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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)

2023 INTERIM RESULTS ANNOUNCEMENT

The board of directors of Greenland Hong Kong Holdings Limited (the “**Company**” or “**Greenland HK**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**1H2023**”) together with the comparative figures for the six months ended 30 June 2022 (the “**1H2022**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>NOTES</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3A	8,232,782	5,023,101
Cost of sales		(6,649,180)	(4,093,515)
Gross profit		1,583,602	929,586
Other income		11,059	17,785
Other gains and losses		(80,383)	87,348
Selling and marketing expenses		(296,105)	(320,543)
Administrative expenses		(206,763)	(268,602)
Other operating expenses		(112,690)	(55,561)
Impairment loss under expected credit loss model, net of reversal		6,981	41,384
Loss on the change in fair value of investment properties	8	(389,148)	(14,281)
Gain on disposal of interests in subsidiaries		4,180	–
Finance income		13,997	30,730
Finance costs	4	(71,321)	(98,573)
Share of results of associates		(5,219)	(2,011)
Share of results of joint ventures		(3,457)	37,358
Profit before tax		454,733	384,620
Income tax expense	5	(421,235)	(373,088)
Profit for the period		33,498	11,532

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – CONTINUED

	<i>NOTE</i>	Six months ended 30 June	
		2023	2022
		<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		<u>1,270</u>	<u>116,388</u>
Other comprehensive income for the period, net of income tax		<u>953</u>	<u>87,291</u>
Total comprehensive income for the period		<u>34,451</u>	<u>98,823</u>
Profit (loss) for the period attributable to:			
Owners of the Company		81,910	105,864
Non-controlling interests		(90,860)	(134,050)
Owners of perpetual securities		<u>42,448</u>	<u>39,718</u>
		<u>33,498</u>	<u>11,532</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		82,863	193,155
Non-controlling interests		(90,860)	(134,050)
Owners of perpetual securities		<u>42,448</u>	<u>39,718</u>
		<u>34,451</u>	<u>98,823</u>
Earnings per share:			
		Six months ended 30 June	
		2023	2022
		<i>RMB</i>	<i>RMB</i>
Basic	7	<u>0.03</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	<i>NOTES</i>	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Investment properties	8	10,387,000	11,181,000
Property, plant and equipment		2,528,718	1,923,482
Intangible assets		1,049	1,071
Right-of-use assets		45,381	252,503
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		472,995	471,725
Interests in associates		1,739,457	1,742,927
Interests in joint ventures		4,093,413	4,096,869
Deferred tax assets		1,781,067	1,797,955
Total non-current assets		21,049,080	21,467,532
CURRENT ASSETS			
Properties under development		74,422,837	76,575,661
Completed properties held for sale		18,243,722	18,634,696
Trade and other receivables, deposits and prepayments	9	24,153,763	24,885,472
Prepaid taxation		2,118,403	2,356,468
Contract assets		313,894	335,496
Contract costs		346,132	351,653
Restricted bank deposits		1,879,369	1,540,461
Bank balances and cash		1,739,814	3,011,771
		123,217,934	127,691,678
Assets classified as held for sale		–	491,307
Total current assets		123,217,934	128,182,985
Total assets		144,267,014	149,650,517
EQUITY			
Share capital		1,132,097	1,132,097
Reserves		12,952,810	12,869,947
Equity attributable to owners of the Company		14,084,907	14,002,044
Perpetual securities	11	806,125	805,090
Non-controlling interests		7,586,612	8,405,253
Total equity		22,477,644	23,212,387

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023 – CONTINUED

	<i>NOTES</i>	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,388,359	1,519,546
Interest-bearing loans		4,354,224	5,406,771
Lease liabilities		208,113	423,675
Total non-current liabilities		5,950,696	7,349,992
CURRENT LIABILITIES			
Trade and other payables	<i>10</i>	55,650,446	56,103,729
Tax payable		7,808,952	7,336,480
Interest-bearing loans		10,677,372	10,315,099
Lease liabilities		69,473	119,951
Contract liabilities		41,632,431	44,798,581
		115,838,674	118,673,840
Liabilities associated with assets classified as held for sale		–	414,298
Total current liabilities		115,838,674	119,088,138
Total liabilities		121,789,370	126,438,130
Total equity and liabilities		144,267,014	149,650,517
Net current assets		7,379,260	9,094,847
Total assets less current liabilities		28,428,340	30,562,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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.

Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules

The application of the new and amendments to IFRSs in the current interim 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.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2023 (unaudited)		
	Revenue recognised at a point in time <i>RMB'000</i>	Revenue recognised over time <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sales of properties	7,790,022	–	7,790,022
Hotel and related services	–	20,631	20,631
Property management and other services	–	323,935	323,935
Revenue from contracts with customers	7,790,022	344,566	8,134,588
Leases – rental income			98,194
Total revenue			8,232,782
	Six months ended 30 June 2022 (unaudited)		
	Revenue recognised at a point in time <i>RMB'000</i>	Revenue recognised over time <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sales of properties	4,650,178	–	4,650,178
Hotel and related services	–	31,310	31,310
Property management and other services	–	243,682	243,682
Revenue from contracts with customers	4,650,178	274,992	4,925,170
Leases – rental income			97,931
Total revenue			5,023,101

3B. OPERATING SEGMENTS

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

Six months ended 30 June 2023 (unaudited)

	Sales of properties <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>
SEGMENT REVENUE					
External sales	7,790,022	98,194	20,631	323,935	8,232,782
Inter-segment sales	–	–	–	567,916	567,916
	<u>7,790,022</u>	<u>98,194</u>	<u>20,631</u>	<u>891,851</u>	<u>8,800,698</u>
Segment profit (loss)	<u>300,260</u>	<u>(262,214)</u>	<u>(10,283)</u>	<u>14,411</u>	<u>42,174</u>
Share of results of associates					(5,219)
Share of results of joint ventures					<u>(3,457)</u>
Profit for the period					<u>33,498</u>

Six months ended 30 June 2022 (unaudited)

	Sales of properties <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>
SEGMENT REVENUE					
External sales	4,650,178	97,931	31,310	243,682	5,023,101
Inter-segment sales	–	–	–	1,124,768	1,124,768
	<u>4,650,178</u>	<u>97,931</u>	<u>31,310</u>	<u>1,368,450</u>	<u>6,147,869</u>
Segment (loss) profit	<u>(215,332)</u>	<u>50,822</u>	<u>169,077</u>	<u>(28,382)</u>	<u>(23,815)</u>
Share of results of associates					(2,011)
Share of results of joint ventures					<u>37,358</u>
Profit for the period					<u>11,532</u>

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Segment assets		
Sales of properties	155,624,911	160,263,346
Lease of properties	10,387,000	11,181,000
Hotel and related services	2,076,253	1,691,317
Property management and other services	9,606,970	9,190,012
	177,695,134	182,325,675
Elimination of inter-segment receivables	(39,260,991)	(38,514,954)
Interests in associates	1,739,458	1,742,927
Interests in joint ventures	4,093,413	4,096,869
Total reportable segment assets	144,267,014	149,650,517
Segment liabilities		
Sales of properties	148,489,340	152,820,217
Lease of properties	5,505,376	5,926,216
Hotel and related services	1,649,407	1,254,187
Property management and other services	5,406,238	4,952,464
	161,050,361	164,953,084
Elimination of inter-segment payables	(39,260,991)	(38,514,954)
Total reportable segment liabilities	121,789,370	126,438,130

4. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expenses on bonds	–	42,940
Interest expenses on interest-bearing loans	406,843	519,986
Interest expenses on lease liabilities	8,416	18,164
Interest expenses on contract liabilities	250,399	383,392
Less: interest of bonds capitalised	–	(30,144)
interest of interest-bearing loans capitalised	(343,938)	(452,373)
interest of contract liabilities capitalised	(250,399)	(383,392)
	<u>71,321</u>	<u>98,573</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax:		
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	327,852	229,142
PRC Land Appreciation Tax ("LAT")	208,016	91,525
	<u>535,868</u>	<u>320,667</u>
Deferred tax	(114,633)	52,421
	<u>421,235</u>	<u>373,088</u>

No provision for Hong Kong Profits Tax has been made as the Group's income is neither arises in, nor is derived from Hong Kong for both periods.

EIT

Under the law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the Group's main operating companies in the PRC are subject to PRC EIT at a rate of 25% for both periods.

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 Enterprise Income Tax 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.

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	81,910	105,864
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,769,188	2,769,188

8. INVESTMENT PROPERTIES

	Investment properties under development RMB'000	Completed investment properties RMB'000	Total RMB'000
At 1 January 2023 (audited)	3,150,000	8,031,000	11,181,000
Additions	300,205	–	300,205
Transfer	(3,450,205)	3,450,205	–
Disposals	–	(705,057)	(705,057)
Net decrease in fair value recognised in profit or loss	–	(389,148)	(389,148)
At 30 June 2023 (unaudited)	–	10,387,000	10,387,000

The fair value of the Group's investment properties as at 30 June 2023 and 31 December 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefield ("C&W"), an independent qualified professional valuer not connected to the Group.

The management of the Company works closely with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs for fair value measurements.

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.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

As at 30 June 2023, no investment properties (31 December 2022: Nil) were pledged as collateral for the Group's borrowings.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables in respect of contracts with customers	389,798	420,275
Less: allowance for credit losses	(18,689)	(18,490)
	<hr/>	<hr/>
Trade receivables, net of allowance for credit losses	371,109	401,785
	<hr/>	<hr/>
Other receivables	19,952,960	20,781,013
Less: allowance for credit losses	(765,410)	(771,126)
	<hr/>	<hr/>
Other receivables, net of allowance for credit losses	19,187,550	20,009,887
	<hr/>	<hr/>
Advance payments	1,567,754	1,516,637
Advance deposits for acquisitions of land parcels for development	465,120	465,120
Other tax prepayments	2,562,230	2,492,043
	<hr/>	<hr/>
Total	24,153,763	24,885,472
	<hr/>	<hr/>

In general, the Group provides no credit term to its trade customers, but the Group provides credit terms to its major customers with specific approval. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0-90 days	120,964	141,556
91-180 days	8,744	5,084
181-365 days	17,412	25,415
Over 365 days	223,989	229,730
	371,109	401,785

10. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables	26,662,493	27,332,409
Non-trade payables due to related parties	7,482,386	7,250,866
Other taxes payable	1,693,768	1,787,413
Interest payable	145,204	198,776
Consideration payable due to Greenland Holdings Corporation Limited	953,759	953,759
Amount due to non-controlling shareholders	5,442,438	5,264,529
Other payables and accrued expenses	13,270,398	13,315,977
	55,650,446	56,103,729

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0-90 days	17,425,156	18,826,085
91-180 days	343,681	578,035
181-365 days	3,626,600	2,290,710
Over 365 days	5,267,056	5,637,579
	26,662,493	27,332,409

Trade and other payables are mainly unsecured, non-interest bearing and repayable on demand.

11. 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 payable semi-annually in arrears in USD.

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. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

As disclosed in the annual report for the year ended 31 December 2016, the rate of distribution applicable to the Perpetual Securities shall be:

- in respect of the period from, and including, the Issue Date to, but excluding the 5th anniversary from the Issue Date (the “**First Call Date**”), 5.625% per annum; and
- in respect of the periods (a) from, and including, the First Call Date to, but excluding, the immediately following reset date and (b) from, and including, each reset date falling after the First Call Date to, but excluding, the immediately following reset date, a rate of interest expressed as a percentage per annum equal to the sum of (1) 4.50 per cent, (2) treasury rate; and (3) 5.00 per cent. A reset date is defined as the First Call Date and each day falling on the expiry of every five calendar years after the First Call Date. The treasury rate refers to the prevailing rate that represents the average for the week immediately prior to the date on which the reset is calculated as published by the Board of Governors of the U.S. Federal Reserve.

The Group applied a 10.21% rate of distribution applicable to the Perpetual Securities for the current interim period.

Distribution of USD6,126,000 (equivalent to RMB41,413,000) (2022: USD6,126,000 (equivalent to RMB38,846,000)) has been provided and paid by the Company for the current interim period.

I. INDUSTRY REVIEW

In 2022, under the impact of multiple unfavorable external factors, the industry's sales scale contracted significantly, and the entire real estate industry of the PRC experienced unprecedented difficulties. However, in 2023, with the Chinese government fully lifting the pandemic prevention and control measures, the country emerged from the haze of the COVID-19 pandemic (“**COVID-19**”) that had lasted for several years, and with the support of multiple real estate policies, market confidence gradually recovered. China's GDP grew by 4.5% year-on-year in the first quarter of 2023, a significant year-on-year improvement, reflecting a significant rebound in China's economy subsequent to the COVID-19 pandemic. Coupled with the further implementation of real estate easing policies, this has restored homebuyers' confidence and led to the release of demand that had piled up during the pandemic, leading to boosted sales in the property market in the first quarter of the year.

According to the statistics released by the National Bureau of Statistics, from January to April this year, the national residential sales of commodity properties increased by 11.8% and the floor area sold increased by 2.7% year-on-year, registering positive growth rate for two consecutive months. However, with the return to normalized economic operation, the previously suppressed demand for residential dwellings was released in a rapid pace, leading to a rebound of the real estate market in the first quarter of the year, followed by a slowdown subsequently. The situation in May suggested that the real estate market was generally stable, whilst multiple factors contributed to the relatively sluggish pace in real estate development and construction, as seen in the slow recovery of the real estate market in the first half of the year.

On 10 July evening, the People's Bank of China and the State Administration of Financial Supervision released the “Notice Regarding the Time Extension of Financial Policies Aimed at Supporting the Stable and Healthy Development of the Real Estate Market”, extending the validity period of the policies under the “16-Point Plan”, which was launched in November last year, to 30 December 2024. Under the principle of city-specific policies, efforts made by local governments to moderately slacken restrictions on purchases and lendings, to step up support to home purchases with pension funds and to lower or waive levies on property transactions, contributed positively to fostering the soft landing of the real estate industry. In 2023, the government emphasized that the principle of “no speculation on residential properties” will remain unchanged, and “stabilizing land prices, house prices and expectations” will continue, aiming at healthy development of the real estate market based on city-specific policies.

II. BUSINESS REVIEW

Results

During the period under review, the Group capitalized on the opportunities presented by market recovery and rebound and had a good start in its core property business. Under the vast adjustment of the industry and on the keynote of focusing on destocking and innovative sales and marketing, the Group pragmatically fostered loss reduction and efficiency enhancement in its projects and improved the level of refined management, with prudent financial management to strengthen risk control and foster high-quality corporate development.

For the six months ended 30 June 2023 (the “**period under review**”), the contracted sales of the Group amounted to approximately RMB8,970 million and the contracted gross floor area (“**GFA**”) sold was approximately 760,473 sq.m.. The Group recorded total revenue of approximately RMB8,233 million, representing an increase of approximately 64% as compared with the same period last year. Profit attributable to owners of the Company for the period was approximately RMB82 million, representing a year-on-year decrease of approximately 23%. Cash and cash equivalents, including restricted cash, amounted to approximately RMB3,619 million. The board of directors has resolved not to declare any dividend for the six months ended 30 June 2023.

During the period under review, the total GFA sold and delivered amounted to approximately 503,838 sq.m., representing an increase of approximately 24% as compared with the same period last year. Average selling price was approximately RMB15,408 per sq.m.. Revenue derived from property sales was approximately RMB7,790 million, representing an increase of approximately 68% from approximately RMB4,650 million during the same period last year. The main projects completed and delivered in the first half of 2023 are as follows:

	Approximate GFA sold and delivered in 1H2023 sq.m.	Approximate sales recognized in 1H2023 RMB'000	Average selling price RMB/sq.m.
Jiangsu	295,107	5,150,567	17,453
Guangdong	60,286	1,363,476	22,617
Yunnan	67,447	728,181	10,796
Guangxi	52,474	281,445	5,364
Zhejiang	21,650	143,213	6,615
Hainan	6,874	96,306	14,010
Sub-total	<u>503,838</u>	<u>7,763,188</u>	15,408
Car parking lot		<u>26,834</u>	
Total		<u>7,790,022</u>	

Contracted Sales

Benefiting from its strong brand advantages, abundant resources, well-established systems and leading management, the Group actively developed high-quality projects, focused on resources integration and achieved precise pricing strategies and project positioning. For the first six months of 2023, the contracted sales of the Group amounted to approximately RMB8,970 million, representing an increase of 9.62% from the same period last year, with the corresponding contracted GFA sold amounting to approximately 760,473 sq.m., representing a decrease of 7.43% from the same period last year.

During the period under review, the contracted sales of the Group were mainly derived from projects located in key regions including Jiangsu, Guangdong, Zhejiang and Guangxi, which accounted for approximately 35%, 34%, 17% and 10% of the total contracted sales respectively. Contracted average selling price for the period was approximately RMB11,795/sq.m..

Ongoing Enhancement of Delivery and Operating Capability

During the first half of the year, the Group continued to focus on the enhancement of its delivery and operating capability, in adherence to the central government's call for "guaranteeing property delivery, guaranteeing people's livelihood and guaranteeing stability", making full efforts in coordinating resources and expediting completion and delivery of its projects. In the first half of 2023, the projects delivered by Greenland HK won positive comments from the community and property owners in respect of its quality and so forth, and it fully played its role as a state-owned enterprise.

Greenland HK has made quality as its exclusive IP, creating its "Transparent House", in which the construction process, the protection of the finished products, materials used, inspection standards and so forth, which are not usually exposed publicly, are presented to the customers in the most realistic way, truly interpreting the meaning of "what you see is what you get". From pre-delivery to post-delivery, it forms a "1+2+4" delivery control system, showcasing craftsmanship and setting delivery standard, thereby boosting customers' confidence.

Meanwhile, the Group focused on solidifying the integration and promotion of new media platform, uplifting online advertising, reshaping its innovative business model, and creating value for customers. By means of the online interactions and functionalities to improve customer cohesion, the Group in turn channeled customers to our offline platform to improve its property sales.

The Group also focused on the comprehensive analysis of its inventories to foster the marketability adjustment of a batch of projects. That included the market launches of products packaged in the form of discounted offerings, as well as implementation of product positioning for a batch of existing projects. In addition, the Group attaches importance to promote product quality, with the further optimization and enhancement of display areas so that the quality of delivery can be showcased to customers well beforehand to boost customers' confidence in their purchases.

Regarding cost reduction and efficiency enhancement, the Group strove to take care of a number of factors in the construction, technology development and materials costs of its projects under construction. Construction practices and node formation have been streamlined. Catering to the acceptance criteria in different regions, the Group further optimized the costs incurred in different projects by means of optimization of drawing, materials and craftsmanship and so forth, which effectively contributed to cost reduction and efficiency enhancement.

Long-term Leasing Business

As the only overseas-listed company of Greenland Group, Greenland HK carried out its business of residential leasing with the operation of “Elite Home”, striving to build up a leading and innovative apartment leasing and life services platform in the PRC. With an innovative “Internet +x” business model, leveraging upon customer cohesion, and capitalizing on special value-added services, Greenland HK has formed four major business areas, namely “online group purchasing, offline new retailing, shared fitness, and elite home services”, forming core competitiveness such as big data empowerment and strong operation drive to support the steady development of its business, and has rapidly made its deployment in core cities in the Yangtze River Delta and the Pearl River Delta.

The Group has finely built up the “Elite Home” brand of long-term leasing apartments, striving to provide high-quality, cozy and trendy living space and socializing vibe for young people in cities. During the period under review, the Group has successfully signed contracts for the Nanjing project, to further solidify the strategic layout of the Elite Home in the Yangtze River Delta region. The Nanjing project is primely located in a high-tech industrial park area offering a total of more than 400 units, with numerous commercial facilities in the neighborhood that can cater to the various living needs of residents.

Going forward, the Elite Home brand will focus on first- and new first-tier cities, covering Shanghai, Beijing, Guangzhou, Shenzhen and so forth, striving to build up a leading and innovative apartment leasing and life services platform in the PRC, and build more benchmarking products of leasing communities, to support young people in uplifting livability.

Commercial Projects

On 29 April, Yiwu Greenland Epoch Gate officially commenced operation. As a large-scale commercial complex in Yangtze River Delta, the project occupies a GFA of approximately 230,000 sq.m., in the form of commercial space in an MALL+ pedestrian zone. Introducing 260+ brands, the project has fostered the high-quality commercial development of Greenland HK.

Land Bank

The Group prudently develops its land bank to solidify the foundation for sustainable development. Under the general environment of full deleveraging in the industry, the Group observed the market, and deepened the development in core urban areas in the Yangtze River Delta and the Greater Bay Area with the in-depth development of the “Two Wings and One Core” strategic layout. As at 30 June 2023, the Group held an abundant high-quality land bank of approximately 20.4 million sq.m..

Outlook

2023 marks the tenth anniversary of Greenland HK’s establishment, and is also a critical year for seizing opportunities and forging ahead. Whilst the current international economic environment remains complex and severe, the economy of the PRC is gradually recovering in the midst of numerous challenges, and the real estate industry is starting to see the launch of favorable policies. Faced with the opportunities and challenges brought by the external environment, the Group will continue to improve and optimize its corporate governance system, improve project coordination and operation and seize opportunities to continue pursuing its high-quality development.

Looking ahead to the full year of 2023, Greenland HK has clearly defined its work objectives and holistically planned for the direction and path of its work, including focusing on multi-channel cost reduction, multi-dimensional efficiency enhancement, high-quality delivery, high-quality operation and high-capacity organization. At the same time, the development direction for the next three years was also clarified, which will further deepen the transformation and upgrading, continue to improve the “old arenas” and actively open up the “new arenas”. Asset-light is one of the core strategies for Greenland to further deepen transformation and upgrading and holistically foster high-quality development under the new situation. Meanwhile, high-quality development and sound operation will remain the focus of the Group’s future strategic development.

Going forward, the Group will adopt the development policy of “respect and care for every bit of land” and “persist to be a creator of better lifestyle”, and undertake long-termism aspiration aiming at stable and sustainable development. While grasping the opportunity brought by market recovery and rebound, the Group will also focus on fostering the high-quality development of green construction, promoting energy conservation and emission reduction, and achieving low-carbon development. The Group will incorporate the notion of sustainable development in the whole cycle of project development, foster intelligent and IT-based management, empower the enterprise with technological strategies for sustainable development, and build premium and intelligent communities from the perspectives of lifestyle, ecosystem, green and artistic elements, thereby providing healthy, suitable, highly-efficient and high-quality construction. Meanwhile, the Group will foster humanistic and cultural substance in a people-centric manner. It will continue to innovate its corporate governance system, to foster compliance management, and to solidify core corporate values. It will continue to shoulder its corporate social responsibilities, to actively give back to the society and the industry, and to strive to become a premium asset operator and city service provider that contributes to the sustainable development of the industry, the city and the society. The Group will use its actual deeds to play the role of and discharge the responsibility of a state-owned enterprise.

III. FINANCIAL PERFORMANCE

Revenue

The revenue of the Group for 1H2023 was approximately RMB8,233 million, representing an increase of approximately 64% compared with approximately RMB5,023 million for the same period of 2022, mainly due to more properties sold and delivered.

Sales of properties, as the core business activity of the Group, generated revenue of approximately RMB7,790 million for 1H2023 (1H2022: approximately RMB4,650 million), accounting for approximately 95% of the total revenue and representing a year-on-year increase of approximately 68%. The revenue of the Group from other segments included hotel and related services, income from property management and other services, and rental income from rental properties.

	1H2023 <i>RMB'000</i>	1H2022 <i>RMB'000</i>	Change <i>RMB'000</i>
Sales of properties	7,790,022	4,650,178	3,139,844
Property management and other services	323,935	243,682	80,253
Hotel and related services	20,631	31,310	(10,679)
Rental income	98,194	97,931	263
Total	8,232,782	5,023,101	3,209,681

Cost of Sales

Cost of sales increased by approximately 62% to approximately RMB6,649 million from approximately RMB4,094 million for 1H2022. The cost of sales mainly comprised land costs, construction costs, capitalized finance costs and sales tax.

Gross Profit and Gross Profit Margin

Gross profit increased to approximately RMB1,584 million from approximately RMB930 million for 1H2022, mainly due to more properties delivered in 1H2023. The gross profit margin remained stable at 19%.

Other Income, Gains and Losses, and Other Operating Expenses

Other income, gains and losses, and other operating expenses decreased to a loss of approximately RMB182 million in 1H2023 from a gain of approximately RMB50 million in 1H2022, mainly attributable to the foreign exchange loss during the period under review.

Operating Expenses

Due to the effective management over expenditure control of the Group, administrative expenses and selling and marketing costs decreased to approximately RMB207 million and RMB296 million, respectively, representing a decrease of approximately 23% and 8% as compared with the same period last year. In 1H2022, they were approximately RMB269 million and RMB321 million respectively.

Finance Costs

Finance costs decreased from approximately RMB99 million in 1H2022 to approximately RMB71 million in 1H2023.

Fair Value Change of Investment Properties

The Group recorded fair value loss on investment properties of approximately RMB389 million, compared to a loss of approximately RMB14 million for the same period in 2022. The fair value loss was mainly due to the decrease of value of the projects in Kunming, Jiaxing, Nanning and Foshan.

Income Tax Expenses

Income tax increased by approximately 13% from approximately RMB373 million in 1H2022 to approximately RMB421 million for the same period of 2023, mainly due to the increase of the profit before tax.

Profit for the Period and Attributable to Owners of the Company

Profit for the period was approximately RMB33 million, representing a year-on-year increase of approximately 175%, as compared with approximately RMB12 million for the same period of 2022; Profit attributable to owners of the Company was approximately RMB82 million, representing a year-on-year decrease of approximately 23%, as compared with approximately RMB106 million for the same period of 2022.

Financial Position

As at 30 June 2023, the Group's total equity was approximately RMB22,478 million (31 December 2022: approximately RMB23,212 million), total assets amounted to approximately RMB144,267 million (31 December 2022: approximately RMB149,651 million) and total liabilities amounted to approximately RMB121,789 million (31 December 2022: approximately RMB126,438 million).

Liquidity and Financial Resources

The Group's business operations, bank borrowings 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 2023, net gearing ratio (total borrowings less cash and cash equivalents (including restricted cash) divided by total equity) was approximately 51% (31 December 2022: approximately 48%) and total cash and cash equivalents (including restricted cash) amounted to approximately RMB3,619 million, with total borrowings of approximately RMB15,032 million and an equity base of approximately RMB22,478 million.

Treasury Policy

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

The Group has borrowings denominated in United States dollars and Hong Kong dollars, while its operating income is mainly denominated in RMB. The Group will continue to monitor the trend of exchange rate of RMB to United States dollars, and adopt appropriate measures to hedge against the risk in foreign currency exchange.

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

In order to minimize its interest risk, the Group continued to closely monitor and manage its loan portfolio through interests stipulated in its existing agreements which varied according to market interest rates and offers from the banks.

Credit Policy

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

Pledge of Assets

As at 30 June 2023, the Group pledged its properties and land use rights with carrying amount of approximately RMB29,159 million to secure bank facilities, and the outstanding balance of the secured loan amounted to approximately RMB13,640 million.

Financial Guarantees

As at 30 June 2023, the Group provided guarantees to banks for:

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Mortgage	<u>21,982,260</u>	<u>25,598,816</u>

Capital Commitments

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Property development business: – Contracted but not provided for	<u>17,934,091</u>	<u>19,278,666</u>

Human Resources

As at 30 June 2023, the Group employed a total of 2,792 employees (30 June 2022: 3,250 employees), among which 1,337 employees worked for the property development business. The Group has adopted a performance-based rewarding system to motivate its employees. In addition to basic salary, year-end bonuses are offered to employees with outstanding performance, and a share award scheme has been adopted to attract and retain employees of high calibre. 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 declare any interim dividends for the six months ended 30 June 2023.

MATERIAL CHANGES

Save as disclosed in this announcement, there have been no material changes in respect of matters relating to the business developments, financial position and future prospects of, and important events affecting, the Group since the publication of the Company’s 2022 Annual Report.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, the Company had complied with the code provisions set out in Part 2 of the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited, except for code provisions C.2.1 and F.2.2 as described below.

Code provision C.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 2023 to 15 June 2023, 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 during the aforesaid period was conducive to the efficient formulation and implementation of the Group's strategies and policies and such combination had not impaired the corporate governance practices of the Group. The balance of power and authority have been 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 F.2.2 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 2023 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 during the six months ended 30 June 2023.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, no important events affecting the Group have occurred since the end of the six-month period ended 30 June 2023.

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Company for the six months ended 30 June 2023 were not audited but have been reviewed by the Audit Committee. In connection with such review, the Audit Committee has discussed with the management of the Company and the Company's external auditors on the accounting principles and policies adopted for the preparation of the said financial statements. Based on that review and discussions, the Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2023.

PUBLICATION OF 2023 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 2023 interim report will be available on the HKEXnews website and the Company's website and despatched to Shareholders on or before 30 September 2023.

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

Hong Kong, 30 August 2023

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, Ms. Wang Xuling and Dr. Li Wei; and the independent non-executive directors of the Company are Mr. Fong Wo, Felix, JP, Mr. Kwan Kai Cheong, and Dr. Lam, Lee G., JP.