture to develop a land parcel located in Yancheng City, Jiangsu Province. The project has a GFA of approximately 318,000 sq.m. at an average floor price of approximately RMB2,856 per sq.m., mainly for residential and commercial purposes.

In May 2020, the Group successfully further acquired a land parcel in Yuhang District, Hangzhou City at a total consideration of approximately RMB1.313 billion. The project has a planned GFA of approximately 138,000 sq.m. at an average floor price of approximately RMB9,512 per sq.m.. Upon completion, the project will become an important urban mixed development integrating residences, commerce, shopping and catering, which will further enhance the living standards of Chongxian New Town and help speed up the development of the northern part of Hangzhou.

In June 2020, the Group won bids for plots of land in Dayu area, Kunming at a total consideration of approximately RMB801 million. The project has a planned GFA of approximately 209,200 sq.m. at an average floor price of approximately RMB3,829 per sq.m.. The project is located in the Dayu area of Kunming Dianchi National Tourism Resort surrounded by the convenient transportation facilities, close to natural landscape resources such as Dayu Park as well as the University Town area and many hospitals with complete living facilities. In the same month, the Group won a bid for a land parcel in Taihu New Town, Wujiang District, Suzhou city at a total consideration of approximately RMB1.402 billion. The project has a planned GFA of approximately 77,600 sq.m. at an average floor price of approximately RMB18,067 per sq.m.. Located in the core location, the project has the top education, commerce, entertainment and leisure and medical supporting resources of Taihu New Town. In the future, it will be built into a high-end residential project in the sector.

Details of the land bank acquired by the Group subsequent to the year end of 2019 are as follows:

Date of Acquisition	Location	Project type	Total Planned GFA (sq.m.)
February 2020	Kunming	Residential/commercial	216,200
February 2020	Kunming	Residential/commercial	275,000
March 2020	Nanning	Commercial/office/hotel	224,800
April 2020	Hangzhou	Residential/commercial/office	181,700
April 2020	Yancheng	Residential/commercial	318,000
May 2020	Hangzhou	Residential/commercial/hotel	138,000
May 2020	Kunming	Residential/commercial	202,200
June 2020	Kunming	Residential/commercial	209,200
June 2020	Suzhou	Residential/commercial	72,000
June 2020	Suzhou	Residential	77,600
July 2020	Changzhou	Residential	138,000
July 2020	Suzhou	Residential	270,700
July 2020	Wuxi	Residential	207,300
Total			<u>2,530,700</u>

Up to the date of this announcement, the Group held a land bank of approximately 22 million sq.m. mainly strategically located in the prime zones of core cities in the Yangtze River Delta and Pan-Pearl River Delta, which is sufficient to support its development in the next two to three years. The Group will continue to seek additional high-quality land projects with promising development potential.

Offshore Financing

In July 2020, the Group successfully obtained a three-year offshore syndicated loan in USD and HKD for refinancing purposes and withdrew an aggregate amount equivalent to approximately USD200 million. The interest rate is LIBOR+3% for US dollar part and HIBOR+3% for HK dollar part.

Outlook

In general, China's economy is recovering from the impact from the COVID-19 due to the effective control over the pandemic. It is expected that the national economy will improve quarter by quarter in the second half of the year, and the real estate control policies will still focus on stability. Among them, to curb the financialization and bubblization of the real estate industry, short-term financial supervision may become more targeted. With the COVID-19, coupled with the ongoing Sino-US trade war, the pressure on overall economic growth is still relatively high. In the second half of 2020, the Group will consistently focus on its real estate business to strive to achieve high-quality development, adhere to strategic and diverse land acquisition methods to seize land purchase opportunities to further explore and preserve

high-quality land parcels and penetrate the core cities in Yangtze River Delta and Pan-Pearl River Delta. Meanwhile, the Group will continue to improve the lean management, deeply promote the digital and technology-based management system of the Group, and build a big data platform, aiming to improve the technological management, enhance the overall competitiveness and market influence of the Group and lay a solid foundation for long-term business development.

FINANCIAL PERFORMANCE

Revenue

The total revenue of the Group for the first half of 2020 was approximately RMB6,400 million, representing an increase of approximately 10% compared with RMB5,802 million for the same period of 2019, mainly attributable to the increase of the revenue arising from the sales of properties.

Sales of properties, as the core business activity, generated revenue of approximately RMB6,129 million for the first half of 2020 (first half of 2019: approximately RMB5,457 million), accounting for approximately 96% of the total revenue and representing year-on-year increase of approximately 12%. The revenue of the Group from other segments included hotel operating income, income from property management and other services, and rental income from leased properties.

	1H2020 <i>RMB'000</i>	1H2019 <i>RMB'000</i>	Change <i>RMB'000</i>
Sales of properties and construction management service	6,128,877	5,457,194	671,683
Property management and other services	189,014	236,206	(47,192)
Rental income	48,504	34,516	13,988
Hotel and related services	33,904	73,673	(39,769)
Total	<u>6,400,299</u>	<u>5,801,589</u>	<u>598,710</u>

Cost of Sales

Cost of sales increased by approximately 15% from approximately RMB3,739 million for the first half of 2019 to approximately RMB4,309 million. The cost of sales mainly comprised land costs, construction costs, capitalized finance costs and sales tax.

Gross Profit and Margin

Gross profit for the period increased to approximately RMB2,091 million from approximately RMB2,063 million for the first half of 2019, mainly attributable to the increase in the revenue for the period under review, while the gross profit margin declined from approximately 36% to approximately 33% for the first half of 2020.

Other Income, Other Gains and Losses, and Other Operating Expenses

Other income, other gains and losses, and other operating expenses decreased from a loss of approximately RMB125 million in the first half of 2019 to approximately RMB76 million for the same period in 2020, which mainly consisted of the foreign exchange loss resulted from the devaluation of Renminbi during the period under review.

Operating Expenses

Due to the efficient management over expenditure control of the Group, administrative expenses and selling and marketing costs decreased to approximately RMB317 million and approximately RMB241 million, as compared with approximately RMB363 million and approximately RMB320 million for the same period of 2019, representing a year-on-year decrease of approximately 13% and approximately 25%, respectively.

Net Finance Costs

Net finance costs increased slightly from approximately RMB39 million in the first half of 2019 to approximately RMB42 million in the first half of 2020.

Gains on the Change in Fair Value of Investment Properties

The Group recorded fair value gains on investment properties of approximately RMB181 million, as compared with gains of approximately RMB509 million for the same period of 2019. The decrease was mainly due to the disposal of investment property in Shanghai.

Income Tax Expenses

Income tax increased from approximately RMB844 million in the first half of 2019 by approximately 15% to approximately RMB973 million for the same period of 2020, mainly attributable to more enterprise income tax and land appreciation tax provision for the properties delivered for the period due to increase in sales of properties.

Profit for the Period and That Attributable to Owners of the Company

Profit for the period and that attributable to owners of the Company decreased to approximately RMB697 million and approximately RMB650 million, respectively, representing a year-on-year decrease of approximately 21% and 8%, as compared with approximately RMB880 million and approximately RMB706 million for the same period of 2019, mainly due to the decrease in the net gain arising from the changes in fair value of investment properties.

Financial Position

As at 30 June 2020, the Group's total equity was approximately RMB16,862 million (31 December 2019: RMB16,591 million), total assets amounted to approximately RMB108,575 million (31 December 2019: RMB99,270 million) and total liabilities stood at approximately RMB91,713 million (31 December 2019: RMB82,679 million).

Liquidity and Financial Resources

The Group's business operations, bank loans and cash proceeds raised have been the primary source of liquidity of the Group, which have been applied in business operations and investment in development projects.

As at 30 June 2020, net gearing ratio (total borrowings less cash and cash equivalents (including restricted cash) divided by total equity) was approximately 38% (31 December 2019: approximately 18%) and total cash and cash equivalents (including restricted cash) amounted to approximately RMB10,333 million, with total borrowings of approximately RMB16,750 million and an equity base of approximately RMB16,862 million.

Treasury Policy

The business transactions of the Group were mainly denominated in RMB. Apart from fund raising transactions in the capital market, there is limited exposure to foreign exchange risk.

The Group has established a treasury policy with the objective of enhancing the control over treasury functions and lowering the costs of funds. In providing funds to its operations, funding terms have been centrally reviewed and monitored at group level.

To minimize the interest risk, the Group continued to closely monitor and manage its loan portfolio by its existing agreements' interest margin spread with market interest rates and offers from the banks.

Credit Policy

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

Pledge of Assets

As at 30 June 2020, the Group pledged properties, land use rights and time deposits with a carrying value of approximately RMB25 billion to secure bank facilities, and the total secured loan balance outstanding amounted to approximately RMB13 billion.

Financial Guarantees

As at 30 June 2020, the Group provided guarantees to banks for:

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mortgage	<u>15,661,450</u>	<u>13,361,488</u>

Capital Commitment

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property development business:		
– Contracted, but not provided for	<u>16,953,329</u>	<u>11,821,276</u>

Human Resources

As at 30 June 2020, the Group employed a total of 4,300 employees (31 December 2019: 4,275), among which 2,171 employees worked for the property development business. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to staff with an outstanding performance to attract and retain talent. The Group also provides various training programs to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The board of directors (the “**Board**”) of the Company has resolved not to pay any interim dividend for the six months ended 30 June 2020.

MATERIAL CHANGES

Save as disclosed in this announcement, there have been no material changes in respect of matters relating to the business developments, future prospects, or the financial position of, and important events affecting, the Group since the publication of the Company’s 2019 Annual Report.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, the Company had complied with the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited, except for code provisions A.2.1, A.4.2, A.5.1 and E.1.2 as described below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 January 2020 to 30 June 2020, Mr. CHEN Jun had undertaken the role of both chairman of the Board and chief executive officer of the Company. The Company considers that the combination of the roles is conducive to the efficient formulation and implementation of the Group's strategies and policies and such combination has not impaired the corporate governance practices of the Group. The balance of power and authority is ensured by the management of the Company's affairs by the Board which meets regularly to discuss and determine issues concerning the operations of the Group.

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Pursuant to the Company's articles of association, any person appointed as a director by the Board shall stand for re-election at the next following annual general meeting of the Company. Such arrangement is considered appropriate in light of the requirement of paragraph 4(2) of Appendix 3 to the Listing Rules which requires that any person appointed by the directors to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Code provision A.5.1 stipulates that listed companies should establish a nomination committee which comprises a majority of independent non-executive directors. Following Mr. CHEONG Ying Chew, Henry's resignation on 31 December 2019, the Nomination Committee comprised two Independent Non-executive Directors and two Executive Directors, and thus did not comprise a majority of independent non-executive directors. Since 13 March 2020, Dr. LAM, Lee G. has been appointed as an Independent Non-executive Director and a Member of the Nomination Committee, whereupon the Nomination Committee has comprised a majority of independent non-executive directors and has met the requirement set out by code provision A.5.1.

Code provision E.1.2 stipulates that the chairman of the Board should attend the AGMs. The chairman of the Board did not attend the AGM held on 30 June 2020 due to other business commitments.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020. In connection with such review, the Audit Committee has discussed with the management and the Company's external auditors on the accounting principles and policies adopted for the preparation of the said interim results.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the Company's website at www.greenlandhk.com. The 2020 interim report will be available on the HKEXnews website and the Company's website and despatched to Shareholders on or before 30 September 2020.

By Order of the Board
Greenland Hong Kong Holdings Limited
Chen Jun
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chen Jun, Mr. Wang Weixian, Mr. Hou Guangjun, Mr. Wu Zhengkui and Ms. Wang Xuling; and the independent non-executive Directors are Mr. Fong Wo, Felix, JP, Mr. Kwan Kai Cheong, and Dr. Lam, Lee G..