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# 五礦地產有限公司

**MINMETALS LAND LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

### UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Minmetals Land Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the comparative figures of the corresponding period in 2019.

### Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	2,673,126	5,600,541
Cost of sales		(2,209,840)	(3,614,660)
<b>Gross profit</b>		463,286	1,985,881
Other income	4	167,756	29,742
Fair value changes on investment properties		(28,974)	65,167
Selling and marketing expenses		(83,527)	(55,772)
Administrative and other expenses		(174,391)	(205,458)
Impairment losses reversed/(recognised) under expected credit loss model, net of reversal		1,470	(2,060)
Finance income		90,769	73,275
Finance costs		(38,560)	(32,157)
Share of results of associates		12,757	(955)
Share of results of joint ventures		603	(4,886)
<b>Profit before tax</b>		411,189	1,852,777
Income tax expense	5	(160,112)	(758,430)
<b>Profit for the period</b>	6	251,077	1,094,347
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		54,298	814,102
Holders of perpetual capital instruments		107,900	110,960
Non-controlling interests		88,879	169,285
		251,077	1,094,347
<b>Earnings per share for profit attributable to equity holders of the Company, in HK cents</b>			
Basic	8	1.62	24.32
Diluted	8	1.62	24.32

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<u>251,077</u>	<u>1,094,347</u>
<b>Other comprehensive (expense)/income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(477,416)	(108,187)
Fair value loss on hedging instruments in cash flow hedges	(49,908)	(28,481)
Share of other comprehensive expense of associates	(21,778)	(4,529)
Share of other comprehensive expense of joint ventures	<u>(1,639)</u>	<u>(308)</u>
	<b>(550,741)</b>	<b>(141,505)</b>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	<u>(142,891)</u>	<u>283,478</u>
Other comprehensive (expense)/income for the period	<u>(693,632)</u>	<u>141,973</u>
<b>Total comprehensive (expense)/income for the period</b>	<u><b>(442,555)</b></u>	<u><b>1,236,320</b></u>
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
Equity holders of the Company	(506,927)	979,222
Holders of perpetual capital instruments	64,824	100,652
Non-controlling interests	<u>(452)</u>	<u>156,446</u>
	<u><b>(442,555)</b></u>	<u><b>1,236,320</b></u>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		248,429	262,791
Investment properties		2,332,408	2,366,668
Interests in associates		1,114,340	1,123,361
Interests in joint ventures		83,665	84,701
Financial assets at fair value through other comprehensive income		1,256,061	1,398,952
Deferred tax assets		392,042	639,144
		<u>5,426,945</u>	<u>5,875,617</u>
<b>Current assets</b>			
Inventories	9	28,593,210	24,723,350
Prepayments, trade and other receivables	10	11,300,313	13,934,151
Contract assets	11	590,596	500,439
Contract costs		19,864	15,237
Other financial assets		—	19,771
Cash and bank deposits, restricted		20,455	42,702
Cash and bank deposits, unrestricted		3,556,707	3,850,098
		<u>44,081,145</u>	<u>43,085,748</u>
<b>Total assets</b>		<u><b>49,508,090</b></u>	<u><b>48,961,365</b></u>
<b>EQUITY</b>			
Share capital		334,691	334,691
Reserves		8,090,681	8,859,154
<b>Equity attributable to equity holders of the Company</b>		<u><b>8,425,372</b></u>	<u>9,193,845</u>
<b>Perpetual capital instruments</b>		<u><b>3,814,204</b></u>	<u>3,803,647</u>
<b>Non-controlling interests</b>		<u><b>4,575,688</b></u>	<u>3,269,226</u>
<b>Total equity</b>		<u><b>16,815,264</b></u>	<u>16,266,718</u>

## Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

		<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>12</i>	<b>16,239,543</b>	9,491,281
Deferred tax liabilities		<b>131,401</b>	134,818
Lease liabilities		<b>63,104</b>	71,742
Other financial liabilities		<b>55,850</b>	25,713
		<b>16,489,898</b>	9,723,554
<b>Current liabilities</b>			
Borrowings	<i>12</i>	<b>2,853,848</b>	7,262,623
Trade and other payables	<i>13</i>	<b>7,886,277</b>	10,906,885
Contract liabilities		<b>5,306,869</b>	4,553,520
Deferred revenue		<b>3,965</b>	4,064
Lease liabilities		<b>16,824</b>	16,598
Taxation payable		<b>135,145</b>	227,403
		<b>16,202,928</b>	22,971,093
<b>Total liabilities</b>		<b>32,692,826</b>	32,694,647
<b>Total equity and liabilities</b>		<b>49,508,090</b>	48,961,365
<b>Net current assets</b>		<b>27,878,217</b>	20,114,655
<b>Total assets less current liabilities</b>		<b>33,305,162</b>	25,990,272

## Notes:

### 1. General information

The Group is principally engaged in real estate development, specialised construction, property investment and securities investment. The People's Republic of China is the major market for the Group's businesses.

The Company is a limited liability company incorporated in Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is June Glory International Limited (incorporated in the British Virgin Islands) and its ultimate holding company is China Minmetals Corporation (incorporated in Mainland China).

These condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK\$'000"), unless otherwise stated, which is also the functional currency of the Company. These condensed consolidated financial statements have been approved for issue by the Board on 27 August 2020.

### 2. Basis of preparation and principal accounting policies

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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").

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and they directly and indirectly affect the operations of the Group. Sales of particular real estate projects have been delayed due to precautionary and control measures in February and March 2020. The financial positions and performance of the Group was affected in different aspects, including impairment on inventories and fluctuation in fair value of the Group's investment properties.

These 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

#### *Application of amendments to HKFRSs*

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

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### *2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information,

either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

## **2.2 *Impact and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”***

### **Business combinations or asset acquisitions**

#### Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

## **2.3 *Impacts and changes in accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform”***

### **Hedge accounting**

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

#### Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

#### Cash flow hedges

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group’s designated hedged items and assessment of hedge effectiveness are not affected by the interest rate benchmark reform.

## **3. Segment information**

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group’s internal financial reports in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports as follows:

Real estate development	:	Development and sales of residential and commercial properties
Specialised construction	:	Design, installation and selling of curtain walls and aluminium windows, doors and other materials
Property investment	:	Holding of properties to generate rental income and/or to gain from the appreciation in properties' values in the long-term
Securities investment	:	Investment of securities

No operating segments identified by the executive directors have been aggregated in arriving at the reportable segments of the Group.

#### Segment revenue and results

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>										
Total segment revenue	2,425,826	5,128,292	241,626	460,224	34,465	38,830	—	—	2,701,917	5,627,346
Inter-segment revenue	—	—	(25,576)	(24,013)	(3,215)	(2,792)	—	—	(28,791)	(26,805)
Sales to external customers	<u>2,425,826</u>	<u>5,128,292</u>	<u>216,050</u>	<u>436,211</u>	<u>31,250</u>	<u>36,038</u>	<u>—</u>	<u>—</u>	<u>2,673,126</u>	<u>5,600,541</u>
<b>Results</b>										
Segment results	<u>388,788</u>	<u>1,780,968</u>	<u>2,889</u>	<u>(7,545)</u>	<u>(253)</u>	<u>100,824</u>	<u>25,350</u>	<u>23,047</u>	<u>416,774</u>	<u>1,897,294</u>
Unallocated corporate expenses, net									<u>(71,154)</u>	<u>(79,794)</u>
									<u>345,620</u>	<u>1,817,500</u>
Finance income									<u>90,769</u>	<u>73,275</u>
Finance costs									<u>(38,560)</u>	<u>(32,157)</u>
Share of results of associates									<u>12,757</u>	<u>(955)</u>
Share of results of joint ventures									<u>603</u>	<u>(4,886)</u>
Profit before tax									<u>411,189</u>	<u>1,852,777</u>

## Segment assets

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	30 June 2020	December 2019	30 June 2020	December 2019	30 June 2020	December 2019	30 June 2020	December 2019	30 June 2020	December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	<b>42,410,169</b>	40,792,490	<b>1,051,856</b>	985,625	<b>2,116,354</b>	2,211,748	<b>1,281,413</b>	1,398,952	<b>46,859,792</b>	45,388,815
Unallocated corporate assets									<b>2,648,298</b>	3,572,550
Total assets									<b>49,508,090</b>	48,961,365

## 4. Other income

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidies	<b>133,762</b>	74
Dividend income	<b>25,352</b>	23,047
Management fee income from a fellow subsidiary	<b>1,791</b>	2,020
Others	<b>6,851</b>	4,601
	<b>167,756</b>	29,742

During the current interim period, a government subsidy of RMB121,000,000 (equivalent to HK\$133,741,000) was awarded to the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to the grant.

## 5. Income tax expense

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profit for the period (30 June 2019: Nil).

The PRC enterprise income tax has been calculated on the estimated assessable profit for the period derived in Mainland China at the rate of 25% (30 June 2019: 25%).

Land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land and development and construction expenditures.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Mainland China		
Enterprise income tax	<b>65,977</b>	256,116
Enterprise income tax refund	<b>(241,031)</b>	—
Land appreciation tax	<b>97,662</b>	387,758
	<b>(77,392)</b>	643,874
Deferred tax	<b>237,504</b>	114,556
	<b>160,112</b>	758,430



During the current interim period, an enterprise income tax refund was received by the Group after land appreciation tax clearance for a real estate project.

## 6. Profit for the period

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Cost of properties sold (note (i))	<b>2,006,653</b>	3,202,117
Cost of specialised construction	<b>196,893</b>	406,820
Depreciation	<b>16,852</b>	8,626
Direct operating expenses incurred for investment properties that generated rental income	<b>6,294</b>	5,723
Allowance for impairment of inventories	<b>33,363</b>	10,882
Net foreign exchange gain	<b>(22,596)</b>	(6,930)
Employee benefit expense (including directors' emoluments) (note (ii))	<b>102,949</b>	107,153

Notes:

(i) Included in cost of properties sold are interest expenses previously capitalised of HK\$155,435,000 (30 June 2019: HK\$235,990,000).

(ii) Employee benefit expense capitalised as properties under development is HK\$32,440,000 (30 June 2019: HK\$26,808,000).

## 7. Dividends

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

During the current interim period, a final dividend of HK8.0 cents per ordinary share in respect of the year ended 31 December 2019 (30 June 2019: HK8.0 cents per ordinary share in respect of the year ended 31 December 2018) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared and payable to shareholders as at 30 June 2020 amounted to HK\$267,753,000 (declared and paid for the six months ended 30 June 2019: HK\$267,753,000).

No dividend was paid during the current interim period. The dividend was subsequently paid on 6 July 2020.

## 8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

Since there were no dilutive potential ordinary shares, the diluted earnings per share is equal to basic earnings per share.

## 9. Inventories

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Properties under development – located in Mainland China	19,557,753	14,314,530
Properties under development – located in Hong Kong	<u>4,935,295</u>	<u>4,781,647</u>
	<b>24,493,048</b>	19,096,177
Properties held for sale – located in Mainland China	<u>4,100,162</u>	<u>5,627,173</u>
	<b><u>28,593,210</u></b>	<b><u>24,723,350</u></b>

As at 30 June 2020, inventories with carrying amounts of HK\$7,013,634,000 (31 December 2019: HK\$4,946,825,000) have been pledged as collaterals for bank borrowings.

## 10. Prepayments, trade and other receivables

The following is an aging analysis of trade receivables at the end of the reporting period based on due date for rental receivables, date of properties delivered to purchasers and billing date of construction services certified:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0 to 90 days	157,228	128,645
91 to 180 days	76,048	110,378
181 days to 1 year	79,705	22,961
1 year to 2 years	45,762	75,072
Over 2 years	<u>74,053</u>	<u>124,816</u>
	<b>432,796</b>	461,872
Less: allowance for impairment	<u>(45,430)</u>	<u>(46,949)</u>
	<b><u>387,366</u></b>	<b><u>414,923</u></b>

## 11. Contract assets

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Construction services	466,727	358,918
Retention receivables	<u>123,869</u>	<u>141,521</u>
	<b><u>590,596</u></b>	<b><u>500,439</u></b>

## 12. Borrowings

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Non-current		
Bank borrowings, secured	2,668,508	2,730,917
Bank borrowings, unsecured	10,287,610	3,464,076
Guaranteed bonds, unsecured	<u>3,283,425</u>	<u>3,296,288</u>
	<u>16,239,543</u>	<u>9,491,281</u>
Current		
Bank borrowings, secured	234,287	6,788,084
Bank borrowings, unsecured	1,537,455	293,542
Loans from non-controlling shareholders of subsidiaries, unsecured	48,918	114,995
Loans from fellow subsidiaries, unsecured	87,584	39,071
Other borrowing, unsecured	<u>945,604</u>	<u>26,931</u>
	<u>2,853,848</u>	<u>7,262,623</u>
	<u>19,093,391</u>	<u>16,753,904</u>

## 13. Trade and other payables

The following is an aging analysis of trade, bill and contract payables at the end of the reporting period based on invoice date:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0 to 90 days	506,610	721,419
91 to 180 days	75,339	120,425
181 days to 1 year	92,707	148,018
1 year to 2 years	167,985	170,998
Over 2 years	<u>111,178</u>	<u>73,185</u>
	<u>953,819</u>	<u>1,234,045</u>

## 14. Commitments

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Contracted but not provided for		
Expenditure in respect of acquisition of land use rights	313,583	2,498,928
Expenditure in respect of properties under development	<u>3,390,298</u>	<u>3,610,082</u>
	<u>3,703,881</u>	<u>6,109,010</u>

## 15. Events after the reporting period

On 18 June 2020, the Group entered into (i) an equity transfer agreement pursuant to which it has conditionally agreed to acquire 49% of the equity interest in Tianjin Yijiahe Real Estate Company Limited at a consideration of RMB1,475.45 million; and (ii) a capital injection agreement pursuant to which it has conditionally agreed to inject RMB1,327.32 million into Minmetals Land Hunan Development Co., Ltd. The transactions were approved at the special general meeting held on 7 August 2020.

Details of the transactions are disclosed in the circular of the Company dated 21 July 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's operating results for the first half of 2020 recorded a decline with consolidated revenue amounting to HK\$2,673.1 million, representing a decrease of 52.3% compared to HK\$5,600.5 million for the corresponding period last year. The Group's performance is constrained by limited number of property development project and uneven delivery schedule attributing to a reduction in property areas delivered to buyers during the period. Under the general principle of "houses are built to be inhabited, not for speculation" and the continuing price restriction measures imposed by the Government, the average selling price and profit margin were inevitably impacted. Real estate development operating segment recorded a revenue decline of 52.7% to HK\$2,425.8 million (30 June 2019: HK\$5,128.3 million). Specialised construction operating segment recorded a revenue decrease of 50.5% to HK\$216.1 million (30 June 2019: HK\$436.2 million), which was mainly attributed to projects undertaken during the period were of lower contract value. Revenue from property investment operating segment slid 13.3% to HK\$31.2 million (30 June 2019: HK\$36.0 million), which was mainly due to the decline in occupancy rate and rental rate during the period.

During the period under review, overall gross profit margin has decreased from 35.5% to 17.3% as a high proportion of real estate projects recognised during the period are lower-margin products affected by selling price restriction policy. There was a downward revision in market valuation for investment properties, in particular to LKF 29 due to sliding rental rate, in the first half of 2020 and the Company recorded a valuation loss of HK\$29.0 million (30 June 2019: valuation gain of HK\$65.2 million).

Selling expenses increased to HK\$83.5 million (30 June 2019: HK\$55.8 million) as additional sales and promotional activities were carried out during the period for a number of new projects' debut sales launch in Guangzhou, as well as Minmetals Land's branding campaign in Hong Kong prior to the sales launch of our debut local project. Administrative and other expenses slid slightly to HK\$174.4 million (30 June 2019: HK\$205.5 million) due to the implementation of strict control over operating expenses. When excluding the one-off provision for inventory impairment of HK\$33.4 million (30 June 2019: HK\$10.9 million), the administrative and other expenses dropped 27.5% compared to the corresponding period of last year.

Finance costs charged to the profit or loss for the first half of 2020 increased by 19.9% to HK\$38.6 million (30 June 2019: HK\$32.2 million) after capitalisation of HK\$397.1 million (30 June 2019: HK\$354.0 million) into properties under development, the increase in finance cost was primarily attributable to higher interest expense from enlarged funding scale during the period.

Profit attributable to equity holders of the Company dropped 93.3% to HK\$54.3 million from HK\$814.1 million for the corresponding period last year and basic earnings per share dropped to HK1.62 cents (30 June 2019: HK24.32 cents). The Board has made thorough evaluation of the Group's financial position and the funding requirements, and considers to be in the long term interest of the Group and of the shareholders as a whole, not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

As at 30 June 2020, the Group's net assets increased by 3.4% to HK\$16,815.3 million (31 December 2019:

HK\$16,266.7 million) mainly caused by the introduction of new minority shareholder in Guangzhou Parc One project during the period. The financial position of the Group remained healthy with gearing ratio of 66.0% (31 December 2019: 66.8%), net gearing ratio of 92.3% (31 December 2019: 79.1%). In addition, contract liabilities grew by 16.5% to HK\$5,306.9 million (31 December 2019: HK\$4,553.5 million). It will be recognised as the Group's revenue in future when properties are completed and delivered to buyers.

## **MARKET OVERVIEW AND BUSINESS OUTLOOK**

In the first half of 2020, under the impact of both the COVID-19 pandemic and the Sino-US trade war, the Central Government continues to adhere to the principle of “houses are built to be inhabited, not for speculation” throughout the policy making process. Local government accountability mechanisms were established with regards to city-specific policy measures in order to stabilize land prices, housing prices and pricing sentiments. Under the backdrop of a complex and volatile external macro environment, The People's Bank of China has lowered the statutory deposit reserve ratio three times this year in order to boost growth and employment. Loan prime rate (“LPR”), which is the benchmark interest rate, has been lowered twice and personal mortgage loans was also revised downwards. Together with China's business climate, its real estate industry also witnessed an unprecedented fluctuation of “shutdown-restart-recovery” in the first half of the year. Following significant plummets in major indicators with investment, sales and land acquisition figures reaching 20-year lows in the first quarter, we saw gradual recovery in the second quarter. With regards to Hong Kong's real estate market, at the back of limited supply and a macro environment with abundant liquidity, residential pricing only dipped slightly before a quick rebound. However, social unrest and COVID-19 has caused severe disruption in rental rate and occupancy in retail space as well as weakening leasing demand, which undermines rental value and property valuation.

As the pandemic unfolds, the national commercial housing sales in the first half of 2020 also experienced a post-crisis rebound. With the COVID-19 outbreak, real estate market was completely shut down for the first two months of the year. Following the gradual resumption of work and production in the real estate sector across the country, combined with the backlog of pent up demand and new demand, sales indicators have rebounded significantly. As of the end of June, property sales figures have revived to a level similar to the corresponding period last year. From a nationwide perspective, given that the central bank and local governments have issued multiple relief policies including interest rate cuts, tax exemptions, favourable policies targeting new talents, and housing subsidies to support the property market and ease the downward pressure on the economy, it is expected that demand will continue to be stimulated in the second half of the year, and the scale of transactions will continue to improve. Confronted by the nationwide epidemic, all employees of the Group had demonstrated utmost dedication and hard work, and strived to ensure a number of new projects' debut sales launch in the first half of the year according to the original schedule. Therefore, the Group's contracted sales in the first six months of 2020 was significantly higher than the corresponding period last year. As a large portion of the project sales will be launched in the second half of 2020 according to pre-sales planning schedule, and our Hong Kong Yau Tong project, the Company's first real estate development project in Hong Kong, has applied for pre-sale consent and is expected to be launched for sale by the fourth quarter of this year, the Group is confident that it will achieve the 2020 annual contracted sales target.

Looking into the land market, a number of cities have not only increased the supply of high-quality land in local land auctions, but also moderately relaxed property development restrictions including lowering the self-owned proportion in land developments and lifting property sales limitation which previously only permit sales of completed stocks. Friendlier land payment terms including longer payment schedules and payment instalment options were also introduced to provide funding cushion to real estate developers. In the first half of the year, the Group successfully executed a diversified and multi-pronged land acquisition strategy. Firstly, we announced in mid-June the proposed integration with our controlling shareholder China Minmetals Corporations' (“China Minmetals”) non listed real estate operations located in various regions including Hunan and Tianjin, and the resolution was approved at the special general meeting held on 7 August 2020. The transaction will add a total land bank of approximately 3.03 million square metres to the Group, and the acquired assets include 11 real estate development projects across 5 cities and 1 property management company, of which 71% are residential, and the

rest are community commercial whilst Tier-2 cities account for 71% of land bank by region. All of the acquired assets are non-listed real estate development and construction assets already covered by the entrusted management services agreement between the Group and China Minmetals. The Group is familiar with the operations of these businesses and can quickly turn synergies into profitable improvements after the acquisition. Given the fierce competition in the land market, the Group has leveraged on its competitive advantage of being a state-owned enterprise and added significant land bank to its portfolio by way of asset injection. With an instant boost in operational scale, the Group will alleviate growth bottlenecks resulting from scale constraints and catch up on industry growth. Secondly, under the background of the comprehensive cooperation between China Minmetals and the Chengdu Municipal Government to implement new urban development modules, and leveraging on China Minmetals' extensive industry resources and urban construction track record, the Group has been working together with the Dayi County Government to build a new industrial city. The successful acquisition of the first batch of land in the Chengdu Dayi Future Eco-City in February 2020 is a showcase of the Group's industrial city development strategy, one that is replicable and of lasting significance.

In the first half of the year, though the overall onshore macro financial policy aims to provide abundant liquidity, yet there has been no noticeable loosening in property-related financial policies when compared to previous years. In terms of offshore financing, despite the unprecedented volatility recorded the US dollar bond market, the relevant financing channel has been partially restored in the second quarter. In January, the Group captured the market window and restructured a HK\$6 billion 4-year term loan facility with strategic foresight, and locked in more favourable interest rate compared to the existing terms. The overwhelmingly positive response from the international capital market is testimony to the Group's sound financial position and the credit market's full confidence in our credit quality. Under a global monetary easing environment, the Group will actively expand its onshore and offshore financing channels to reduce financing costs. As the impact of the pandemic starts to ease in mainland China, the Group has carried out a wide range of marketing tactics including online marketing initiatives to further promote sales, and closely monitor cash collection to improve cash flow. With strengthened cost control and product integration, our refined managerial measures shall translate to further optimization in earnings.

Looking forward, upon the completion of the asset acquisition from the parent company this year, the Group's operational scale will be rapidly expanded and hence alleviate growth bottle-neck. The increase in contracted sales in the first half of the year and the pre-sale to be launched for a number of the Greater Bay Area projects later this year will lay a solid foundation for the Group's future development. Under the long-term policy regulation mechanism on property market, the Group adheres to a prudent and cautious investment strategy. The Group will closely monitor its project development schedule in order to secure a higher profit margin. With the continuing improvement in our investment and management capacity, the Group is well positioned for a sustainable growth outlook.

## **OPERATIONS REVIEW**

Under an unprecedentedly difficult business environment following the pandemic, the Group resumed its project operations in a reasonable and orderly manner in the first half of the year. We put special focus on the scheduling and overall planning of key projects and tackled operational roadblocks through cross-departmental coordination. Thanks to the remarkable pickup in operational efficiency in the second quarter, the Group successfully realized all of its first half new project debut launch plans according to the original timetable. In terms of property sales, the Group adjusted its marketing strategies with the pulse of the market and through inventory supply optimization and sales program fine-tuning, we achieved a higher completion rate in contracted sales for the first six months of the year. Entering into the second half of the year, the Group will continue to grasp new opportunities in the property market and make full efforts to combat the epidemic, and pledge to ensure project launch and inventory supply in order to fulfill of annual contracted sales target. In addition, the Group has put forward specific targets with regards to cost reduction and operational efficiency across various functional lines including the finance, marketing, operation, cost, and design teams. Through corporate funding restructuring, tax planning optimization, stringent measures in cost control, design integration for construction cost compression, as well as furthering value discovery in inventory to achieve pricing premium, we strive to improve sales and profits. During the pandemic, all

employees of Minmetals Land Management Services stood at the front line to carry out community pandemic prevention measures and safeguarded for the safety and wellbeing for close to 50,000 Minmetals Land families, which further improved customer satisfaction and our brand reputation.

The tables below set out the revenue and results of the Group by operating segments for the six months ended 30 June 2020, together with the comparative figures for the corresponding period last year.

### Segment Revenue

	For the six months ended 30 June				Year-on-year change %
	2020		2019		
	HK\$ million	%	HK\$ million	%	
Real estate development	2,425.8	90.7	5,128.3	91.6	(52.7)
Specialised construction	216.1	8.1	436.2	7.8	(50.5)
Property investment	31.2	1.2	36.0	0.6	(13.3)
<b>Total</b>	<b>2,673.1</b>	<b>100.0</b>	<b>5,600.5</b>	<b>100.0</b>	<b>(52.3)</b>

### Segment Results

	For the six months ended 30 June				Year-on-year change %
	2020		2019		
	HK\$ million	%	HK\$ million	%	
Real estate development	388.8	93.3	1,781.0	93.9	(78.2)
Specialised construction	2.9	0.7	(7.5)	(0.4)	N/A
Property investment	(0.3)	(0.1)	100.8	5.3	N/A
Securities investment	25.4	6.1	23.0	1.2	10.4
<b>Total</b>	<b>416.8</b>	<b>100.0</b>	<b>1,897.3</b>	<b>100.0</b>	<b>(78.0)</b>

## REAL ESTATE DEVELOPMENT

### Land Bank\*

As at 30 June 2020, the Group had a land bank of approximately 4.92 million square metres across 28 real estate development projects in 13 cities namely, Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Wuhan, Chengdu, Huizhou, Foshan, Guangzhou, Shenzhen and Hong Kong.

\* Land bank is defined as the unsold and undelivered saleable floor area (including car parking spaces) pursuant to the Company's latest development planning schedule.

### Contracted Sales

In the first half of 2020, the Group focused on the improvement of the quality of real estate development projects, accelerated turnover and scale development. Total contracted sales rose 36.0% to RMB5,590 million (30 June 2019: RMB4,110 million) and the gross floor area contracted for sale rose 11.2% to 258,000 square metres (30 June 2019: 232,000 square metres) compared to the corresponding period of last year. The average selling price increased 22.6% to approximately RMB21,700 (30 June 2019: RMB17,700) per square metre.

## Project Profiles

Location/Project	Attributable interest to the Group	Site Area (sq.m.)	Estimated Construction GFA (sq.m.)	Construction GFA completed (sq.m.)	Construction GFA under development (sq.m.)	Construction GFA held for future development (sq.m.)
<b>Pan Bohai Rim</b>						
1. Beijing Fortune Garden	51.0%	139,000	414,000	414,000	–	–
2. Yingkou Platinum Bay	100.0%	396,000	377,000	327,000	50,000	–
3. Langfang Harrow Town	50.0%	550,000	1,280,000	284,000	100,000	896,000
4. Tianjin Minmetals International	100.0%	21,000	183,000	183,000	–	–
<b>Yangtze River Delta</b>						
5. Nanjing Sello Royale	100.0%	179,000	270,000	270,000	–	–
6. Nanjing Academic Royale	100.0%	136,000	482,000	482,000	–	–
7. Nanjing Yan Shan Ju	100.0%	91,000	203,000	203,000	–	–
8. Nanjing Enchanté Oasis	100.0%	95,000	255,000	255,000	–	–
9. Nanjing Enchanté Cove	100.0%	68,000	148,000	148,000	–	–
10. Nanjing Jiang Shan Da Jing	39.8%	83,400	285,000	129,000	156,000	–
11. Nanjing Amber Court	33.9%	43,000	233,000	–	233,000	–
12. Nanjing Enchanté Park	100.0%	61,000	181,000	–	181,000	–
<b>Central China</b>						
13. Changsha LOHAS International Community	100.0%	643,000	1,084,000	1,084,000	–	–
14. Changsha Scotland Town	100.0%	333,000	442,000	442,000	–	–
15. Changsha Qin Royale	100.0%	150,000	560,000	351,000	209,000	–
16. Changsha Nanhu Project	100.0%	22,000	179,000	–	–	179,000
17. Wuhan Enchanté Crest	100.0%	61,000	180,400	–	180,400	–
18. Wuhan Scenery Cove	100.0%	62,400	215,000	–	215,000	–
19. Chengdu West Begonia	100.0%	22,000	79,500	–	79,500	–
20. Chengdu Future-Eco City*	100.0%	170,000	420,000	–	–	420,000
<b>Pearl River Delta</b>						
21. Huizhou Hallstatt See	100.0%	918,000	1,536,000	333,000	351,000	852,000
22. Foshan Academic Royale	100.0%	42,500	214,000	25,600	188,400	–
23. Guangzhou Greenery Terrace	100.0%	17,300	29,000	29,000	–	–
24. Guangzhou Regent Heights	51.0%	14,000	73,000	–	73,000	–
25. Guangzhou Parc One	51.0%	72,000	252,000	–	162,000	90,000
26. Guangzhou Langyun Garden	10.0%	57,000	130,000	–	73,000	57,000
27. Shenzhen The Greenville	100.0%	31,000	175,000	–	–	175,000
28. Hong Kong Yau Tong Project	100.0%	10,500	65,000	–	65,000	–

\* New Project of 2020



### ***Beijing Fortune Garden***

Fortune Garden is a residential development project located at Xibeiwang Town, Haidian District, Beijing. It occupies an aggregate site area of approximately 139,000 square metres and has an aggregate construction floor area of approximately 414,000 square metres. Fortune Garden received the “International Award” granted by the British Association of Landscape Industries in recognition of its outstanding landscape design. So far, the project is close to fully sold.

### ***Yingkou Platinum Bay***

Platinum Bay is a residential development project comprises villas and apartments located at Liaoning (Yingkou) Coastal Industrial Base, Yingkou City, Liaoning Province. It occupies an aggregate site area of approximately 396,000 square metres and has an aggregate construction floor area of approximately 377,000 square metres. The project is divided into seven phases. The first six phases have been delivered to buyers. Phase VII is comprised of middle and high-rise units, which is currently under construction, presale was launched in late 2019 and it is expected to deliver to buyers in the second quarter of 2022.

### ***Langfang Harrow Town***

Harrow Town is a residential development project comprises villas and high-rise units located in Jiangxintun Town, Xianghe County, Langfang City, Hebei Province. It occupies an aggregate site area of approximately 550,000 square metres and has an aggregate construction floor area of approximately 1,280,000 square metres. Phase I and high-rise units of Phase II have been delivered to buyers. Land plot No.3 commenced construction in the second quarter of 2020, it is expected to launch presale in the fourth quarter of 2020 and delivered to buyers in the fourth quarter of 2022. Land plot No.14 commenced construction in the first quarter of 2020 and launched presale in the second quarter of 2020 and it is expected to be delivered to buyers in the second quarter of 2022. Land plot No.15 commenced construction in the fourth quarter of 2019 and launched presale in the same quarter, it is expected to be delivered to buyers in the second quarter of 2022. The rest of the project is currently under planning and the overall completion date of the project has yet to be determined.

### ***Tianjin Minmetals International***

Minmetals International is a mixed commercial and residential development project located at the east of Yingbin Main Road and south of Tuochang Road, Tanggu District, Tianjin. This project comprises office space, apartments, retail stores and car-parking spaces. It occupies an aggregate site area of approximately 21,000 square metres and has an aggregate construction floor area of approximately 183,000 square metres. The project is close to fully sold.

### ***Nanjing Sello Royale***

Sello Royale is a residential development project located at the south of Hongjing Main Road, Science Park, Jiangning District, Nanjing, Jiangsu Province. This project comprises villas and low-rise apartments. It occupies an aggregate site area of approximately 179,000 square metres and has an aggregate construction floor area of approximately 270,000 square metres. The project was awarded the “Best Residential Development in 2014 (East & Central China)” at the first China Property Awards held by Ensign Media. The project is close to fully sold.

### ***Nanjing Academic Royale***

Academic Royale is a residential development project located at Tian He Road, Jianye District, Nanjing, Jiangsu Province. It is located approximately 5 kilometres from the Nanjing Olympic Sports Centre. The Hexi New Town, where the project is located, is the development focus of Nanjing Hexi New City Zone, with planning to build an ecologically livable new city. It occupies an aggregate site area of approximately 136,000 square metres and has an aggregate construction floor area of approximately 482,000 square metres. This project is designed as a low-density high-end residential areas over four phases, which have been delivered to buyers. The project is close to fully sold.

### ***Nanjing Yan Shan Ju***

Yan Shan Ju is a residential development project located in the traditional high-end residential area at the southeast of Zijin Mountains in Nanjing Xuanwu District, Nanjing, Jiangsu Province where land supply is limited. It occupies an aggregate site area of approximately 91,000 square metres and has an aggregate construction floor area of approximately 203,000 square metres. There are well developed transportation facilities and the project is in close proximity to the Ninghang Expressway and Subway Line No. 2. In addition, it enjoys excellent surrounding environment and neighbours a number of educational and research institutions. It is designed as a high-end low-density residential community comprises low-rise apartments. So far, 98% of the gross saleable floor area was sold.

### ***Nanjing Enchanté Oasis***

Enchanté Oasis is a residential development project located within the core centre of Zijin Technology Entrepreneurial Special Zone and at the junction of Shuanglong Main Road and Xuelindong Road, Jiangning District, Nanjing, Jiangsu Province and to the west of Shangqinhuai Wetland Park, the largest wetland park in China. It occupies an aggregate site area of approximately 95,000 square metres and has an aggregate construction floor area of approximately 255,000 square metres. The project is divided into two phases. Phase I commenced in the second quarter of 2017 of which the multi-floor portion and the high-rise portion was delivered to buyers in the second quarter and the fourth quarter of 2019 respectively. Phase II was delivered to buyers by the second quarter of 2020.

### ***Nanjing Enchanté Cove***

Enchanté Cove is a residential development project located at the junction of Fangqian Main Road and Wushi Road in the Jiangning University Town at the south-eastern corner of Fangshan, Jiangning District, Nanjing, Jiangsu Province. It occupies an aggregate site area of approximately 68,000 square metres and has an aggregate construction floor area of approximately 148,000 square metres. The project that commenced in the second quarter of 2017 was delivered to buyers in the second quarter of 2019.

### ***Nanjing Jiang Shan Da Jing***

Jiang Shan Da Jing is a residential development project located at the junction of Guangming Road and Lixin Road, Pukou District, Nanjing, Jiangsu Province with close proximity to Metro Line No.10 Yushan Road Station. The district is equipped with well-established facilities. It occupies an aggregate site area of approximately 83,400 square metres and has an aggregate construction floor area of approximately 285,000 square metres. The project commenced in December 2017 and is expected to deliver to buyers in the fourth quarter of 2020.

### ***Nanjing Amber Court***

Amber Court is a residential and commercial development project located at the junction of Yanshan Road and Shuiximen Jie, Gulou District, the northern part of Hexi, Nanjing, Jiangsu Province where it enjoys an array of transportation, commercial and educational resources. It occupies an aggregate site area of approximately 43,000 square metres and has an aggregate construction floor area of approximately 233,000 square metres. The project commenced in the third quarter of 2018 and is expected to be completed and launch for sale in the second quarter of 2021 for delivery to buyers in the fourth quarter of 2021.

### ***Nanjing Enchanté Park***

Enchanté Park (formerly known as Nanjing Jiangning Project) is a residential development project located in Nanjing Jiangning District, to the east of the Nanjing Jiangning high-tech park Zhengfang Main Road and south of Shimeng Road, which is in the Fangshan University zone with close proximity to the Fangshan Recreational Park. With a superior natural scenic surrounding environment, it will be developed into a quality residential community for upgraders. It occupies an aggregate site area of approximately 61,000 square metres and has an aggregate construction floor area of approximately 181,000 square metres. The project commenced in the first quarter of 2020 and is expected to launch presale in the third quarter of 2020 and delivered to buyer in the fourth quarter of 2022.

### ***Changsha LOHAS International Community***

LOHAS International Community is a large-scale residential development project with ancillary facilities such as clubhouse, shops, car-parking lots, schools and landscaped garden. Located at Gaoyun Road, Muyun Town, Changsha, Hunan Province, the project occupies an aggregate site area of approximately 643,000 square metres, including a private lake of 30,000 square metres, and has an aggregate construction floor area of approximately 1,084,000 square metres. The project is close to fully sold.

### ***Changsha Scotland Town***

Scotland Town is a residential development project located at Yuntang Village and Yuetang Village, Muyun Town, Changsha, Hunan Province and is adjacent to LOHAS International Community. It occupies an aggregate site area of approximately 333,000 square metres and has an aggregate construction floor area of approximately 442,000 square metres. The project is close to fully sold.

### ***Changsha Qin Royale***

Qin Royale is a residential and commercial development project located at Fu Yuan West Road, Kaifu District, Changsha, Hunan Province. It locates in the ecologically livable area of the government's master plan, adjacent to the administrative function centre of Kaifu District. It occupies an aggregate site area of approximately 150,000 square metres and has an aggregate construction floor area of approximately 560,000 square metres. Whilst the residential portion of the project will be developed into a quality residential community for first home buyers and upgraders, the commercial portion will be developed as an entertainment complex with a studio in the centre of the development surrounded by office buildings, hotel, shopping malls, and food and beverage facilities. The project is divided into four phases. Both the Phase I and Phase II residential development have been delivered to buyers. The first part of Phase III commercial development was opened for business in December 2018 and the remaining part commenced construction and is expected to launch pre-sale the apartment portion in the fourth quarter of 2020. Development of Phase IV residential units commenced in the second quarter of 2018 with pre-sales began in the third quarter of 2018. Part of Phase IV residential units have been delivered to buyers in the second quarter of 2020, whilst the remaining portion is expected to be delivered to buyers in the fourth quarter of 2020.

### ***Changsha Nanhu Project***

Nanhu Project is a commercial development project located in the central business district of Xiangjiang Riverbank area, south of Baisha Road, in between Xiangjiangzhong Road and Shuyuan Road, Tianxin District, Changsha, Hunan Province. The project is conveniently situated at the core of Changsha city hub, along the Xiangjiang riverbank scenic esplanade, to the eastern side of Juzizhou Island, whilst surrounded by an array of transportation options with close proximity to Metro Line No.1 and No.4 stations. It occupies an aggregate site area of approximately 22,000 square metres and has an aggregate construction floor area of approximately 179,000 square metres. The project is expected to commence construction in the second quarter of 2021 and launch presale in the second quarter of 2022 for delivery to buyers in the fourth quarter of 2024.

### ***Wuhan Enchanté Crest***

Enchanté Crest is a residential development project located at the junction of Songjiagangdong Road and Huayun Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province. It occupies an aggregate site area of approximately 61,000 square metres and has an aggregate construction floor area of approximately 180,400 square metres. This project is designed as a high-end residential community comprises low-rise apartments for first home buyers and upgraders. The project commenced in the fourth quarter of 2017 and pre-sold in the third quarter of 2018. It is expected to reach completion and delivery to buyers by the fourth quarter of 2020.

### ***Wuhan Scenery Cove***

Wuhan Scenery Cove is a residential development project located between the south of Third Ring and Fourth Ring of Wuhan, Hubei Province with close proximity to Huangjiahu University Town and the 2019 Military World Game Stadium. It is well equipped with transportation and community facilities, including the nearby Metro Line No.8 Stadium Station. It occupies an aggregate site area of approximately 62,400 square metres and has an

aggregate construction floor area of approximately 215,000 square metres. The project commenced in the second quarter of 2018 and pre-sold in the second quarter of 2019. It is expected to reach completion and delivery to buyers by the fourth quarter of 2021.

### ***Chengdu West Begonia***

West Begonia (formerly known as Qinyang Project) is a residential development project located on Wenjiajie Road in the Wanjiawan area of Qingyang District, Chengdu, Sichuan Province, within 1 kilometre radius from the Metro Line No.4 Zhongba Station and Caiqiao Station, and 2.5 kilometres from the Chengdu West Railway Station. The site is surrounded by excellent educational and medical facilities and well equipped with transportation and community facilities. It will be developed into a quality mid-rise residential community for upgraders. It occupies an aggregate site area of approximately 22,000 square metres and has an aggregate construction floor area of approximately 79,500 square metres. The project commenced in the second quarter of 2020 and pre-sale will be launched in the third quarter of 2020. It is expected to reach completion and delivery to buyers by the second quarter of 2022.

### ***Chengdu Future-Eco City***

Future-Eco City is a residential development located in the eastern new district of Dayi County, Chengdu. It is the nearest block from Dayi County to the centre of Chengdu, only 5 kilometres away from Chengdu No. 2 City Ring Expressway with rich ecological natural landscape resources. It will be developed into a quality residential community comprised of mid to high-rise residential towers with supporting retail facility. It occupies an aggregate site area of approximately 170,000 square metres and has an aggregate construction floor area of approximately 420,000 square metres. The project is divided into three phases. Phase 1 is expected to commence construction in the third quarter of 2020, launch presale in the first quarter of 2021 and deliver to buyers in the fourth quarter of 2022. The remaining phases are currently under planning.

### ***Huizhou Hallstatt See***

Hallstatt See is a large-scale residential development project located at Mai Tian Ling, Boluo County, Huizhou City, Guangdong Province with close proximity to many amenities such as golf course. Surrounded by hills and a lake of approximately 174,000 square metres. It occupies an aggregate site area of approximately 918,000 square metres and has an aggregate construction floor area of approximately 1,536,000 square metres. The project received 4A tourist attraction rating by China National Tourism Administration, and was given an award for its innovative cultural and resort real estate model in the 10th Annual Real Estate Billboard event hosted by China Commercial Real Estate Commission. The project is divided into seven phases. Development of Phase I and part of Phase II was completed and delivered to buyers. Construction of the majority of Phase II and Phase III was completed and the high rise portion of Phase II has been partially completed and delivered to buyers in the second quarter of 2020, whilst the remaining portion is expected to complete and deliver to buyers in the fourth quarter of 2020. Pre-sale of the high rise portion of Phase IV was launched in the third quarter of 2019 and it is expected to deliver to buyers in the fourth quarter of 2021. The villa portion of Phase IV has launched presale in the fourth quarter of 2019.

### ***Foshan Academic Royale***

Foshan Academic Royale is a residential development project located at Lujingdong Road, Chancheng District, Foshan, Guangdong Province. Being situated in the Guangzhou-Foshan Urban Integration Development Region, the project is located at the junction of the Central Nanhai District and Chancheng District, within half an hour drive to Guangzhou and the core districts of Foshan. It occupies an aggregate site area of approximately 42,500 square metres and has an aggregate construction floor area of approximately 214,000 square metres. The project is divided into two phases with mainly high-rise buildings. It will be developed into a high-quality high-rise residential area for first-home buyers and upgraders. Phase I commenced in the first quarter of 2017 and pre-sold in the third quarter of 2018. It is expected to be completed and delivered to buyers in the fourth quarter of 2020. Phase II commenced in the second quarter of 2018 and pre-sold in the fourth quarter of 2019. It is expected to be completed and delivered to buyers in the second quarter of 2021.

### ***Guangzhou Greenery Terrace***

Greenery Terrace is a residential development project located at Xingnan Main Road, Nancun County, Panyu District, Guangzhou within the Huanan New Town Zone in Guangdong Province. Being one of the few low-density sites located in the Huanan New Town Zone, the close proximity to Metro Line No.7 and the various developments and facilities in the Wanbo Commercial district in the near future will add tremendous value to the project. The project occupies an aggregate site area of approximately 17,300 square metres and has an aggregate construction floor area of approximately 29,000 square metres. It will be developed into a high-end low-density villa area. The project commenced development in the third quarter of 2017 and pre-sold in the third quarter of 2018. It reached completion and commenced delivery to buyers in the fourth quarter of 2019.

### ***Guangzhou Regent Heights***

Regent Heights is a residential development project located at Maogang Road, Huangpu District, Guangzhou, Guangdong Province. The project strategically positioned at the pivotal intersection between Huangpu Yuzhu Port Economic Zone and Guangzhou International Financial City, the second central business district of Guangzhou. It is conveniently located with close proximity to the planned Metro Line No.13 and equipped with quality educational, healthcare and transportation facilities. It occupies an aggregate site area of approximately 14,000 square metres and has an aggregate construction floor area of approximately 73,000 square metres. It will be developed into a mid-end quality high-rise community. The project commenced construction in the first quarter of 2020 and pre-sale was launched in the second quarter of 2020. The project is expected to be completed and delivered to buyers in the fourth quarter of 2022.

### ***Guangzhou Parc One***

Parc One is a residential development project located at Changling Road, Huangpu District, Guangzhou, Guangdong Province. It is 8 kilometres northeast to the Huangpu District municipal government office and 23 kilometres from Guangzhou International Financial City, the second central business district of Guangzhou. The project is conveniently located with close proximity to the planned Huangpu Tram Line No. 1. The district is equipped with quality educational, healthcare and transportation facilities. It occupies an aggregate site area of approximately 72,000 square metres and has an aggregate construction floor area of approximately 252,000 square metres. The project will be developed into a mid-end quality high-rise community. The project commenced construction in the third quarter of 2019 and pre-sale was launched in the second quarter of 2020. It is expected to be completed and delivered to buyers in the second quarter of 2023.

### ***Guangzhou Langyun Garden***

Langyun Garden is a residential development project located at Airport Expressway, Baiyun District, Guangzhou, Guangdong Province. The project location is 2.5 kilometres northwest to the Baiyun New Zone and 8 kilometres from the Guangzhou Railway station. It is equipped with a wide array of transportational network with easy access to the airport and the Guangzhou central district, and is situated with a well-established business atmosphere. It occupies an aggregate site area of approximately 57,000 square metres and has an aggregate construction floor area of approximately 130,000 square metres. It will be developed into a mid to high-end residential community comprised of villas and high-rise blocks. The project commenced construction in the third quarter of 2018 and pre-sold in the fourth quarter of 2019. It is expected to be completed and delivered to buyers in the fourth quarter of 2021.

### ***Shenzhen The Greenville***

The Greenville is a mixed-use development project located in Maluan Subdistrict, Pingshan District, Shenzhen, Guangdong Province, with close proximity to Pingshan Bus Station, Shenzhen Overseas Chinese Town East, as well as the Shenzhen Metro Line No.14 Shahu Station and Metro Line No.16 Pingshanwei Station, which are both currently under construction. The site is surrounded by multiple residential complexes and fully equipped with various facilities. It will be developed into a quality high-rise community for upgraders. It occupies an aggregate site area of approximately 31,000 square metres and has an aggregate construction floor area of approximately 175,000 square metres. The project is expected to commence construction in the third quarter of 2020 and pre-sale will be launched in the fourth quarter of 2020. It is expected to reach completion and delivery to buyers by the

fourth quarter of 2022.

### ***Hong Kong Yau Tong Project***

Yau Tong Project is a residential development project located at the junction of Shung Shun Street and Yan Yue Wai, Yau Tong, Kowloon, Hong Kong. With idyllic and unobstructed view of the Victoria Harbour, the development offers stylish and relaxing living environment. It occupies an aggregate site area of approximately 10,500 square metres and has an aggregate construction floor area of approximately 65,000 square metres. The project comprises four high-rise blocks with 688 units, which are mostly small to medium-sized. It aims to meet owner occupier and upgrade demand from single and expanding families. It also provides three and four-bedroom units for self-use and upgrade demand. Construction of the project commenced in the fourth quarter of 2017 with pre-sale scheduled to commence in the fourth quarter of 2020. This project is expected to complete in the first quarter of 2023.

## **SPECIALISED CONSTRUCTION**

The Group is engaged in the business of specialised construction mainly encompassing the services of design, production and installation of curtain walls system and associated metal works via Minmetals Condo (Shanghai) Construction Co., Ltd. (“Condo Shanghai”) for the PRC market and Minmetals Condo (Hong Kong) Engineering Company Limited (“Condo Hong Kong”) for the Hong Kong market. In the first half of 2020, revenue derived from this operating segment dropped 50.5% to HK\$216.1 million (30 June 2019: HK\$436.2 million) and its operating results, net of intra-group transactions, showed an operating profit of HK\$2.9 million (30 June 2019: operating loss of HK\$7.5 million).

Condo Hong Kong’s active participation in both private development and public sector over the years has earned itself positive market recognition within the construction sector, which has led to an increase in project bidding invitation. Bidding opportunities grows as several large developments including Hong Kong International Airport area, West Kowloon Culture District moving into key construction stage. However, competition has intensified as a result of curtain wall construction companies from other regions entering into the Hong Kong market. In view of the rising trend in direct and indirect costs, Condo Hong Kong implemented a relatively conservative bidding strategy and underwent tight risk management measures. In the first half of 2020, Condo Hong Kong secured new tenders amounting to approximately HK\$450 million with projects on hand amounting to approximately HK\$840 million as at 30 June 2020. Condo Shanghai has prioritised itself over operational risk management. In the first half of 2020, Condo Shanghai secured new tenders amounting to approximately RMB480 million with projects on hand amounting to approximately RMB670 million as at 30 June 2020.

## **PROPERTY INVESTMENT**

The Group’s investment property portfolio in Hong Kong comprises two commercial office buildings, namely China Minmetals Tower in Tsimshatsui and LKF 29 in Central, together with four residential units, all of which are located in Hong Kong with a total gross floor area of 15,826 square metres. The uncertain global macro environment and local social events since mid-2019 together with border control from the outbreak of the novel coronavirus epidemic since early this year resulted in a decline in tourist arrival numbers which sent further shivers to the retail and service industry. Given such harsh operating environment, both occupancy rate and rental rate generally dropped. Due to worsening market conditions, both the rental rate for newly signed contracts and the occupancy rate in LKF 29 declined which caused a 25.3% drop in rental income compared to last year, whilst China Minmetals Tower in Tsimshatsui recorded lesser decline in occupancy rate and only a slight decline in rental income by 3.9% compared to last year. In the first half of 2020, revenue from this operating segment recorded a 13.3% decline to HK\$31.2 million (30 June 2019: HK\$36.0 million). As at 30 June 2020, the occupancy rate of LKF 29 was 63.3% (31 December 2019: 85.0%) while China Minmetals Tower was 87.7% occupied (31 December 2019: 92.3%).

## ENTRUSTED ASSET MANAGEMENT

During the period under review, the Group has recorded RMB1.62 million in management fee income according to the entrusted management service agreement whereby China Minmetals entrusted the Company with the management of non-listed assets within its real estate development and construction division. The entrusted assets include real estate development and management projects in Beijing, Tianjin, Shenyang, Liaoning, Shandong, Qinghai, Jiangsu, Hunan and Guangdong.

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2020, the Group's operations were financed mainly by cash flows generated internally from business operations as well as borrowings.

As at 30 June 2020, cash and bank deposits (excluding restricted cash and bank deposits) of the Group amounted to HK\$3,556.7 million (31 December 2019: HK\$3,850.1 million).

The Group had utilised financing to supplement internal resources to finance the acquisition of new projects and the development of existing projects. As at 30 June 2020, the total borrowings and net borrowings of the Group stood at HK\$19,093.4 million and HK\$15,516.2 million respectively (31 December 2019: HK\$16,753.9 million and HK\$12,861.1 million respectively) and the net gearing ratio of net borrowings to total equity of the Group was 92.3% (31 December 2019: 79.1%).

The unutilised banking facilities of the Group as at 30 June 2020 amounted to HK\$6,553.4 million (31 December 2019: HK\$6,126.7 million).

As at 30 June 2020, the weighted average borrowing costs of the Group maintained at a low level of around 3.35% (31 December 2019: 5.02%).

The maturity profile of the Group's borrowings is as follows:

	30 June 2020		31 December 2019	
	HK\$ million	%	HK\$ million	%
Within one year	2,853.8	14.9	7,262.6	43.3
In the second year	2,320.3	12.2	2,616.4	15.6
In the third to fifth year	13,919.3	72.9	6,874.9	41.1
<b>Total</b>	<b>19,093.4</b>	<b>100.0</b>	<b>16,753.9</b>	<b>100.0</b>

The currency profile of the Group's borrowings is as follows:

	30 June 2020		31 December 2019	
	HK\$ million	%	HK\$ million	%
Renminbi	2,395.1	12.5	641.4	3.8
Hong Kong Dollar	13,414.9	70.3	12,816.2	76.5
United States Dollar	3,283.4	17.2	3,296.3	19.7
<b>Total</b>	<b>19,093.4</b>	<b>100.0</b>	<b>16,753.9</b>	<b>100.0</b>

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND INTEREST RATES**

### **Exchange Rate Risk**

The Group's principal business is located in Mainland China where external financing is denominated in Hong Kong dollar and revenue is denominated in Renminbi primarily. The Group is exposed to exchange rate risk on transactions that are denominated in a currency other than Hong Kong dollar, the reporting and functional currency of the Company. The Group has been closely monitoring the fluctuation in Renminbi exchange rate and has considered necessary measures to minimise the impact arising from adverse currency fluctuation including adjustment to the proportion of borrowings in foreign currency and utilisation of foreign exchange hedging instruments such as forward foreign exchange contracts or capped forward contracts.

### **Interest Rate Risk**

The Group is also exposed to interest rate risk resulting from fluctuation in interest rates. Most of the borrowings of the Group was on a floating rate basis and therefore, an increase in interest rate would raise the Group's interest cost. In order to mitigate the interest rate risk, the Group entered into interest rate swap contracts in which the Group would receive interest of one-month HIBOR and pay monthly interest at a fixed rate based on the notional amount of HK\$2.0 billion. As at 30 June 2020, approximately 33.3% (31 December 2019: 48.5%) of the Group's borrowings was on a fixed rate basis after hedging with the remainder on a floating rate basis.

As at 30 June 2020, save as disclosed above, the Group has not possessed any kind of financial instruments for hedging and speculative purposes.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2020, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and mortgage loan facilities to the purchasers of the Group's properties, and these pledged assets of the Group included:

- i. inventories with carrying amounts of approximately HK\$7,013,600,000 (31 December 2019: HK\$4,946,800,000); and
- ii. 100% equity interest in a subsidiary.

## **FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES**

As at 30 June 2020, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK\$3,238.2 million (31 December 2019: HK\$2,580.1 million). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. After taking into account the net realisable value of the related properties and the low default rate, the Directors consider that the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant.

## **EMPLOYEES**

The total number of staff of the Group, including the Directors, increased 6.7% to 1,003 as at 30 June 2020 (30 June 2019: 940) primarily due to an increasing team size at our real estate development projects. The Group will continue to adopt a remuneration policy in line with local market practice and standards. The total remuneration and benefits for the Directors and staff of the Group for the first half of 2020 were approximately HK\$135.4 million (30 June 2019: HK\$134.0 million).



## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

In the opinion of the Directors, throughout the six months ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviation:

1. As a variation from code provision A.2.1 of the CG Code, Mr. He Jianbo, an executive Director of the Company, serves as the Chairman of the Board. He is responsible for the overall strategic direction of the Group and management of the Board as well as organising the management for strategic planning and business operations of the Company thereby enabling more effective execution of long-term strategies. It is believed that the balance of power and authority is adequately ensured as major decisions have been made in consultation with the Board which comprises three independent non-executive Directors and a non-executive Director offering their experience, expertise, independent advice and views from different perspective.
2. Directors (save for the Chairman and the Managing Director of the Company) appointed by the Company to fill a casual vacancy are subject to election at the first annual general meeting after their appointment instead of having elected at the first general meeting as set out in code provision A.4.2 of the CG Code. Besides, every Director, including those appointed for a specific term, are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director of the Company where they are not required to do so pursuant to the private company act 1991 by which the Company was incorporated.

### **Code for Securities Transactions by Directors**

The Company has established a set of guidelines as its own “Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company” (the “Rules for Securities Transactions”) on terms no less exacting than those contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries of all Directors, they had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the six months ended 30 June 2020.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020, which have also been reviewed by the Company’s independent auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises eight directors, namely Mr. He Jianbo as the Chairman and an executive director, Mr. Liu Bo, Mr. Chen Xingwu and Mr. Yang Shangping as executive directors, Ms. He Xiaoli as a non-executive director, and Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny as independent non-executive directors.

By order of the Board  
**He Jianbo**  
*Chairman*

Hong Kong, 27 August 2020

*website: [www.minmetalsland.com](http://www.minmetalsland.com)*