

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GREENTOWN CHINA HOLDINGS LIMITED

綠城中國控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03900)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The board of directors (the “Board”) of Greentown China Holdings Limited (“Greentown” or the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 (the “Reporting Period” or the “Period”) prepared in accordance with International Financial Reporting Standards, together with comparative figures for the corresponding period in 2018. The interim results have been reviewed by the audit committee of the Company (the “Audit Committee”) and approved by the Board. The following financial information is extracted from the unaudited condensed consolidated financial statements as set out in the 2019 Interim Report to be published by the Group.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	18,658,115	33,533,600
Cost of sales		(12,689,609)	(27,455,337)
Gross profit		5,968,506	6,078,263
Other income	4	1,362,461	734,996
Other gains and losses	5	(57,081)	(136,797)
Selling expenses		(665,302)	(530,128)
Administrative expenses		(1,404,919)	(1,245,869)
Finance costs	6	(800,890)	(627,128)
Impairment losses under expected credit loss model, net of reversal		145,350	(67,233)
Impairment losses on non-financial assets, net of reversal		(44,706)	(14,970)
Gain on re-measurement of an associate and a joint venture to acquisition date fair value in business combination achieved in stages		43,487	590,752
Net gain on disposal of subsidiaries		42,371	490,551
Share of results of associates		504,926	292,556
Share of results of joint ventures		(7,623)	9,735
Profit before taxation		5,086,580	5,574,728
Taxation	7	(2,013,946)	(2,453,636)
Profit for the period		3,072,634	3,121,092

		Six months ended 30 June	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income item that will not be reclassified to profit or loss			
Fair value gain on equity instruments at fair value through other comprehensive income for the period (net of tax)		40,757	123,208
		<hr/>	<hr/>
Total comprehensive income for the period		3,113,391	3,244,300
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		2,057,571	2,334,963
Non-controlling interests		1,015,063	786,129
		<hr/>	<hr/>
		3,072,634	3,121,092
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owners of the Company		2,098,328	2,458,171
Non-controlling interests		1,015,063	786,129
		<hr/>	<hr/>
		3,113,391	3,244,300
		<hr/>	<hr/>
Earnings per share			
Basic	9	RMB0.67	RMB0.94
		<hr/>	<hr/>
Diluted		RMB0.67	RMB0.93
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Note</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	9,580,973	9,399,753
Right-of-use assets	1,050,079	–
Prepaid lease payment	–	896,967
Investment properties	4,104,960	4,066,128
Goodwill	769,241	769,241
Interests in associates	10,669,605	8,998,556
Interests in joint ventures	2,139,510	1,839,788
Equity instruments at fair value through other comprehensive income	1,303,648	1,275,682
Rental paid in advance	–	18,332
Deferred tax assets	2,521,541	2,363,550
Long-term receivables	956,423	–
Deposit for acquisition of an associate	–	2,718,000
	33,095,980	32,345,997
CURRENT ASSETS		
Properties for development	15,124,003	22,842,799
Properties under development	138,836,980	117,876,867
Completed properties for sale	8,944,687	10,972,736
Inventories	151,085	119,503
Trade and other receivables, deposits and prepayments	<i>10</i> 10,014,323	6,253,199
Contract assets	1,851,604	1,887,085
Contract costs	600,390	332,268
Amounts due from related parties	35,359,146	31,847,932
Prepaid income taxes	3,443,411	3,068,258
Prepaid other taxes	4,519,325	3,996,968
Pledged bank deposits	1,548,383	4,871,831
Bank balances and cash	46,684,035	43,347,301
	267,077,372	247,416,747

		As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade and other payables	11	33,246,014	29,285,142
Contract liabilities		77,391,415	66,266,875
Amounts due to related parties		21,610,705	26,728,482
Dividend payable		499,312	–
Income taxes payable		7,275,995	7,690,830
Other taxes payable		1,881,240	1,984,054
Lease liabilities		42,669	–
Bank and other borrowings		11,971,239	13,482,996
Corporate debt instruments		5,989,383	3,998,222
		<u>159,907,972</u>	<u>149,436,601</u>
NET CURRENT ASSETS		<u>107,169,400</u>	<u>97,980,146</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>140,265,380</u>	<u>130,326,143</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		46,216,357	36,158,356
Senior notes		3,384,553	3,355,113
Corporate debt instruments		17,400,614	22,868,377
Receipts under securitisation arrangements		1,596,828	1,595,196
Lease liabilities		87,895	–
Deferred tax liabilities		6,136,276	6,230,261
		<u>74,822,523</u>	<u>70,207,303</u>
		<u>65,442,857</u>	<u>60,118,840</u>
CAPITAL AND RESERVES			
Share capital		209,694	209,501
Reserves		27,657,407	27,364,909
Equity attributable to owners of the Company		<u>27,867,101</u>	<u>27,574,410</u>
Perpetual securities		18,571,566	15,408,315
Non-controlling interests		19,004,190	17,136,115
		<u>65,442,857</u>	<u>60,118,840</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 Standards 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 (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and 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 2019 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement Contracts
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16. IFRS 16 superseded IAS 17 Leases (“IAS 17”) and related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office buildings in the People's Republic of was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.4%.

	At 1 January 2019 <i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	222,828
Less: Recognition exemption – short-term leases	(38,385)
Eliminating the impact of value-added taxes	(16,735)
Lease liabilities discounted at relevant incremental borrowing rates	(18,411)
Lease liabilities as at 1 January 2019	<u>149,297</u>
Analysed as:	
Current	56,717
Non-current	<u>92,580</u>
	<u>149,297</u>

2. PRINCIPAL ACCOUNTING POLICIES (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets recognised upon application of IFRS 16	149,297
Reclassified from rental paid in advance	18,332
Reclassified from prepaid lease payments	896,967
Reclassified from trade and other receivables, deposits and prepayments	26,154
	<hr/>
Total	1,090,750
By class:	
Leasehold lands	923,121
Buildings	167,629
	<hr/>
	1,090,750

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

No impact of transition to IFRS 16 on retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current Assets			
Prepaid lease payments	896,967	(896,967)	–
Right-of-use assets	–	1,090,750	1,090,750
Rental paid in advance	18,332	(18,332)	–
Current Assets			
Trade and other receivables, deposits and prepayments	6,253,199	(26,154)	6,227,045
Current Liabilities			
Lease liabilities	–	56,717	56,717
Non-current liabilities			
Lease liabilities	–	92,580	92,580

3. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2019						
	Property sales <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Project management <i>RMB'000</i>	Design and decoration <i>RMB'000</i>	Sales of construction materials <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Recognised at a point in time	8,918,342	-	-	-	33,339	111,815	9,063,496
Recognised over time	6,971,025	393,480	989,551	1,157,621	-	-	9,511,677
Revenue from contracts with customers	15,889,367	393,480	989,551	1,157,621	33,339	111,815	18,575,173
	For the six months ended 30 June 2018						
	Property sales <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Project management <i>RMB'000</i>	Design and decoration <i>RMB'000</i>	Sales of construction materials <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Recognised at a point in time	27,732,640	-	-	-	24,685	83,015	27,840,340
Recognised over time	3,687,288	317,218	709,555	953,179	-	-	5,667,240
Revenue from contracts with customers	31,419,928	317,218	709,555	953,179	24,685	83,015	33,507,580

3. REVENUE AND SEGMENT INFORMATION (continued)

A. Disaggregation of revenue from contracts with customers (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June 2019					
	Property development <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Property investment <i>RMB'000</i>	Project management <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information						
External customers	15,889,367	393,480	82,942	989,551	1,302,775	18,658,115
Inter-segment	–	805	–	86,281	562,526	649,612
	<u>15,889,367</u>	<u>394,285</u>	<u>82,942</u>	<u>1,075,832</u>	<u>1,865,301</u>	<u>19,307,727</u>
Adjustment for property rental income	–	–	(82,942)	–	–	(82,942)
Eliminations	–	(805)	–	(86,281)	(562,526)	(649,612)
Revenue from contracts with customers	<u>15,889,367</u>	<u>393,480</u>	<u>–</u>	<u>989,551</u>	<u>1,302,775</u>	<u>18,575,173</u>
	For the six months ended 30 June 2018					
	Property development <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Property investment <i>RMB'000</i>	Project management <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information						
External customers	31,419,928	317,218	26,020	709,555	1,060,879	33,533,600
Inter-segment	–	271	–	3,674	648,848	652,793
	<u>31,419,928</u>	<u>317,489</u>	<u>26,020</u>	<u>713,229</u>	<u>1,709,727</u>	<u>34,186,393</u>
Adjustment for property rental income	–	–	(26,020)	–	–	(26,020)
Eliminations	–	(271)	–	(3,674)	(648,848)	(652,793)
Revenue from contracts with customers	<u>31,419,928</u>	<u>317,218</u>	<u>–</u>	<u>709,555</u>	<u>1,060,879</u>	<u>33,507,580</u>

3. REVENUE AND SEGMENT INFORMATION (continued)

B. Segment information

An analysis of the Group's revenue and results by reportable and operating segments for the period is as follows:

	Property development RMB'000	Hotel operations RMB'000	Property investment RMB'000	Project management RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
For the six months ended								
30 June 2019								
Revenue from contracts with customers	15,889,367	393,480	-	989,551	1,302,775	18,575,173	-	18,575,173
Rental income	-	-	82,942	-	-	82,942	-	82,942
Total external segment revenue	<u>15,889,367</u>	<u>393,480</u>	<u>82,942</u>	<u>989,551</u>	<u>1,302,775</u>	<u>18,658,115</u>	<u>-</u>	<u>18,658,115</u>
Inter-segment revenue	<u>-</u>	<u>805</u>	<u>-</u>	<u>86,281</u>	<u>562,526</u>	<u>649,612</u>	<u>(649,612)</u>	<u>-</u>
Total	<u>15,889,367</u>	<u>394,285</u>	<u>82,942</u>	<u>1,075,832</u>	<u>1,865,301</u>	<u>19,307,727</u>	<u>(649,612)</u>	<u>18,658,115</u>
Segment results	<u>2,856,835</u>	<u>43,926</u>	<u>45,417</u>	<u>220,910</u>	<u>23,602</u>	<u>3,190,690</u>	<u>-</u>	<u>3,190,690</u>
Unallocated administrative expenses								(65,846)
Unallocated other income								19,878
Unallocated finance costs								(11,739)
Unallocated taxation								(60,349)
Profit for the period								<u>3,072,634</u>
For the six months ended								
30 June 2018								
Revenue from contracts with customers	31,419,928	317,218	-	709,554	1,060,880	33,507,580	-	33,507,580
Rental income	-	-	26,020	-	-	26,020	-	26,020
Total external segment revenue	<u>31,419,928</u>	<u>317,218</u>	<u>26,020</u>	<u>709,554</u>	<u>1,060,880</u>	<u>33,533,600</u>	<u>-</u>	<u>33,533,600</u>
Inter-segment revenue	<u>-</u>	<u>271</u>	<u>-</u>	<u>3,674</u>	<u>648,848</u>	<u>652,793</u>	<u>(652,793)</u>	<u>-</u>
Total	<u>31,419,928</u>	<u>317,489</u>	<u>26,020</u>	<u>713,228</u>	<u>1,709,728</u>	<u>34,186,393</u>	<u>(652,793)</u>	<u>33,533,600</u>
Segment results	<u>3,084,459</u>	<u>51,119</u>	<u>19,257</u>	<u>162,457</u>	<u>2,219</u>	<u>3,319,511</u>	<u>(234)</u>	<u>3,319,277</u>
Unallocated administrative expenses								(91,517)
Unallocated other income								20,053
Unallocated finance costs								(22,113)
Unallocated taxation								(104,608)
Profit for the period								<u>3,121,092</u>

3. REVENUE AND SEGMENT INFORMATION (continued)

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

Segment assets

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Property development	275,276,930	256,113,218
Hotel operations	9,607,359	9,483,752
Property investment	4,274,943	4,189,650
Project management	2,348,670	2,057,916
Others	7,232,630	6,820,664
	<hr/>	<hr/>
Total segment assets	298,740,532	278,665,200
Unallocated	1,432,820	1,097,544
	<hr/>	<hr/>
Consolidated assets	300,173,352	279,762,744

Segment liabilities

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Property development	226,222,684	211,484,567
Hotel operations	294,251	292,476
Property investment	242,870	635,451
Project management	1,115,484	1,012,518
Others	5,531,951	5,387,529
	<hr/>	<hr/>
Total segment liabilities	233,407,240	218,812,541
Unallocated	1,323,255	831,363
	<hr/>	<hr/>
Consolidated liabilities	234,730,495	219,643,904

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income	742,855	612,088
Comprehensive service income	6,088	6,856
Dividends from equity instruments at fair value through other comprehensive income	17,740	38,793
Default penalty income	460,651	–
Others	135,127	77,259
	<u>1,362,461</u>	<u>734,996</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange losses	(59,738)	(155,201)
Gain on acquisition of associates	1,915	–
Gain (loss) on disposal of associates	478	(1,521)
Gain on disposal of property, plant and equipment	264	19,925
	<u>(57,081)</u>	<u>(136,797)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest on bank and other borrowings, senior notes, corporate debt instruments and receipts under securitisation arrangements	2,981,557	2,525,911
Interest on leases	4,272	–
Total borrowing costs	2,985,829	2,525,911
Less: Interest capitalised in properties under development and construction in progress	(2,184,939)	(1,898,783)
	<u>800,890</u>	<u>627,128</u>

7. TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	1,201,259	1,691,053
PRC Land Appreciation Tax ("LAT")	1,143,355	2,311,748
	<u>2,344,614</u>	<u>4,002,801</u>
Deferred tax:		
EIT	(52,684)	(472,478)
LAT	(277,984)	(1,076,687)
	<u>(330,668)</u>	<u>(1,549,165)</u>
	<u>2,013,946</u>	<u>2,453,636</u>

No provision for income tax has been made for the Company and its subsidiaries incorporated in Hong Kong as they have no assessable profits derived from Hong Kong.

PRC EIT is recognised based on management's best estimate of the annual income tax rate expected for the full financial year, which is 25% or 15%. Greentown Decoration Project Group Co., Ltd. is a new technology enterprise and the applicable income tax rate from year 2018 to 2020 is 15%.

In addition, the Law of the People's Republic of China on Enterprise Income Tax (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.

The Group recognised LAT based on management's best estimate and in accordance to the requirements set forth in the relevant PRC tax laws and regulations. For the six months ended 30 June 2019, the Group has estimated and made a provision for LAT in the amount of RMB1,143,355,000 (for the six months ended 30 June 2018: RMB2,311,748,000). The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

8. DIVIDENDS

During the interim period, a final dividend of RMB0.23 per ordinary share, or RMB499,312,000 in total, for the year ended 31 December 2018 (during the six month ended 30 June 2018: RMB0.20 per ordinary share, or RMB433,536,000 in total, for the year ended 31 December 2017) was declared by the Board and approved by the shareholders at the annual general meeting. The final dividend was subsequently paid on 29 July 2019.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period attributable to the owners of the Company	2,057,571	2,334,963
Distribution related to perpetual securities	(594,351)	(297,131)
	<u>1,463,220</u>	<u>2,037,832</u>
Earnings for the purpose of basic earnings per share	<u>1,463,220</u>	<u>2,037,832</u>
Earnings for the purpose of diluted earnings per share	<u>1,463,220</u>	<u>2,037,832</u>

Number of shares

	Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,168,636,944	2,167,473,494
Effect of dilutive potential ordinary shares:		
Share options	<u>1,027,563</u>	<u>28,925,214</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,169,664,507</u>	<u>2,196,398,708</u>

The computation of diluted earnings per share for the six months ended 30 June 2019 and 30 June 2018 does not assume the exercise of some of the share options because the exercise price of these share options was higher than the average market price for shares for the periods.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Trade receivables	1,005,423	979,502
Less: allowance for credit losses	<u>(86,643)</u>	<u>(101,266)</u>
Trade receivables, net of allowance for credit losses	918,780	878,236
Other receivables, net of allowance for credit losses	4,697,824	3,789,485
Refundable deposit for acquisition of an associate	2,718,000	–
Prepayments and deposits	1,531,719	1,425,478
Consideration receivables from disposal of subsidiaries	<u>148,000</u>	<u>160,000</u>
	<u>10,014,323</u>	<u>6,253,199</u>

The Group allows an average credit period of 90 days to trade customers. The aging analysis of trade receivables is stated as follows:

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Within 90 days	424,302	548,217
91–180 days	92,524	55,317
181–365 days	233,377	125,062
Over 365 days	<u>255,220</u>	<u>250,906</u>
Trade receivables	<u>1,005,423</u>	<u>979,502</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Trade payables	25,274,307	21,360,831
Other payables and accrued expenses	<u>7,971,707</u>	<u>7,924,311</u>
	<u>33,246,014</u>	<u>29,285,142</u>

Trade payables principally comprise amounts outstanding for trade purchases and contractor payments. The aging analysis of trade payables is stated as follows:

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Within 180 days	21,813,060	17,939,977
181–365 days	1,782,292	1,740,674
Over 365 days	<u>1,678,955</u>	<u>1,680,180</u>
Trade payables	<u>25,274,307</u>	<u>21,360,831</u>

MANAGEMENT DISCUSSION & ANALYSIS

Operational Review

During the first half of 2019, “steadiness” remained to be the first priority of the real estate market regulation with the implementation of stringent regulation and control policies for hot spot cities. The blazing sales of real estate have been cooled down, and the cumulative growth of both saleable area and sales amount eased. The industry showed the trends of tightening policies, structural differentiation and intensifying competition. In terms of capital, in order to prevent risks from financial market and maintain continuous and steady economic development, during the first half of the year, the real estate market has witnessed tightening financing channels, decrease of mortgage interest rate and the increasingly intense environment for fund-raising in the industry, and thus sales return has become the most important source of cash for real estate enterprises. In terms of the land market, under the strict financial supervision by the central government, the overall land transaction volume declined in the first half of 2019.

Facing the current overall environment, the Group adheres to a distinctive, sustainable and quality development model with the strategic vision of “integrated service provider for an ideal life” and holds “quality first while taking into account others” as its development principle to continuously enhance the core competitiveness of Greentown China. With strategic consistency, adequate preparation for the external market environment and the support of shareholders and relentless efforts of all employees, the operation efficiency and financial position of the Company during the first half of 2019 has steadily improved.

Results Overview

The Group generated revenue of RMB18,658 million for the Period, representing a decrease of 44.4% from RMB33,534 million in the corresponding period of 2018. The Group recorded a gross profit margin of 32.0% for the Period, representing a significant growth from 18.1% in the corresponding period of 2018. Net profit margin for the Period was 16.5%, which represented a significant increase from 9.3% in the corresponding period in 2018. Profit attributable to owners of the Group amounted to RMB2,058 million for the Period, representing a decrease of 11.9% from RMB2,335 million in the corresponding period in 2018, mainly due to (i) the profit attributable to owners from the disposal of subsidiaries by the Group decreased by RMB358 million as compared with the corresponding period in 2018; (ii) compared with the corresponding period in 2018, the Period saw a decline of RMB547 million in the Group’s gains from re-measurement of the fair value of associates and joint ventures as of the acquisition date upon business integration in stages.

After deducting the net post-tax effects of foreign exchange gains and losses, gains from acquisitions, provision and reversal of impairment losses on certain assets and fair value adjustments on certain assets, the core profit attributable to owners of the Group for the Period amounted to RMB2,430 million, representing a decrease of 22.9% from RMB3,150 million in the corresponding period of 2018, which was mainly due to the decline in revenue generated for the Period. Core profit attributable to owners generated by the Group accounted for 13.0% of revenue for the Period, which was a remarkable rise from 9.4% in the corresponding period of 2018.

Basic earnings per share amounted to RMB0.67 for the Period, representing a decrease of 28.7% from RMB0.94 per share for the corresponding period in 2018.

Presales

For the six months ended 30 June 2019, Greentown Group (including Greentown China Holdings Limited and its subsidiaries, together with its joint ventures and associates) recorded a total contracted sales area of approximately 4.03 million sqm, and a total contracted sales amount of approximately RMB74.3 billion.

In particular, Greentown Group recorded a total contracted sales area of approximately 1.97 million sqm and a total contracted sales amount of approximately RMB49.4 billion from its investment projects, of which approximately RMB26.7 billion was attributable to the Group, for the first half of 2019. As at 30 June 2019, the Group recorded a total subscription sales amount of approximately RMB1.5 billion from its investment projects, of which approximately RMB0.9 billion was attributable to the Group. The average selling price of investment projects reached approximately RMB25,031 per sqm (for the corresponding period of last year: RMB24,637 per sqm), remaining at a leading position in the industry. In addition, in the first half of 2019, Greentown Group recorded a total contracted sales area of approximately 2.06 million sqm and a total contracted sales amount of approximately RMB24.9 billion from the projects under project management business where Greentown Group delivered brand value and management expertise (non-investment projects, referred to as “projects under project management”).

In the first half of 2019, the Group’s sales volume remained stable with overall sell-through rate of 61%. The sell-through rate of newly launched projects reached 77%, and the cash collection ratio amounted to 88%, resulting in an accelerated cash inflow.

Land Bank

In the first half of 2019, the Group acquired a total of 19 new land parcels. The projects covered a total gross floor area (GFA) of approximately 3.22 million sqm. Transaction amount totaled approximately RMB25.2 billion, of which approximately RMB18.1 billion shall be paid by the Group. It is estimated that the total saleable amount will be approximately RMB62.6 billion, of which approximately RMB36.7 billion will be attributable to the Group. The average land cost of the new land parcels amounted to approximately RMB12,837 per sqm.

In respect of geographical distribution, most of these newly-added land parcels during the Period are mainly situated in first- and second-tier core cities such as Hangzhou, Ningbo, Hefei, Zhengzhou and Xi’an, the saleable amount of which accounts for approximately 88%. Meanwhile, as an area of strategic importance, the Yangtze River Delta accounts for 66.3% of the saleable value, which will help consolidate the performance and the status in the base camp and enhance its risk resistance capacity in the future.

Table of Newly-added Land Bank in the First Half of 2019

No.	Land/Project Name	Acquired by	Equity	Total Land Cost/ Acquisition Cost (RMB million)	Paid by Greentown (RMB million)	GFA (sqm)
1	Hangzhou Xiaoshan Shibei Xingyi Project	Auction	100%	1,970	1,970	116,234
2	Hangzhou Sanliting Project	Auction	51%	1,917	978	98,868
3	Hangzhou Jianqiao Project	Auction	50%	3,535	1,767	193,072
4	Hangzhou Arcadia Town Tianze Garden Block	Auction	100%	965	965	115,373
5	Hangzhou Longwu Tea Village	Auction	51%	261	133	34,271
6	Ningbo Mingyue Jiangnan	Auction	100%	2,691	2,691	214,115
7	Ningbo Phoenix Mansion	Auction	31.9%	2,340	746	171,867
8	Ningbo Jiangbei Shuangdong Road Project	Auction	51%	55	28	14,373
9	Anji Peach Garden Yizhuyuan Phase II Block	Auction	85%	54	46	8,858
10	Yiwu Orchid Residence	Auction	41.3%	1,929	797	187,516
11	Taizhou Tiantaishan Lotus Town Phase VI Block	Auction	100%	28	28	21,186
12	Taizhou Wenling Qiujiann Project	Acquisition	33%	401	401	150,051
13	Suzhou Block G2	Acquisition	35%	1,140	1,140	222,176
14	Wuxi Harvester Factory Block	Auction	100%	1,866	1,866	203,282
15	Dalian Jinshitan Port Wine Town Project	Acquisition	60%	310	310	154,715
16	Zhengzhou Mingyue Binhe	Auction	40.6%	1,423	578	215,377
17	Xi'an Guiyu Lanting	Acquisition	30.2%	442	442	746,619
18	Hefei Block BH-05	Auction	83.3%	3,491	2,908	313,799
19	The USA Seattle Project	Acquisition	70%	333	333	38,171
Total				25,151	18,127	3,219,923

As at 30 June 2019, Greentown Group had a total of 125 land reserve projects (including projects under and pending construction) with a total GFA of approximately 34.12 million sqm and an attributable GFA of approximately 20.41 million sqm; total saleable area amounted to approximately 23.49 million sqm, of which approximately 13.95 million sqm was attributable to the Group. The average GFA land cost was approximately RMB6,259 per sqm. Land reserves in first- and second-tier cities accounted for 72% of the total saleable value.

Sound Operation and Healthy Financial Condition

Maintained sound and improved operation. The overall operation of the Company remained healthy during the first half of the year. As at 30 June 2019, the net gearing ratio of the Group was 58.6% and the bank deposits and cash (including pledged bank deposits) amounted to RMB48,232 million, which was 2.69 times the balance of borrowings due within one year and sufficient to cover the debts when they fall due and safeguard the sound operation of the Company. The weighted average interest cost of the total borrowings for the first half of 2019 was 5.4%, which stayed on a par with that in 2018 and is at a healthier level than its peers.

Smooth financing channels. For the first half of 2019, the Group proactively studied the market environment and stepped up its effort in innovation by taking advantage of the policies to explore new financing channels, and continuously deepened its strategic cooperation with various financial institutions so as to optimize its financing structure, control the comprehensive financing costs and maintain sufficient funding.

For offshore financing, the Company captured the opportunity in January 2019 by issuing two tranches of three-year USD senior perpetual notes to the public efficiently in merely two weeks, namely the three-year USD400 million non-callable senior perpetual notes issued on 25 January at an initial distribution rate of 8.125% and the three-year USD100 million non-callable senior perpetual notes issued on 29 January at an initial distribution rate of 7.75%. Both tranches of perpetual notes met enthusiastic response from the market and investors during the bookbuilding period, hence the issue cost decreased gradually, which fully evidenced investors' confidence towards the overall development strategies and the sound operation of the Company in the long run, and further demonstrated the robust financing capabilities of Greentown in the overseas capital market.

For onshore financing, the Group made issuances including corporate bonds and perpetual medium-term notes in an aggregate amount of RMB10.645 billion with combined cost of 4.87% in the first half of the year, reflecting barrier-free channels, controllable costs and reasonable structure. Of which, the Group issued corporate bonds in an aggregate principal amount of RMB500 million with an interest rate of 3.98% per annum and issued perpetual medium-term notes of 4.6 billion with interest rates ranging from 5.59% to 5.6% per annum. Meanwhile, the Group actively explored new financing channels, liquidated inventory assets and innovatively promoted assets-holding financing and securitisation. During the first half of the year, the Group has successfully issued the hotel CMBS in the amount of RMB1.592 billion with an interest rate of 5.14% per annum, and successfully issued the supply chain ABS in the amount of RMB3.953 billion with interest rates ranging from 3.95% to 4.07% per annum.

Reformed System and Optimized Mechanism

The reform of mixed ownership has deepened. The Group further improved its corporate governance structure by establishing a clear structure of “Shareholder’s Meeting – Board of Directors – the Management”. Meanwhile, the chairman of the Board has the endorsement of and is in representation of the interests of the shareholders as a whole, further reflecting the fundamental attributes of a listed company.

Further refined organizational structure. In January 2019, the Group optimized the corporate structure by integrating the business units from 16 to 11, continuously optimizing and upgrading the management and control model. The Group simultaneously promoted the management system of 25 project groups to further facilitate business integration, thus the per capita efficiency improved by 11.5% and the control over staff and expenses (“double control”) achieved significant progress during the first half of 2019. In the meantime, in addition to the original seven functional divisions at the Group level, four divisions, namely featured real estate, town development, finance and commerce management divisions were newly established to coordinate resources at all levels and enhance operation efficiency. On this basis, the Group proactively built a greater operation coordination mechanism to facilitate the internal breakthrough of featured businesses like town development and TOD projects among regional companies for integrating development across all business segments.

Set up a win-win incentive scheme. The Group’s first incentive mechanism “Greentown China Win-win Mechanism” with the full coverage of short, medium and long terms has been officially implemented since 1 January 2019. This incentive mechanism is mainly based on win-win cooperation between employees and the Company. In addition to the existing remuneration system, medium and long-term incentive measures such as project co-investment and share award have been introduced to promote the sharing of risks, benefits and growth among shareholders, the Company and employees.

As at the date hereof, 103 projects have been covered under the project co-investment scheme, which has effectively stimulated the ownership awareness of the management and employees, and gradually promoted the sharing of business performance and personal interests, thus the overall operational efficiency has been continuously improved. At the same time, the Company actively implemented the share incentive measures. As at 30 June 2019, the Company has purchased 7,414,000 shares from the market under the scheme, under which 70 core management members have been granted in accordance with the scheme.

Improved the comprehensive inspection mechanism. In order to effectively enhance the awareness of responsibility at each level and uplift the systematic management and control standard, the Group conducted a comprehensive spring inspection in the first half of the year, during which the Group made systematic inspection on subsidiaries and more than 30 key projects or that with development difficulties, as well as in-depth analysis on issues regarding internal system, mechanism and team building. On this basis, the Group pushed forward a total of 40 measures for comprehensive reformation, transformation and improvement to lay a solid foundation for subsequent quality development.

Featured Businesses Becoming Development Driver

Led the project management industry. The Group is currently the largest and most professional project management service provider in China, and a trusted brand of customers and government clients. With first-class construction capabilities, high-quality products and standardized operation, the scale of the project management business continued to expand, with 59 new projects in the first half of 2019. As at 30 June 2019, the Group had a total of 317 projects under management, with a total planned GFA of approximately 72.84 million sqm and a total saleable amount of approximately 419.4 billion. As the Group’s project management business continues to expand, the profitability has increased steadily over years and the gross profit margin is much higher than investment projects, thus the profit contribution to the Company attributable to asset-light business will further increase in the future.

Actively developed town projects. The Group has stepped up its efforts in expanding featured town projects. Leveraging its systematic development idea, leading operational capabilities, strong brand advantages and extensive resource integration capability, Greentown has absolute advantages in attaining and operating town projects and boasts prosperous future development. During the first half of 2019, the Group successfully obtained four town projects, including Hangzhou Longwu Tea Village, and has put key focus on over 30 town projects which are expected to be implemented in the future.

Expanded featured businesses at full throttle. In order to further expand the scale of land bank and increase sources of profit, the Group proactively expanded featured businesses, including regional comprehensive development projects, TOD projects, urban renewal projects, industrial property projects and rural land projects to increase the chances of acquiring lands at lower prices. At present, Greentown's TOD model has been recognized by many local governments. The Group is now focusing on TOD projects in cities such as Hangzhou, Xi'an, Fuzhou, Dalian, Harbin, Ningbo and Foshan.

Adhering to the Principle of Quality-First for Further Enhancement

Sorted out product series and families to enhance efficiency. The Group has systematically sorted out the product series and families formed in the 25 years of development, and has completed the establishment of a product system that includes "8 product series", "22 product categories" and "22 product styles". At the same time, in order to further inherit Greentown's classical works and accelerate implementation, the Group has proactively carried out standardized, digitalized, industrialized and information-based works by integrating territorial circumstances of respective projects to promote rapid transformation and application of mature products under new projects, ensuring product quality and improving turnover efficiency.

Enhanced product management effectively. In order to set high-standard, regulated and systematic decision-making procedure for products and uplift the decision-making standard when it comes to significant product issues, the Company established Greentown China Planning and Design Committee and Engineering Quality Committee. The Planning and Design Committee, which comprised of Mr SONG Weiping as the Honorary Chairman, Mr ZHANG Yadong and relevant professionals as major members, also engages professional design companies as external experts, to jointly make decisions in relation to project planning and design and supervise product quality, continuously consolidating the core competitiveness of Greentown's products, ensuring full inheritance of Greentown's quality and constant innovation and maintaining the advantages of first class products within the industry at all times.

Constantly promoted service quality. The Group kept upgrading service quality, proactively improved living service system, built 5G "whole-hearted" service from 5 dimensions of housing health insurance, public property management, household living management, community facilities and neighborhood relationship promotion, and guided the execution of the living services through the pilot projects so as to create better living environment for the household owners. In 2019, China Index Academy published a survey report on residents' satisfaction towards living in China's cities. Greentown China led the industry with a score of 89.3 in overall satisfaction and ranked first in 12 cities it invested, including Hangzhou, Hefei, Jinan and Ningbo, with its brand value continuously raised.

PROSPECT

Going forward, the keynote of real estate policy in China will remain to be “houses are for living, not for speculation”. Local governments will consistently implement control measures such as “different policies for different cities” to continue the stabilization of land prices, property prices and price expectations, regulate and cool down the real estate market and maintain its steady development. It is anticipated that in the second half of 2019, the real estate market will not fluctuate significantly, and the overall scale of housing enterprises will grow steadily with annual growth further eased. According to the current policy and market condition, it is believed that China’s real estate market will maintain stable for a long term. Meanwhile, considering the current urbanization progress in China and the correlation between real estate and macroeconomics, it is expected that opportunities and space for real estate development will still be enormous in the future.

Against the backdrop of these profound changes in the real estate market, Greentown will continue to “reform, change and improve” with problem-solving as its core, continue to take development as its first priority, and aim at developing with high and superior quality. For the second half of 2019, the Group has formulated specific work measures. Firstly, the Group will continue to implement “staff control” and “expenses control”, promote project group management and optimize staff deployment to improve the per capita efficiency, reduce cost and expense and improve profit margin. Secondly, the Group will put more efforts into investment and land bank expansion through diversified land acquisition, and adjust investment schedule to even out land acquisition in the first half and second half of the year. Thirdly, the Group will continue to improve capital utilisation through disposing self-holding properties, reducing dormant assets and safeguarding sound and long-lasting development of the Company. Finally, the Company will further strengthen its research on newly entered markets and enhance product adaptability to meet differentiated demands and further increase the sell-through rate.

Based on the current policies and market conditions, the Group has always insisted on long-term and healthy development. It has actively sought new revenue growth opportunities centering around real estate industry, which have achieved certain results and are believed to create greater added-values in the future. Meanwhile, as a typical mixed-ownership enterprise, Greentown has not only the strong support of the state-owned enterprise CCCG, but also the flexible operation mechanism of private enterprises. These two factors complement and facilitate each other, which create significant advantages in the fierce market competition and providing a solid foundation and assurance for the Group’s long-term and healthy development.

Saleable Resources in the Second Half of 2019

For the second half of 2019, the total saleable area of Greentown Group is expected to reach approximately 10.6 million sqm, with a total saleable amount of approximately RMB226.3 billion, showing that the saleable resources are sufficient and we have full confidence in accomplishing the sales target set at the beginning of the year. Of these, the saleable area of investment projects is expected to be approximately 6.11 million sqm, with a total saleable amount of approximately RMB157.4 billion, (of which approximately RMB31.4 billion will be attributable to inventory property projects; approximately RMB126 billion is expected to be new saleable properties). The saleable area of Greentown Group’s projects under project management is estimated to reach approximately 4.49 million sqm, with saleable amount of approximately RMB68.9 billion in the second half of 2019.

FINANCIAL ANALYSIS

Revenue

The revenue of the Group mainly derives from the sales of properties, as well as from project management, design and decoration, hotel operations, property rental, sales of construction materials, etc. During the Period, the revenue of the Group amounted to RMB18,658 million, representing a decrease of 44.4% from RMB33,534 million for the corresponding period in 2018, which was mainly attributable to lower revenue recognised from the sales of properties in the first half of the year.

During the Period, the Group's revenue from property sales amounted to RMB15,889 million, accounting for 85.2% of the total revenue and representing a decrease of 49.4% from RMB31,420 million in the corresponding period of 2018. The decrease in sales revenue from the delivery of properties in the Period was mainly due to the uneven distribution of the area recognised in the first and second halves of the year. The area of properties with recognised revenue amounted to 949,684 sqm, representing a decrease of 43.8% from 1,690,478 sqm in the same period of 2018. The average selling price of properties with recognised revenue, was RMB16,731 per sqm, representing a decline of 10.0% from RMB18,586 per sqm in 2018 mainly because Zibo Lily Garden and Jiaxing Liu'an Hefeng, with a relatively high proportion of sales among the projects with recognised revenue for the Period, are located in the third and fourth-tier cities, which lowered the average selling price to some extent.

Properties with the revenue recognised by subsidiaries for the first half of 2019 are as follows:

Projects	Type of Properties	Area Sold (sqm) (Note)	Sales Revenue (RMB million)	% of Total	Average Selling Price (RMB per sqm)
Zibo Lily Garden	High-rise Apartment	194,237	1,712	10.8%	8,814
Jinan Yulan Garden	High-rise Apartment, Low-Rise Apartment, Villa	89,864	1,681	10.6%	18,706
Hainan Blue Town	Integrated Community	51,222	1,342	8.4%	26,200
Hangzhou Arcadia Town	High-rise Apartment, Low-Rise Apartment, Villa	56,453	1,285	8.1%	22,762
Jiaxing Liu'an Hefeng	High-rise Apartment	81,274	837	5.3%	10,298
Shanghai Bund House	High-rise Apartment	4,967	808	5.1%	162,674
Chengdu Wenrude	High-rise Apartment, Villa	30,034	770	4.8%	25,638
Qingdao Ideal City	Integrated Community	31,173	766	4.8%	24,573
Taizhou Ningjiang Mingyue	Integrated Community	45,296	688	4.3%	15,189
Wenzhou Fengqi Yuming	High-rise Apartment	13,667	492	3.1%	35,999
Others		351,497	5,508	34.7%	15,670
Total		949,684	15,889	100%	16,731

Note: Areas sold includes above ground and underground areas.

During the Period, projects in Zhejiang area achieved property sales revenue of RMB6,592 million, accounting for 41.5% of the total property sales and ranking top. Projects in Shandong area achieved property sales revenue of RMB4,714 million, accounting for 29.7% of the total property sales and ranking second. Projects in Hainan area achieved property sales revenue of RMB1,342 million, representing 8.4% of the total property sales and ranking third.

During the Period, the Group's revenue from sales of high-rise apartments, low-rise apartments and serviced apartments amounted to RMB13,041 million, accounting for 82.1% of the total property sales. Sales revenue from villas amounted to RMB2,608 million, accounting for 16.4% of the total property sales; and that from offices amounted to RMB240 million, accounting for 1.5% of the total property sales.

During the Period, the Group's revenue from project management service amounted to RMB990 million, representing an increase of 39.4% from RMB710 million in the corresponding period of 2018. The Group stresses both the light-asset and heavy-asset aspects of its business in its development. Capitalising on its first-grade construction level, high-quality products and standardised operation model, Greentown Management Holdings Company Limited (綠城管理控股有限公司) maintains its leadership in terms of scale of project management and a well-received brand in the industry, serving as a benchmark for the project management sector. The project management business, as a whole, has shown a good momentum of development.

During the Period, the Group recorded RMB1,158 million in the revenue from its design and decoration business, representing an increase of 21.5% from RMB953 million in the corresponding period of 2018. The high-end fit-out products and services provided by the Group's design and decoration business were highly regarded by customers, sustaining a continuously stable expansion of business scale.

During the Period, the Group's revenue from hotel operations amounted to RMB393 million, representing an increase of 24.0% from RMB317 million in the corresponding period of 2018, mainly because Banyan Tree Anji and InterContinental Ningbo commenced operation in the second half of 2018.

During the Period, the Group's rental income from investment properties amounted to RMB83 million, representing an increase of 219.2% from RMB26 million in the corresponding period of 2018, which was mainly attributable to an increase in rental income of the Jinan Financial Centre (濟南金融中心) offices which commenced operation in the second half of 2018.

Gross Profit and Gross Profit Margin

During the Period, the Group recorded a gross profit of RMB5,969 million, representing a decrease of 1.8% from RMB6,078 million in the corresponding period of 2018, which was mainly attributable to a decrease in the area of properties delivered and property sales revenue.

During the Period, the Group achieved a gross profit margin of 32.0%, representing a significant increase from 18.1% in the corresponding period of 2018. In particular, the gross profit margin of property sales was 31.3%, representing a significant increase from 16.6% in the corresponding period of 2018, which was mainly attributable to the wide market acceptance with favourable sales performance on projects such as Jinan Yulan Garden, Hainan Blue Town and Hangzhou Arcadia Town, and thus achieving higher gross margin.

Other Income

During the Period, the Group recorded other income of RMB1,362 million, representing an increase of RMB627 million from RMB735 million in the corresponding period of 2018. Other income, mainly comprising interest income, default penalty income and comprehensive service income, grew by 85.3% compared with the corresponding period of last year because (i) RMB392 million of interest income and penalty income was recognised in respect of an independent third party that did not repay the amounts for first-tier land development in time; (ii) doubtful debts were recovered from Dalian Chengda Investment Co., Ltd. (大連城達投資有限公司) which recognised corresponding interest income amounting to RMB68 million; and (iii) the Group added many new projects, incurring more interest income from the increase in the amount due from related parties.

Administrative Expenses

Administrative expenses included human resource costs, daily operating expenses and other expenses, such as product research and development expenses. During the Period, the Group incurred administrative expenses of RMB1,405 million, representing an increase of RMB159 million or 12.8% from RMB1,246 million in the corresponding period of 2018. Administrative expenses are mainly divided into real estate development and related business expenses, non-real estate development and related business expenses, and depreciation and amortisation fees. Businesses related to non-real estate development are mainly project management, hotel business, design and decoration, sales of construction materials and other services. During the Period, the Group incurred administrative expenses of RMB713 million in its real estate development and related business, representing an increase of RMB39 million or 5.8% from RMB674 million in the corresponding period of 2018. Human resource costs constituted the single largest expenditure in the administration expenses of real estate development and related business. Such expenditure amounted to RMB309 million for the Period (the corresponding period of 2018: RMB356 million), representing a decrease of RMB47 million or a year-on-year decrease of 13.2%, mainly due to the amortisation of new share options granted to the Directors and the senior management by the Group, which amounted to RMB29 million, representing a decrease of RMB36 million as compared to RMB65 million for the corresponding period of 2018. The amortisation of the share options is based on the fair value of the share options and the proportion of the exercisable shares, and is not the actual exercise income of the grantor. Daily operating expenses of real estate development and related business amounted to RMB99 million for the Period on a par with RMB101 million in corresponding period of 2018.

Administration expenses of non-real estate development and related business amounted to RMB406 million for the Period, representing an increase of 9.1% from RMB372 million in the corresponding period of 2018, mainly due to an increase in the scale of revenue for non-real estate development and related business, but the ratio of expenses to revenue has dropped from that in the corresponding period of 2018.

Depreciation and amortisation fees amounted to RMB286 million for the Period, representing an increase of 43.0% from RMB200 million in the corresponding period of 2018, mainly due to the fact that Banyan Tree Anji and InterContinental Ningbo commenced operation in the second half of 2018, which resulted in the increase in the corresponding depreciation fee and the depreciation fee incurred from initial application of the lease standard.

Selling Expenses

Selling expenses mainly include human resource costs, marketing activities expenses and daily operating expenses. During the Period, the Group incurred selling expenses of RMB665 million, representing an increase of RMB135 million or 25.5% from RMB530 million for the corresponding period of 2018. Selling expenses can be divided into the expenses for real estate development and related business and the expenses for non-real estate development and related business. During the Period, the Group incurred selling expenses for real estate development and related business of RMB532 million, representing an increase of RMB108 million or 25.5% from RMB424 million for the corresponding period of 2018. As the single largest expenditure in selling expenses for real estate development and related business, marketing activities expenses amounted to RMB301 million for the Period (the corresponding period of 2018: RMB229 million), representing an increase of RMB72 million or a year-on-year increase of 31.4%. During the Period, human resource costs incurred in real estate development and related business amounted to RMB147 million, representing an increase of 8.9% from RMB135 million for the corresponding period of 2018. During the Period, the daily operating expenses incurred in real estate development and related business amounted to RMB84 million (the corresponding period of 2018: RMB60 million), representing an increase of RMB24 million or a year-on-year increase of 40.0%. During the Period, the increase of selling expenses of the Group for real estate development and related business was mainly due to the increase in additional projects. In the second half of 2019, a large number of new projects are expected to be launched, with relevant marketing activities and advertisement expenses to rise.

During the Period, the Group incurred selling expenses for non-real estate development and related business of RMB133 million, representing an increase of RMB27 million or 25.5% from RMB106 million for the corresponding period of 2018. This was mainly due to the increase in relevant expenses as Banyan Tree Anji and InterContinental Ningbo commenced operation in the second half of 2018, but the ratio of expenses to revenue has dropped from that in the corresponding period of 2018.

Finance Costs

During the Period, interest expenses recorded in the Group's condensed consolidated statement of profit or loss and other comprehensive income amounted to RMB801 million (the corresponding period of 2018: RMB627 million). Interest expenses for the Period totalled RMB2,986 million, representing an increase of RMB460 million from RMB2,526 million for the corresponding period of 2018, mainly due to the increase in the number of projects under development and the weighted average of loan balance outstanding during the Period. The weighted average interest cost was 5.4% during the Period, the same as 5.4% in 2018. During the Period, the Group continued to improve its debt structure, actively innovate its financing model and expand its financing channels, which enabled finance costs to stay at a lower level. During the Period, capitalised interest amounted to RMB2,185 million, with a capitalisation rate of 73.2% which represented a decrease from 75.2% for the corresponding period of 2018.

Share of Results of Joint Ventures and Associates

During the Period, the Group's share of results of joint ventures amounted to a loss of RMB8 million and the share of results of associates amounted to a gain of RMB505 million, totalling an aggregate gain of RMB497 million which represented an increase of RMB195 million from RMB302 million for the corresponding period of 2018, mainly as a result of an increase in the revenue from property sale.

During the Period, revenue from property sales recognised by joint ventures and associates amounted to RMB10,616 million in aggregate, representing an increase of 12.2% from RMB9,463 million for the corresponding of 2018; and gross profit from property sales amounted to RMB2,591 million, representing an increase of 12.1% from RMB2,311 million for the corresponding period of 2018, which was mainly due to a higher gross profit from properties as a result of the considerable sales revenue of Hangzhou Liuxiangyuan.

Projects with the revenue recognised by joint ventures and associates in the first half of 2019 are as follows:

Projects	Category	Type of Properties	Area Sold (<i>sqm</i>) (<i>Note</i>)	Sales Revenue (<i>RMB</i> <i>million</i>)	% of Total	Average Selling Price (<i>RMB</i> <i>per sqm</i>)
Hangzhou Phoenix Mansion	Joint Venture	High-Rise Apartment	6,101	455	4.3%	74,578
Beijing Xifu Haitang	Joint Venture	High-Rise Apartment	5,099	234	2.2%	45,891
Shenyang National Games Village	Joint Venture	High-Rise Apartment, Villa	26,887	213	2.0%	7,922
Hangzhou Liuxiangyuan	Associate	High-Rise Apartment	170,001	5,777	54.4%	33,982
Ningbo Center	Associate	High-Rise Apartment, Office	63,069	926	8.7%	14,682
Qingdao Deep Blue Center	Associate	High-Rise Apartment	10,247	603	5.7%	58,846
Hangzhou Young City	Associate	High-Rise Apartment	10,319	272	2.5%	26,359
Deqing Fengqi Yunlu	Associate	Low-Rise Apartment	12,590	251	2.4%	19,936
Hangzhou Xixi Yunlu	Associate	Villa	2,729	242	2.3%	88,677
Dongying Ideal City	Associate	High-Rise Apartment, Villa	20,995	208	2.0%	9,907
Others			65,442	1,435	13.5%	21,928
Total			393,479	10,616	100%	26,980

Note: Area sold include aboveground and underground areas.

Taxation Expenses

During the Period, taxation included the land appreciation tax of RMB865 million (the corresponding period of 2018: RMB1,235 million) and enterprise income tax of RMB1,149 million (the corresponding period of 2018: RMB1,219 million). During the Period, the effective enterprise income tax rate was 27.2% (excluding the share of results of joint ventures and associates as well as the losses of certain offshore subsidiaries), higher than the statutory tax rate of 25.0%. This was mainly attributable to the early provision for withholding tax on dividend, the losses of certain onshore subsidiaries with unrecognised deferred tax assets and expenses non-deductible for taxation purposes.

Provision and Reversal of Impairment Losses for Certain Assets

In light of the rapid change of market environment, the Group conducted an impairment test on certain properties based on the principle of prudence during the Period. According to the test results, the Group provided for impairment loss of certain subsidiaries for their completed properties for sale during the Period. In addition, the Group also provided impairment losses for receivables and contract assets based on the expected credit losses impairment model with the comprehensive consideration of some factors such as the counterparty and the age of receivables. The details are as following:

Name of Company	Name of Project	Impairment Losses (RMB million)
Xinjiang Junfa Greentown Real Estate Development Co., Ltd.	Xinjiang Lily Apartment	27
Tianjin Greentown National Games Village Construction Development Co., Ltd.	Tianjin National Games Village	17
Losses and reversal under expected credit losses model		<u>(145)</u>
Total		<u>(101)</u>

Losses and reversal under expected credit losses model were mainly attributable to the recovery of doubtful debts of RMB100 million from Dalian Chengda Investment Co., Ltd. for previous years.

Contract Liabilities

Contract liabilities mainly represent the amounts received from the pre-sale of properties. As at 30 June 2019, the balance of contract liabilities of the Group was RMB77,391 million, representing an increase of RMB11,124 million or 16.8% from RMB66,267 million which accounted as pre-sale deposits as at 31 December 2018. Such increase was mainly due to the increase in contract sales of the Group during the Period.

As at 30 June 2019, the balance of contract liabilities of joint ventures and associates (properties presale proceeds) was RMB43,648 million, representing an increase of RMB4,765 million or 12.3% from RMB38,883 million as at 31 December 2018.

Financial Resources and Liquidity

As at 30 June 2019, the Group had bank balances and cash (including pledged bank deposits) of RMB48,232 million (31 December 2018: RMB48,219 million). Total borrowings amounted to RMB86,559 million (31 December 2018: RMB81,458 million) and net liabilities (total borrowings less bank balances and cash) amounted to RMB38,327 million (31 December 2018: RMB33,239 million). The net gearing ratio was 58.6%, which was higher than the ratio of 55.3% as at 31 December 2018 but remained at a reasonable level. Balance of borrowings due within one year amounted to RMB17,961 million, accounting for 20.8% of the total borrowings. The closing balance of bank deposits and cash was 2.69 times the balance of borrowings due within one year. Cash flow was sufficient, coupled with a reasonable debt structure, providing a strong support for the subsequent development of the Company.

Greentown Group has obtained facilities of more than RMB238.4 billion from financial institutions, of which approximately RMB150.7 billion was available as of 30 June 2019.

Risks of Foreign Exchange Fluctuation

The principal place of operation of the Group is in the People's Republic of China, and the majority of the income and expenditure was settled in RMB. As the Group had deposits in foreign currencies, amounts due from and to related parties and third parties denominated in foreign currencies, as well as bank borrowings in foreign currencies and overseas senior notes, the Group was exposed to foreign exchange risks. No foreign exchange hedging arrangements had been entered into by the Company during the Period. A provision of net foreign exchange loss of RMB60 million for the depreciation of RMB was made, though there was no effective cash outflow. The Company will pay attention to the changes in the foreign exchange market and actively conduct discussion with various major banks on foreign exchange hedging solutions.

Financial Guarantees

The Group provided financial guarantees to certain banks for mortgage facilities granted to buyers of the Group's properties. As at 30 June 2019, such financial guarantees amounted to RMB32,465 million (as at 31 December 2018: RMB33,938 million).

Pledge of Assets

As at 30 June 2019, the Group pledged right-of-use assets, investment properties, properties for development, properties under development, completed properties for sale, property, plant and equipment, pledged bank deposits, trade and other receivables, deposits and prepayments and interests in associates, with an aggregate carrying value of RMB75,994 million (as at 31 December 2018: RMB67,015 million) to secure general credit facilities granted by banks and other financial institutions to the Group.

Capital Commitments

As at 30 June 2019, the Group had contracted, but not provided for, capital expenditure commitments of RMB27,985 million (as at 31 December 2018: RMB25,909 million) in respect of properties for development, properties under development or construction in progress.

CAPITAL EXPENDITURE PLAN

In consideration of the complicated and highly uncertain economic environment, the Group takes a prudent approach towards the use of funds to secure its capital chain. Currently, therefore, the Group has no material capital expenditure plan.

EVENT AFTER THE BALANCE SHEET DATE

On 15 July 2019, Greentown Ideal Town Construction Group Co., Ltd.* (綠城理想小鎮建設集團有限公司) (“Greentown Town”), a wholly-owned subsidiary of the Company, entered into a share transfer and shareholders’ cooperation agreement (the “Agreement”) with CCCC Southwest Investment and Development Co., Ltd.* (中交西南投資發展有限公司) (“CCCC Southwest Investment”) and Sichuan Province Agriculture Convention and Exhibition Group Co., Ltd.* (四川省農業會展集團有限公司) (“SPACE”) in relation to Chengdu Greentown Sichuan Cuisine Town Business Co., Ltd.* (成都綠城川菜小鎮實業有限公司) (the “Project Company”). The Project Company is a company newly established in the PRC by the Group in December 2018 for implementing and carrying forward the International Sichuan Cuisine Town Project in Chengdu, which will comprise building characteristic towns, agricultural complexes and other works with the joint development partners. Pursuant to the Agreement, the Project Company would be owned by Greentown Town, CCCC Southwest Investment and SPACE as to 60%, 20% and 20%, respectively, and would remain a subsidiary of the Company. The entering into of the Agreement and the transactions contemplated thereunder constituted a connected transaction of the Company. For details, please refer to the announcement of the Company dated 15 July 2019.

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

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

For (i) the issue of senior perpetual capital securities by a wholly-owned subsidiary of the Company and guaranteed by the Company and (ii) the full redemption of the outstanding amount of the subordinated perpetual capital securities callable 2019 in the aggregate principal amount of US\$500,000,000 issued by a wholly-owned subsidiary of the Company and listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Reporting Period, please refer to the Company’s announcements dated 25, 26, 29 and 31 January 2019 and 8 February 2019 for details.

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of 7,844 employees (31 December 2018: 7,535). The employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group’s remuneration policies and packages were reviewed by the remuneration committee and the Board on a regular basis. As an incentive for the employees, bonuses, cash awards and share options may also be granted to the employees based on their individual performance evaluation.

* For identification purposes only

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the requirements of all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the Reporting Period.

COMPLIANCE WITH MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code for dealing in securities of the Company by the Directors of the Company. After specific enquiry for all the Directors, each of the Directors confirmed that he has complied with the required standards set out in the Model Code throughout the Reporting Period. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on same terms as the Model Code.

REVIEW OF INTERIM RESULTS

The announcement of interim results for the six months ended 30 June 2019 has been reviewed by the Audit Committee and approved by the Board. The auditor of the Company, Deloitte Touche Tohmatsu has performed a review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” on the interim financial information of the Group for the six months ended 30 June 2019 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and issued a review report dated 23 August 2019.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

PUBLICATION OF INTERIM REPORT

The full text of the Company’s 2019 Interim Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinagreentown.com) respectively in due course.

FORWARD-LOOKING STATEMENTS

This announcement includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “anticipate”, “expect”, “intend”, “may”, “will” or “should” (or of related nature), or, in each case, their negative or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects and growth strategies, and the industries in which the Greentown Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which the Greentown Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which the Greentown Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, suppliers, banks, professional parties and employees for their continuous patronage and support to the Group.

By order of the Board
Greentown China Holdings Limited
Fung Ching, Simon
Company Secretary

Hangzhou, the PRC

23 August 2019

As at the date of this announcement, the Board comprises Mr ZHANG Yadong, Mr LIU Wensheng, Mr ZHOU Lianying, Mr GUO Jiafeng, Mr GENG Zhongqiang and Mr LI Jun as executive Directors, Mr Stephen Tin Hoi NG (Mr Andrew On Kiu CHOW as his alternate) as a non-executive Director and Mr JIA Shenghua, Mr KE Huanzhang, Mr SZE Tsai Ping, Michael and Mr HUI Wan Fai as independent non-executive Directors.