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Zhongliang Holdings Group Company Limited

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2772)

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

2020 INTERIM RESULTS HIGHLIGHTS

- Contracted sales amounted to RMB67.7 billion, increased by approximately 6.3% as compared with the six months ended 30 June 2019.
- Total revenue amounted to RMB23,766.6 million, increased by approximately 15.6% as compared with the six months ended 30 June 2019.
- Core net profit attributable to owners of the Company amounted to RMB1,308.1 million, increased by approximately 6.2% as compared with six months ended 30 June 2019.
- Declared interim dividend of HK16.3 cents (equivalent to RMB14.6 cents) per share, representing 40% of the core net profit attributable to owners of the Company.
- Cash and bank balances of RMB35,021.4 million and deposits received from customers (contract liabilities) of RMB125,095.8 million as at 30 June 2020.
- Total indebtedness of RMB52,809.4 million and net gearing ratio of 69.9% as at 30 June 2020.

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of Zhongliang Holdings Group Company Limited (the “**Company**” or “**Zhongliang**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) with the comparative figures for the corresponding period in 2019:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
REVENUE	3	23,766,642	20,556,565
Cost of sales		<u>(18,404,563)</u>	<u>(15,522,059)</u>
GROSS PROFIT		5,362,079	5,034,506
Other income and gains	3	105,501	83,577
Selling and distribution expenses		(945,119)	(1,007,433)
Administrative expenses		(1,182,583)	(1,055,179)
Impairment losses on financial assets, net		(3,095)	(5,014)
Other expenses		(162,218)	(41,527)
Fair value gains on investment properties		41,176	29,093
Fair value (losses)/gains on financial assets at fair value through profit or loss		(21,221)	210
Finance income		159,055	192,294
Finance costs	4	(196,489)	(250,853)
Share of profits and losses of:			
Joint ventures		(19,648)	44,095
Associates		<u>499,394</u>	<u>169,559</u>
PROFIT BEFORE TAX	5	3,636,832	3,193,328
Income tax expense	6	<u>(1,426,678)</u>	<u>(1,294,640)</u>
PROFIT FOR THE PERIOD		<u>2,210,154</u>	<u>1,898,688</u>

		For the six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		1,205,787	1,204,108
Non-controlling interests		<u>1,004,367</u>	<u>694,580</u>
		<u>2,210,154</u>	<u>1,898,688</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>RMB0.34</u>	<u>RMB0.40</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
PROFIT FOR THE PERIOD	<u>2,210,154</u>	<u>1,898,688</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(11,808)</u>	<u>—</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(11,808)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(11,808)</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,198,346</u>	<u>1,898,688</u>
Attributable to:		
Owners of the parent	1,193,979	1,204,108
Non-controlling interests	<u>1,004,367</u>	<u>694,580</u>
	<u>2,198,346</u>	<u>1,898,688</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June	31 December
	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	94,284	117,679
Investment properties	1,595,150	1,196,550
Right-of-use assets	108,460	144,809
Intangible assets	6,714	8,128
Investments in joint ventures	3,606,510	3,240,364
Investments in associates	11,993,056	6,749,631
Prepayments, deposits and other receivables	919,746	—
Deferred tax assets	<u>3,447,339</u>	<u>2,932,066</u>
 Total non-current assets	 <u>21,771,259</u>	 <u>14,389,227</u>
CURRENT ASSETS		
Financial assets at fair value through profit or loss	410,383	290,723
Properties under development	137,665,112	128,779,890
Completed properties held for sale	7,283,954	4,140,691
Trade receivables	6,299	3,035
Due from related companies	10,822,173	9,446,200
Prepayments and other receivables	41,325,540	38,283,718
Tax recoverable	3,107,995	2,691,238
Cash and bank balances	<u>35,021,412</u>	<u>26,495,261</u>
 Total current assets	 <u>235,642,868</u>	 <u>210,130,756</u>

		30 June	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and bills payables	10	12,645,198	12,060,536
Other payables and accruals		20,745,390	19,019,087
Contract liabilities		125,095,791	115,873,077
Due to related companies		15,819,521	11,985,635
Interest-bearing bank and other borrowings		17,920,843	20,125,313
Lease liabilities		88,014	46,234
Tax payable		3,690,789	3,406,783
Provision for financial guarantee contracts		47,244	31,364
Senior notes		5,054,138	1,378,045
Other financial liabilities		93,573	92,378
		<u>201,200,501</u>	<u>184,018,452</u>
		<u>34,442,367</u>	<u>26,112,304</u>
NET CURRENT ASSETS			
		<u>56,213,626</u>	<u>40,501,531</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		27,042,777	15,860,556
Lease liabilities		42,500	100,210
Deferred tax liabilities		890,958	851,884
Senior notes		2,791,595	2,817,326
		<u>30,767,830</u>	<u>19,629,976</u>
		<u>25,445,796</u>	<u>20,871,555</u>
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital		31,450	31,450
Reserves		8,844,857	8,696,650
		<u>8,876,307</u>	<u>8,728,100</u>
		<u>16,569,489</u>	<u>12,143,455</u>
Non-controlling interests		<u>16,569,489</u>	<u>12,143,455</u>
		<u>25,445,796</u>	<u>20,871,555</u>
Total equity		<u>25,445,796</u>	<u>20,871,555</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amount of rent concession was not significant to the Group and the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that 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. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	23,760,899	20,552,417
<i>Revenue from other sources</i>		
Gross rental income	<u>5,743</u>	<u>4,148</u>
	<u>23,766,642</u>	<u>20,556,565</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of properties	23,654,596	20,413,499
Other services	<u>106,303</u>	<u>138,918</u>
Total revenue from contracts with customers	<u><u>23,760,899</u></u>	<u><u>20,552,417</u></u>
Timing of revenue recognition		
Sale of properties transferred at a point in time	22,264,902	18,245,680
Sale of properties transferred over time	1,389,694	2,167,819
Services transferred over time	<u>106,303</u>	<u>138,918</u>
Total revenue from contracts with customers	<u><u>23,760,899</u></u>	<u><u>20,552,417</u></u>
Other income and gains		
Gain on disposal of subsidiaries	1,511	29,128
Gain on disposal of a joint venture	46,852	—
Changes in provision for financial guarantee contracts	14,992	21,434
Forfeiture of deposits	4,819	11,595
Government grants	11,480	9,438
Others	<u>25,847</u>	<u>11,982</u>
	<u><u>105,501</u></u>	<u><u>83,577</u></u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings and senior notes	1,840,955	1,588,994
Interest expense arising from revenue contracts	601,919	526,582
Interest on lease liabilities	8,787	6,509
	<u>2,451,661</u>	<u>2,122,085</u>
Total interest expense on financial liabilities not at fair value through profit or loss	2,451,661	2,122,085
Less: Interest capitalised	(2,255,172)	(1,871,232)
	<u>196,489</u>	<u>250,853</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	18,118,216	15,387,074
Impairment losses recognised for properties under development	152,816	31,952
Impairment losses recognised for properties held for sale	87,684	—
Depreciation of right-of-use assets	39,418	30,863
Depreciation of items of property plant and equipment	17,851	22,761
Amortisation of intangible assets	1,461	161
Foreign exchange loss, net	88,962	—
Auditor's remuneration	4,100	3,800
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	726,662	596,231
Pension scheme contributions and social welfare	87,200	122,746

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") with a tax rate of 25%.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
CIT	1,443,832	1,299,710
LAT	481,512	505,046
Deferred tax	<u>(498,666)</u>	<u>(510,116)</u>
Total tax charge for the period	<u><u>1,426,678</u></u>	<u><u>1,294,640</u></u>

7. DIVIDENDS

The proposed 2019 final dividend of HK32.8 cents (equivalent to approximately RMB30.0 cents) per share, totalling HK\$1,175 million (equivalent to approximately RMB1,073 million), was approved by the Company's shareholders at the annual general meeting on 5 June 2020. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

On 24 August 2020, the board of directors declared an interim dividend of HK16.3 cents, equivalent to RMB14.6 cents (six months ended 30 June 2019: HK15.3 cents, equivalent to RMB13.8 cents) per ordinary share, amounting to a total of approximately HK\$583.8 million, equivalent to RMB522.9 million (six months ended 30 June 2019: HK\$548.0 million, equivalent to RMB494.3 million). The interim dividend has not been recognised as a liability at the end of the reporting period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,205,787,000 (six months ended 30 June 2019: RMB1,204,108,000), and the weighted average number of ordinary shares of 3,581,791,500 (six months ended 30 June 2019: 3,000,000,000) in issue during the period.

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	<u>6,299</u>	<u>3,035</u>

10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of reporting period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	12,456,473	11,706,261
Over 1 year	<u>188,725</u>	<u>354,275</u>
	<u>12,645,198</u>	<u>12,060,536</u>

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am hereby pleased to present to you the business review of the Group for the six months ended 30 June 2020 and its outlook for the second half of 2020.

INTERIM DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of the Company resolved to declare the payment of an interim dividend (the “**Interim Dividend**”) of HK16.3 cents per share for the six months ended 30 June 2020 (equivalent to RMB14.6 cents per share). Based on the total issued shares of the Company as at the date of the interim result announcement for 2020, the interim dividend for the six months ended 30 June 2020 amounted to approximately HK\$583.8 million (approximately RMB522.9 million).

INTERIM RESULTS

For the six months ended 30 June 2020, the Group achieved contracted sales of RMB67.7 billion, representing a year-on-year increase of 6.3% from RMB63.7 billion in the corresponding period in 2019.

The Group's revenue was RMB23,766.6 million for the six months ended 30 June 2020, representing a year-on-year increase of 15.6% over RMB20,556.6 million in the corresponding period in 2019.

The Group's net profit increased by 16.4% to RMB2,210.2 million for the six months ended 30 June 2020 from RMB1,898.7 million in the corresponding period in 2019. The Group's core net profit attributable to the owners of the Company increased by 6.2% to approximately RMB1,308.1 million for the six months ended 30 June 2020 from RMB1,232.2 million in the corresponding period in 2019.

REVIEW OF THE FIRST HALF OF 2020

Since early 2020, the outbreak of the coronavirus disease pandemic has caused a devastating blow to the global economy. The lockdowns due to the pandemic, together with the uncertainties brought by trade disputes and geopolitics, has put economic globalisation in a standstill. The world economy has been complicated and difficult.

According to the World Economic Outlook for the month of June published by the International Monetary Fund (the “**IMF**”), the global GDP in 2020 was revised down to 4.9% of retreat. However, the IMF expects China's GDP growth of this year and the following year to be 1% and 8.2%, respectively. As such, China is expected to be the only major economy that can maintain growth this year.

Amid the severe challenge from the coronavirus pandemic, China unveiled strong-handed and effective counteractive measures, which had a noticeable positive impact with respect to prevention and control of the coronavirus. Overall social and economic order resumed rapidly. However, China is currently undergoing the crucial phase of economic structural optimisation and developmental transformation. Facing risks and challenges, the China's economy is still under pressure.

As one of the pillar industries of China's economy, the real estate sector, despite facing short-term pressure, has been resilient and maintained its stable performance. Under the current industry landscape, the Group has proactively responded to government policies and real estate development trends. Since early 2020, the Group's operations continued to grow and sustained its ranking of "2020 Top 20 China Real Estate Developers" published by China Real Estate Association and E-house China R&D Institute and China Real Estate Appraisal Center.

In the first half of 2020, the Group achieved contracted sales of RMB67.7 billion, representing a year-on-year increase of 6%, while ASP increased by 18% year-on-year to approximately RMB12,500 per sq.m.. The Group's steadily increasing ASP reflected the fruitful impact from the Group's operating strategy of shifting to the second-tier and strong third-tier cities in recent years.

Upgrading land bank with higher investment emphasis in second- and third-tier cities

The Group paced its development with the industry trend and proactively scaled up its landbanking efforts in the first half of 2020.

Although the coronavirus pandemic had a temporary impact on the operating environment, the Chinese government adopted timely measures to stimulate the domestic economy and improve funding liquidity during the period, and meanwhile increased land supply. As demand and supply of the real estate market remained generally resilient and balanced, the Group remains cautiously optimistic about the land market of this year. In the first half of 2020, the Group (including its joint ventures and associated companies) made land investments aggregating to RMB39.4 billion, with a total of 56 land parcels acquired, covering a total GFA of approximately 7.4 million sq.m..

The Group made significant progress in its strategy of shifting to second- and strong third-tier cities. Land purchases in second- and third-tier cities accounted for more than 90% of the aggregate acquisition value in the first half of 2020, amongst which second-tier cities accounted for 64%, third-tier cities accounted for 27%, while fourth-tier cities only accounted for 9%. In terms of economic regions, the Yangtze River Delta remained as the main market, accounting for 56% of the aggregate acquisition value; followed by the Midwest China, accounting for 19%; while the Pan-Bohai Rim, the West Taiwan Strait and the Pearl River Delta accounted for 15%, 8% and 1%, respectively. The leading cities ranked by land acquisition value are Hangzhou, Hefei, Tianjin, Suzhou, Wenzhou and Chongqing.

In the first half of 2020, the Group adhered to its investment strategy of vertical penetration and horizontal expansion, enhancing exposure in higher-tier cities. The Group continued to adopt public channels and mergers and acquisitions for land acquisition, and to achieve nationwide coverage for land reserve. The Group's land banking efforts will ensure an adequate saleable supply of resources for future sales growth.

Improving financing structure with lower interest costs

Since Listing, the Group has strived to improve its debt structure by developing offshore and onshore financing channels and enhancing its overall financing capabilities.

In the first half of the year, the Group raised an aggregate of US\$670 million in offshore notes and loans, which further improved its liquidity. Domestically, the Group made good progress in the application of Renminbi receivables asset-backed securities and supply chain financing. The Group further reduced its average interest cost to 8.9% as at 30 June 2020. Such a decrease in interest cost was mainly due to the Group's effort in securing new financing sources, improving onshore liquidity and more emphasis being put in high-tier cities with lower funding costs for development projects.

International and domestic credit rating agencies continued to endorse the Group's strong sales execution, nationwide coverage, shifting to higher-tier cities and improving debt structure. Despite that international credit rating agencies have assigned negative rating actions against various China real estate developers since early 2020, credit ratings of Zhongliang remained stable and consistent. During the first half of the year, the Group's ratings granted by Moody, S&P and Fitch were "B1", "B+" and "B+", respectively and overall outlook maintained as "stable". In February 2020, the Group also obtained "BB" issuer rating with "stable" outlook by Lianhe Ratings Global. Domestically, the Group maintained its "AA+" onshore credit rating with "stable" outlook from United Credit.

Organisational optimisation with improving efficiency

The Group completed its nationwide regional organisation and realignment last year. This year, the Group continued to optimise its organisational structure. In the first half of this year, the Group continued to upgrade its operation mechanism. The Group introduced new management incentive instruments, including the granting of share options to certain management executives in July, with a view to create and align corporate values with the management team. Based on its "people first" principle, the Group has proactively implemented mechanism for enhancing talent structure, in order to consolidate personnel reserves and nurturing young management executives.

Enhancing branding and corporate responsibilities

Along with its business expansion, the Group continued to improve its branding and corporate influence in the sector. This April, the Group has upgraded its product standings, from previous series of the “Shanti”「香」, “Glory”「御」 and “Royal”「國」 promoted to the “Star and Sea”「星海」, “Mansion”「拾光」 and “Metropolis”「鑒金」 series. All such initiatives are targeted to meet the growing housing needs in the new era, along with improving the product competitiveness of the Group.

The Group also actively integrates social responsibilities into its corporate development. “Zhongliang Book Reading” is a charity project launched by the Group in response to the national policy to promote youth education and children reading. In 2020, the Group expanded the coverage of “Zhongliang Book Reading” project to new provinces and cities in Yunnan, Tibet and Xinjiang and helped schools in remote areas or in need to build libraries.

During the period, to help fight against the coronavirus pandemic in China, the Group made monetary and surgical masks donation to Wuhan Charity Foundation to support the medical frontline in Wuhan. Together with the China Youth Publishing Group, the Group also donated more than 90,000 periodicals to Wuhan, to provide support for medical workers and patients.

This summer, a hazardous flooding took place along the Yangtze River and the flood control work was difficult. The Group donated cash to support disaster relief activities, provided relief supplies to the frontline rescue workers, and actively helped affected farmers to resolve the difficulties arising from selling their agricultural products.

OUTLOOK

With the pandemic prevention and control measures becoming the norm, the Sino-US disputes and other uncertainties, the global economy is trending downwards in the second half of the year. Global financial markets are expected to be volatile in the near future. On the other hand, China’s key economic indicators in the second quarter promptly turned positive, showing the resilience and vitality of its economic development, causing healthy increase in consumer confidence and housing demand.

In 2020, the Chinese Government Report once again reiterated the policy requirements of “homes are for living, not for speculation” and “differentiated policies for individual cities”, and “promoting stable and healthy development of the real estate market”. Such policy tones mean for a long period of time, China’s real estate market will have the attributes of both “market differentiation” and “macro-control measures”.

Despite the interruption by the pandemic in the first half of this year, the Group remains cautiously optimistic about the industry prospect for the year. The pandemic only postpones consumers’ schedule for housing purchases. In the second quarter, the Group has already achieved a recovery in the contracted sales. Given that the Group has an abundant supply of saleable resources evenly distributed throughout the year and geographically diversified in different regions, the Group is confident to fulfill contracted sales target of RMB168 billion this year.

Though there still exists uncertainties in the external environment, the Group has always insisted on maintaining balance between stable development, profitability and gearing level to achieve a steady and healthy development. In future, the Group will continue to emphasise coverage in key metropolitan cities across the nation to diversify risk arising from regional economic and policy fluctuations, and stress on sell-through and cash collection. Meanwhile, the Group will prudently manage its cash flow, control its gearing level and improve debt structure. The Group anticipates to maintain its stable dividend payout policy. In future, we are confident to sustain considerable returns for our shareholders.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express my sincere gratitude for all staff members for their hard work, and Shareholders and business partners for their supports, especially during the difficult time of the pandemic.

Yang Jian

Chairman

Hong Kong, 24 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	For the six months ended		
	30 June		Change in
	2020	2019	percentage
Contracted sales			
Contracted sales (RMB billion)	67.7	63.7	+6.3%
Contracted GFA sold (sq.m.)	5,410,700	6,026,900	-10.2%
Contracted ASP (RMB/sq.m.)	12,513	10,565	+18.4%
Selected financial information			
Revenue (RMB million)	23,766.6	20,556.6	+15.6%
Gross profit (RMB million)	5,362.1	5,034.5	+6.5%
Profit for the period attributable to owners of the Company (RMB million)	1,205.8	1,204.1	+0.1%
Core net profit attributable to the owners of the Company (RMB million)	1,308.1	1,232.2	+6.2%
Gross profit margin (%)	22.6	24.5	
Core net profit margin (%)	5.5	6.0	
Earnings per share (basic) (RMB cents)	34	40	
Core earnings per share (basic) (RMB cents)	37	41	
	As at	As at	
	30 June	31 December	Change in
	2020	2019	percentage
Total assets (RMB million)	257,414.1	224,520.0	+14.7%
Cash and bank balances (RMB million)	35,021.4	26,495.3	+32.2%
Total indebtedness (RMB million)	52,809.4	40,181.2	+31.4%
Total equity (RMB million)	25,445.8	20,871.6	+21.9%
Equity attributable to owners of the Company (RMB million)	8,876.3	8,728.1	+1.7%
Net gearing ratio (%)	69.9	65.6	
Weighted average cost of indebtedness (%)	8.9	9.4	

PROPERTY DEVELOPMENT

Contracted Sales

During the six months ended 30 June 2020, the Group achieved contracted sales of RMB67.7 billion, of which RMB47.3 billion was contributed by its subsidiaries and RMB20.4 billion was contributed by its joint ventures and associates. The Group's contracted sales increased by approximately 6.3% from RMB63.7 billion for the six months ended 30 June 2019. Despite of the impact of coronavirus pandemic on contracted sales in the first quarter, the Group's contracted sales recovered sharply since April due to prompt control of the pandemic, resumption of economic order by the Chinese government and more saleable projects fulfilling pre-sale requirements in the second quarter.

For the six months ended 30 June 2020, the Group's contracted sales of approximately 5,410,700 sq.m. in GFA, representing a decrease of 10.2% from approximately 6,026,900 sq.m. over the corresponding period of last year. The Group's contracted ASP for the period was RMB12,513 per sq.m., representing an increase from RMB10,565 per sq.m. in the corresponding period of last year. The increase in ASP was mainly due to the result of the Group's strategy of shifting to the second-tier and strong third-tier cities in recent years.

By City

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Wenzhou	11,064,599	16.3	522,116	21,192
Hangzhou	4,253,199	6.3	136,138	31,242
Jinhua	3,346,518	4.9	196,710	17,012
Lishui	2,929,877	4.3	133,464	21,953
Ningbo	2,585,495	3.8	116,574	22,179
Wuxi	2,017,924	3.0	126,397	15,965
Changzhou	1,551,149	2.3	108,944	14,238
Luoyang	1,423,625	2.1	129,788	10,969
Hefei	1,300,866	1.9	95,630	13,603
Suqian	1,291,387	1.9	148,268	8,710
Suzhou (蘇州)	1,264,375	1.9	56,247	22,479
Taizhou (台州)	1,152,514	1.7	99,828	11,545
Chongqing	1,060,425	1.6	135,054	7,852
Xi'an	1,012,247	1.5	87,654	11,548
Huzhou	1,006,235	1.5	69,629	14,451
Nanyang	967,356	1.4	107,946	8,961
Xuzhou	937,065	1.4	30,967	30,260
Dalian	740,160	1.1	68,648	10,782
Yancheng	730,785	1.1	76,820	9,513
Cangzhou	694,036	1.0	89,282	7,774
Yiwu	678,414	1.0	19,273	35,200
Anqing	663,855	1.0	73,612	9,018
Changsha	663,198	1.0	82,026	8,085

	Contracted sales <i>(RMB'000)</i>	% of total contracted sales <i>(%)</i>	Contracted GFA <i>(sq.m.)</i>	Contracted ASP <i>(RMB/sq.m.)</i>
Weifang	624,837	0.9	71,727	8,711
Fuyang	609,529	0.9	66,244	9,201
Yantai	555,852	0.8	43,240	12,855
Pingxiang	530,242	0.8	75,416	7,031
Huangshi	519,389	0.8	62,255	8,343
Lu'an	499,284	0.7	62,283	8,016
Nanjing	492,671	0.7	21,713	22,690
Zhuji	492,054	0.7	32,285	15,241
Baotou	488,200	0.7	56,818	8,592
Yiyang	415,536	0.6	62,619	6,636
Jinan	411,604	0.6	51,129	8,050
Jining	410,513	0.6	37,681	10,894
Quanzhou	408,789	0.6	30,187	13,542
Jinjiang	393,467	0.6	47,356	8,309
Baoshan	392,493	0.6	62,063	6,324
Ningde	390,420	0.6	39,564	9,868
Kunming	385,282	0.6	43,411	8,875
Xuancheng	383,922	0.6	52,478	7,316
Zhaotong	374,344	0.5	41,272	9,070
Fuzhou (福州)	374,178	0.5	23,406	15,986
Shenyang	362,413	0.5	22,930	15,805
Wuhan	349,540	0.5	28,346	12,331
Binzhou	342,392	0.5	44,229	7,741
Xiamen	341,159	0.5	33,064	10,318
Jingjiang	328,988	0.5	20,751	15,854
Zigong	322,710	0.5	38,510	8,380
Yichang	313,654	0.5	41,367	7,582
Zhangzhou	311,838	0.5	16,481	18,921
Guangde	311,378	0.5	34,353	9,064
Dali	305,113	0.5	23,096	13,211
Fuqing	298,583	0.4	25,651	11,640
Yangzhou	289,122	0.4	16,706	17,306
Zhoushan	287,070	0.4	16,122	17,806
Guigang	277,040	0.4	42,852	6,465
Chengdu	276,171	0.4	10,429	26,481
Ezhou	270,959	0.4	32,047	8,455
Loudi	269,018	0.4	45,242	5,946
Fanchang	267,531	0.4	34,861	7,674
Chizhou	267,283	0.4	32,535	8,215
Chifeng	263,072	0.4	23,317	11,282
Ankang	256,803	0.4	39,446	6,510
Ganzhou	253,033	0.4	28,847	8,772
Jiangmen	252,131	0.4	26,798	9,409
Tangshan	249,856	0.4	26,306	9,498
Bengbu	244,589	0.4	32,882	7,438
Xuchang	243,862	0.4	35,667	6,837

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Zunyi	243,301	0.4	36,423	6,680
Chuxiong	239,638	0.3	47,370	5,059
Jiangyou	236,815	0.3	47,025	5,036
Nanchang	236,611	0.3	23,443	10,093
Tianjin	231,535	0.3	17,674	13,100
Changshu	220,314	0.3	13,324	16,535
Jiyuan	217,592	0.3	22,007	9,887
Shengzhou	210,485	0.3	16,898	12,456
Weihai	203,816	0.3	21,993	9,267
Dongyang	188,783	0.3	18,936	9,970
Jiaxing	179,133	0.3	10,747	16,668
Xiangyang	177,079	0.3	21,978	8,057
Shangrao	173,520	0.3	16,312	10,638
Quzhou	168,720	0.2	12,535	13,460
Tianshui	165,896	0.2	24,811	6,686
Tongchuan	162,550	0.2	23,191	7,009
Weihui	141,873	0.2	24,698	5,744
Taishun	137,577	0.2	14,046	9,795
Shangqiu	134,879	0.2	20,413	6,608
Chenzhou	129,797	0.2	23,172	5,601
Zibo	126,173	0.2	24,835	5,080
Nantong	124,697	0.2	13,012	9,583
Qingdao	123,847	0.2	11,368	10,894
Xinxiang	123,224	0.2	20,191	6,103
Huaian	122,368	0.2	14,446	8,471
Maoming	120,495	0.2	14,628	8,237
Dazhou	119,477	0.2	5,864	20,375
Zhaoqing	114,106	0.2	13,764	8,290
Wuhu	112,274	0.2	15,293	7,342
Laixi	111,050	0.2	13,408	8,282
Zhuzhou	109,125	0.2	18,107	6,027
Changde	107,058	0.2	18,448	5,803
Chaozhou	107,049	0.2	17,960	5,960
Nanning	103,997	0.2	10,292	10,105
Heyuan	95,700	0.2	10,202	9,381
Bozhou	93,815	0.2	15,219	6,164
Pu'er	93,784	0.1	11,989	7,823
Changge	86,705	0.1	15,379	5,638
Chaohu	80,484	0.1	7,868	10,229
Xinyang	79,049	0.1	8,904	8,878
Pingliang	77,498	0.1	9,440	8,210
Sanming	75,950	0.1	5,119	14,837
Longyan	75,398	0.1	8,514	8,856
Enshi	74,750	0.1	13,904	5,376
Jiujiang	74,462	0.1	9,502	7,836
Meishan	72,714	0.1	11,081	6,562

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Bijie	71,021	0.1	11,755	6,042
Huanggang	70,090	0.1	9,779	7,167
Yinchuan	66,781	0.1	5,751	11,612
Guiyang	65,292	0.1	5,546	11,773
Qinzhou	64,215	0.1	11,759	5,461
Linfen	63,295	0.1	8,020	7,892
Liaocheng	61,998	0.1	3,167	19,576
Suizhou	59,827	0.1	10,531	5,681
Beihai	59,613	0.1	12,116	4,920
Hanshan	51,800	0.1	7,548	6,863
Tongling	47,311	0.1	8,691	5,444
Yueyang	46,240	0.1	6,052	7,640
Jiaozuo	45,779	0.1	8,580	5,336
Liuzhou	40,394	0.1	2,481	16,281
Yuzhou	40,001	0.1	6,932	5,770
Suining	34,898	0.1	4,806	7,261
Others*	366,664	*	24,417	15,017
	<u>67,703,600</u>	<u>100.0</u>	<u>5,410,661</u>	12,513

* Includes 24 cities of which individual contracted sales accounted for less than 0.1% of the total contracted sales.

By region

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Yangtze River Delta	43,000,976	63.5	2,604,260	16,512
Midwest China	14,948,358	22.1	1,818,399	8,221
Pan-Bohai Rim	5,289,599	7.8	548,356	9,646
Western Taiwan Straits	3,745,816	5.5	352,155	10,637
Pearl River Delta	<u>718,851</u>	<u>1.1</u>	<u>87,491</u>	8,216
	<u>67,703,600</u>	<u>100.0</u>	<u>5,410,661</u>	12,513

By city tier

	Contracted sales <i>(RMB'000)</i>	% of total contracted sales <i>(%)</i>	Contracted GFA <i>(sq.m.)</i>	Contracted ASP <i>(RMB/sq.m.)</i>
Second-tier cities	29,737,918	43.9	1,732,240	17,167
Third-tier cities	30,586,825	45.2	2,735,797	11,180
Fourth-tier cities	<u>7,378,857</u>	<u>10.9</u>	<u>942,624</u>	7,828
	<u><u>67,703,600</u></u>	<u><u>100.0</u></u>	<u><u>5,410,661</u></u>	12,513

Completed properties held for sale

Completed properties held for sale represents completed GFA remaining unrecognised at the end of each reporting period and are stated at the lower of cost and net realisable value. Cost of the completed properties held for sale refers to the related costs incurred attributable to the unsold properties.

As at 30 June 2020, the Group had 100 completed property projects and completed properties held for sale of RMB7,284.0 million, representing an increase of 75.9% from RMB4,140.7 million as at 31 December 2019.

Projects under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost, which comprises land costs, construction costs, capitalised interests and other costs directly attributable to such properties incurred during the development period, and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 30 June 2020, the Group had 262 projects under development and properties under development of RMB137,665.1 million, representing an increase of 6.9% from RMB128,779.9 million as at 31 December 2019.

Land bank

During the six months ended 30 June 2020, there were a total of 56 newly acquired land parcels with a total planned GFA of approximately 7.4 million sq.m. The average cost of land parcels acquired (excluding carparks) was approximately RMB5,288 per sq.m..

No.	City	Project	Site area (sq. m.)	Planned GFA (excluding car parks) (sq. m.)	Total consideration (RMB '000)	Average land cost (excluding car parks) (RMB/sq. m.)
1	Quzhou	No. 2017-3, Huayuan Street, Kecheng District, Quzhou	43,329	73,659	396,500	5,383
2	Xiangyang	Lot 2 of Huahua Avenue, Fancheng District, Xiangyang	5,517	12,138	28,966	2,386
3	Jingzhou	No. 034 (2019), Gong'an County, Jingzhou	44,367	110,917	190,800	1,720
4	Huaian	Plot on the east side of Heyi Road, Higher Education Park, Huaian	68,362	150,397	353,800	2,352
5	Jining	Block C of Lukang North Plant	30,716	61,433	198,430	3,230
6	Hangzhou	Plot 212, Future Science and Technology City, Yuhang District, Hangzhou	97,535	214,577	4,901,540	22,843
7	Xiangyang	Plot No. [2019] 86 High-tech zone, Xiangyang	29,496	79,639	267,692	3,361
8	Shangrao	Plot DEA2019159 in Shangrao City Center	53,928	129,427	712,500	5,505
9	Maanshan	Plot No. [2019] 16, Western Section in National Land, Hanshan	43,698	74,287	128,472	1,729
10	Ningbo	Plots on the north side of Shunyu Road and the west side of Jinsheng North Road in Yuyao City, Ningbo	41,533	124,599	293,754	2,358
11	Wenzhou	Plot YB-04-H-03, Longshui Unit, Yongqiang North Area, Wenzhou	57,018	150,528	1,104,300	7,336
12	Wenzhou	Plots T8-2-4-1 and T8-1-11 in Tangxia, Ruian City, Wenzhou	56,885	154,838	946,109	6,110
13	Jiangmen	JCR2020-13 (Xinhui 05), Jiangmen	29,911	74,777	515,520	6,894
14	Yongzhou	Intersection plot of South Shundi Road and Hibiscus Road, New Town, Ningyuan County, Yongzhou	48,643	150,793	120,000	796
15	Chengdu	147-acre Bai He Plot, Longquanyi District, Chengdu	98,084	176,552	1,200,552	6,800
16	Hefei	Lot south of Jiganghuai Road and east of Yucai Road, Changfenggang, Hefei	62,635	112,743	627,590	5,567
17	Wuxi	Plot B, Qingfeng, Liangxi District, Wuxi	27,099	46,068	613,800	13,324
18	Qingdao	Plot on Shilin 3rd Road, Jimo District, Qingdao	106,628	213,256	869,231	4,076
19	Xian	Plots XXFD-JM02-135 & 139 (commercial) in Fengdong New Town, Xixian New District, Xi'an	65,529	163,383	691,000	4,229
20	Hefei	Plot JK202001 by Nanyan Lake, Hefei Economic and Technological Development Zone, Hefei	133,078	266,155	2,724,764	10,238
21	Nanyang	Plot G2019-96 in Nanyang Hi-tech Industrial Development Zone, Nanyang	48,974	122,434	424,990	3,471
22	Tianjin	Plot J.B.K.(G.)2019-5 in Binhai New Area, Tianjin	46,030	129,122	1,352,800	10,477
23	Yancheng	Plot DH2019-24 in Crystal Town, Donghai County	60,678	133,492	443,980	3,326
24	Zaozhuang	Plot 1 to the west of Fuyuan 2nd Road, Zaozhuang National High-tech Industrial Development Zone, Zaozhuang	69,866	153,705	429,700	2,796
25	Tianjin	Plot J.B.B.(G.)2019-19 in Tianjin Airport Economic Zone, Tianjin	103,962	166,340	1,920,000	11,543
26	Chizhou	Plots 2020-1 and 2020-2 in Nanxin District, Qingyang County	75,279	150,558	342,200	2,273
27	Changsha	Plot 2020-005 in Wangcheng District, Changsha	92,118	276,353	552,770	2,000
28	Chongqing	Plot K1-9-1/07 in Zone K, Nanping Group, Nan'an District, Chongqing	103,501	207,002	1,331,020	6,430
29	Wuxi	Plot 3, Huishan Chengtie Business District, Wuxi	15,020	39,051	256,000	6,556
30	Suzhou	North Lot of Shazhou West Road, Zhangjiagang, Suzhou	54,494	108,989	962,190	8,828
31	Guigang	Plot 2019G-131, Jianshe Road, Gangbei District, Guigang	32,760	131,038	200,200	1,528
32	Suzhou	Plots north of Fengyang Road and west of Shengtang Road, Yangchenghu Town, Suzhou	49,035	88,263	781,480	8,854
33	Taian	Lot 2019-42, Tianping Lake Area, Western area of Taian	65,000	130,000	402,740	3,098
34	Putian	Lot 2020-01 in Xialinzhongtan, PS bid, South area of Putian	41,857	92,685	794,000	8,567
35	Hohhot	Lot 2020003, West of Central Yulong Road, Yuquan District, Hohhot	35,656	71,311	182,377	2,557
36	Taizhou	Lot Xiayangyan, Dayang Subdistrict, Linhai, Taizhou	37,264	81,981	651,000	7,941
37	Chongqing	Lot J04 by Longquan Corporation, Renhe Zutuan, Liangjiang New Area, Chongqing	12,400	37,200	206,000	5,538
38	Maanshan	Lot at the southeastern corner, intersection of Yuanqiao Road and No. 1 Guihua Road, Huashan District, Ma' anshan	90,056	198,123	576,000	2,907
39	Huangshan	Lot in the southwestern side of Hengjiang Bridge, Central Huangshan	34,755	62,559	286,691	4,583
40	Handan	Lot No. HD-2020-03-1, Fuxing District, Handan	73,012	197,133	378,000	1,917

No.	City	Project	Site area (sq. m.)	Planned GFA (excluding car parks) (sq. m.)	Total consideration (RMB '000)	Average land cost (excluding car parks) (RMB/sq. m.)
41	Nanping	Lot 2020-J-WY-03, Wuyi New Area, Nanjing	41,737	75,125	285,000	3,794
42	Nantong	Plot on the east side of Wanshou South Road, Chengnan Plate, Rugao City	76,482	183,557	923,900	5,033
43	Ningbo	Plot CC09-01-16a, CC09-01-16b in Jiangbei District, Ningbo	48,784	75,311	518,142	6,880
44	Xinyang	Plot WG2020-304 of Xinyang High-tech Zone	95,855	239,636	411,980	1,719
45	Yongzhou	Lot C-29, Lengshuitan District, Yongzhou	35,152	123,032	192,456	1,564
46	Bengbu	Bengbu Bengshan Bengshan (2019) No. 65	123,251	246,502	627,420	2,545
47	Liyang	Block AB, North of Anshun Gas, Yanshan New District, Liyang	89,426	160,967	967,800	6,012
48	Zhangzhou	Changfu Lot No. 2020P07 in Chengdong District of Zhangzhou	82,551	214,632	1,396,000	6,504
49	Suzhou	Land plot on the east side of Shuangze Road, south of Zhenze South Road, Zhenze Town, Wujiang District, Suzhou	84,020	140,692	535,206	3,804
50	Hefei	Lot CF202009, Shuangdun Town, Changfeng County	44,405	79,929	480,258	6,009
51	Yuxi	Plot No. 06-1, YXTC (2006), Hongta District, Yuxi	49,450	98,900	533,000	5,389
52	Jieshou	Lot No. 2020-17.18 in Jieshou Old Town	78,172	156,345	312,261	1,997
53	Changde	Plot No. 3 of Furong New City, Changtu Net, Wuling District, Changde	106,998	288,007	681,000	2,365
54	Wenzhou	Plot of Urban Village Reconstruction Project of Rentian Village, Qiaotou Town, Yongjia County, Wenzhou	30,100	90,300	394,670	4,371
55	Wenzhou	Block B-14, Nanhu Lake, Chabai Area, Wenzhou	43,726	122,869	1,656,370	13,481
56	Wenzhou	Public transfer part of Lot 05-01, Xincheng West Unit, Ruian	6,882	36,634	121,006	3,303
			<u>3,322,699</u>	<u>7,449,943</u>	<u>39,395,927</u>	5,288

As at 30 June 2020, the total land bank attributable to the Group, taking into account the total land bank of projects developed by subsidiaries, joint ventures and associates, was approximately 54.2 million sq.m., among which, approximately 8.0 million sq.m. were completed properties available for sale/leasable and approximately 46.2 million sq.m. were under development or for further development.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group derived its revenue from (i) sales of properties; (ii) other services; and (iii) rental income from property leasing. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the breakdown of the Group's revenue recognised by business line for the periods indicated:

	For the six months ended		Change in percentage
	30 June 2020 (RMB'000)	2019 (RMB'000)	
Revenue			
Sales of properties	23,654,596	20,413,499	+15.9%
Other services	106,303	138,918	-23.5%
Rental income	<u>5,743</u>	<u>4,148</u>	+38.5%
Total	<u>23,766,642</u>	<u>20,556,565</u>	+15.6%

In the first half of 2020, the Group's property construction and delivery schedule was severely impacted due the coronavirus pandemic. Despite under pressure from property delivery, the Group still managed to recognise an increase in the total recognised GFA by approximately 53.2% to 2,782,571 sq.m. for the six months ended 30 June 2020 from 1,816,690 sq.m. in the previous corresponding period. The impact of increased recognised GFA was offset partially by the decrease in recognised ASP by approximately 24.3% to RMB8,501 per sq.m. in the six months ended 30 June 2020 from RMB11,237 per sq.m. in the previous corresponding period. During the Period, the decrease in recognised ASP was due to decrease in proportion of recognised revenue contributed from the Yangtze River Delta which generally had higher ASP.

Revenue recognised from sales of properties

Revenue generated from the sales of properties amounted to RMB23,654.6 million for the six months ended 30 June 2020.

	For the six months ended 30 June 2020			
	Revenue	% of total	Recognised	Recognised
	(RMB'000)	revenue	GFA	ASP
		(%)	(sq.m.)	(RMB/sq.m.)
Yangtze River Delta				
Wenzhou	4,405,055	18.6	288,959	15,245
Taizhou	1,534,184	6.5	119,192	12,872
Wuxi	987,200	4.2	85,776	11,509
Huzhou	795,769	3.4	65,712	12,110
Chizhou	779,564	3.3	92,215	8,454
Others	<u>3,001,934</u>	<u>12.7</u>	<u>400,461</u>	<u>7,496</u>
Subtotal	<u>11,503,706</u>	<u>48.7</u>	<u>1,052,315</u>	<u>10,932</u>
Midwest China				
Ningde	1,303,923	5.5	170,005	7,670
Dazhou	1,210,473	5.1	173,083	6,994
Mianyang	614,612	2.6	82,636	7,438
Xinyang	481,843	2.0	69,741	6,909
Kunming	480,808	2.0	82,903	5,800
Others	<u>2,408,829</u>	<u>10.2</u>	<u>389,207</u>	<u>6,189</u>
Subtotal	<u>6,500,488</u>	<u>27.4</u>	<u>967,575</u>	<u>6,718</u>

For the six months ended 30 June 2020

	Revenue (RMB'000)	% of total revenue (%)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Pan-Bohai Rim				
Linyi	965,932	4.1	101,068	9,557
Yantai	842,601	3.6	137,438	6,131
Binzhou	523,822	2.2	81,861	6,399
Others	<u>94,869</u>	<u>0.4</u>	<u>12,647</u>	<u>7,501</u>
Subtotal	<u>2,427,224</u>	<u>10.3</u>	<u>333,014</u>	<u>7,289</u>
Western Taiwan Straits				
Shangrao	1,247,725	5.3	195,981	6,367
Ganzhou	1,167,341	4.9	129,125	9,040
Zhangzhou	511,317	2.2	61,808	8,273
Others	<u>286,090</u>	<u>1.2</u>	<u>41,055</u>	<u>6,968</u>
Subtotal	<u>3,212,473</u>	<u>13.6</u>	<u>427,969</u>	<u>7,506</u>
Pearl River Delta	<u>10,705</u>	<u>*</u>	<u>1,698</u>	<u>6,304</u>
Total	<u><u>23,654,596</u></u>	<u><u>100.0</u></u>	<u><u>2,782,571</u></u>	<u><u>8,501</u></u>

* less than 0.1%

For the six months ended 30 June 2019

	Revenue (RMB'000)	% of total revenue (%)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Yangtze River Delta				
Wenzhou	1,754,890	8.6	143,463	12,232
Ningbo	1,296,358	6.3	122,009	10,625
Suzhou	51,706	0.3	3,367	15,357
Shaoxing	47,499	0.2	6,118	7,764
Taizhou	3,099,525	15.2	247,486	12,524
Hangzhou	62,795	0.3	4,600	13,651
Others	<u>10,843,444</u>	<u>53.1</u>	<u>887,042</u>	<u>12,224</u>
Subtotal	<u>17,156,217</u>	<u>84.0</u>	<u>1,414,085</u>	<u>12,132</u>
Midwest China				
Dazhou	52,437	0.3	7,870	6,663
Kunming	83,971	0.4	9,536	8,806
Changsha	7,334	*	1,407	5,213
Others	<u>558,775</u>	<u>2.7</u>	<u>75,446</u>	<u>7,406</u>
Subtotal	<u>702,517</u>	<u>3.4</u>	<u>94,259</u>	<u>7,453</u>
Pan-Bohai Rim				
Yantai	3,205	*	502	6,384
Linyi	10,466	0.1	1,014	10,321
Others	<u>75,643</u>	<u>0.4</u>	<u>10,502</u>	<u>7,203</u>
Subtotal	<u>89,314</u>	<u>0.5</u>	<u>12,018</u>	<u>7,432</u>
Western Taiwan Straits				
Ganzhou	695,637	3.4	65,915	10,554
Ningde	55,091	0.3	7,058	7,805
Jiujiang	13,672	0.1	1,772	7,716
Others	<u>1,681,693</u>	<u>8.2</u>	<u>218,834</u>	<u>7,685</u>
Subtotal	<u>2,446,093</u>	<u>12.0</u>	<u>293,579</u>	<u>8,332</u>
Pearl River Delta				
	<u>19,358</u>	<u>0.1</u>	<u>2,749</u>	<u>7,042</u>
Total	<u>20,413,499</u>	<u>100.0</u>	<u>1,816,690</u>	<u>11,237</u>

* less than 0.1%

Cost of sales

The Group's cost of sales increased by approximately 18.6% from RMB15,522.1 million for the six months ended 30 June 2019 to RMB18,404.6 million for the six months ended 30 June 2020. This increase was generally in line with the increase in the Group's total revenue.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 6.5% from RMB5,034.5 million for the six months ended 30 June 2019 to RMB5,362.1 million for the six months ended 30 June 2020.

The Group's gross profit margin softened from 24.5% for the six months ended 30 June 2019 to 22.6% for the six months ended 30 June 2020, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the Period.

Other income and gains

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries and joint venture; (ii) forfeiture of deposits; (iii) government grants; and (iv) others, which mainly include sundry income. The Group's other income increased by approximately 26.2% from RMB83.6 million for the six months ended 30 June 2019 to RMB105.5 million for the six months ended 30 June 2020.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 6.2% from RMB1,007.4 million for the six months ended 30 June 2019 to RMB945.1 million for the six months ended 30 June 2020. During the Period, the Group incurred less selling and distribution expenses as there was a slow-down in marketing activities and less promotional expenses budget due to the impact of the coronavirus pandemic.

Administrative expenses

The Group's administrative expenses increased by approximately 12.1% from RMB1,055.2 million for the six months ended 30 June 2019 to RMB1,182.6 million for the six months ended 30 June 2020, primarily due to the increase in administrative expenses as a result of the Group's business expansion.

Finance income

The Group's finance income, which mainly represents bank interest income, decreased by approximately 17.3% from RMB192.3 million for the six months ended 30 June 2019 to RMB159.1 million for the six months ended 30 June 2020.

Finance costs

The Group's finance costs decreased by approximately 21.7% from RMB250.9 million for the six months ended 30 June 2019 to RMB196.5 million for the six months ended 30 June 2020.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2020 was approximately RMB2,451.7 million, representing an increase of 15.5% from RMB2,122.1 million for the six months ended 30 June 2019. The increase in finance cost was due to the increase in bank and other borrowings.

The Group's weighted average cost of indebtedness for the Period was approximately 8.9% (31 December 2019: approximately 9.4%).

Share of losses/profits of joint ventures

The Group recorded share of profits of joint ventures accounted for using the equity method of RMB44.1 million for the six months ended 30 June 2019 and share of losses of joint ventures of RMB19.6 million for the six months ended 30 June 2020, primarily due to an increase in the Group's relevant expenses shared resulting from the increased property projects held by its new joint ventures.

Share of profits of associates

The Group's share of profits of associates increased by approximately 194.5% from RMB169.6 million for the six months ended 30 June 2019 to RMB499.4 million for the six months ended 30 June 2020, primarily due to the increase in delivery of property projects held by the Group's associates during the six months ended 30 June 2020.

Profit before tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax increased by approximately 13.9% from RMB3,193.3 million for the six months ended 30 June 2019 to RMB3,636.8 million for the six months ended 30 June 2020.

Income tax expense

The Group's income tax expense comprises provisions made for corporate income tax and land appreciation tax in the PRC less deferred tax during the period.

The Group's income tax expense increased by approximately 10.2% from RMB1,294.6 million for the six months ended 30 June 2019 to RMB1,426.7 million for the six months ended 30 June 2020.

Profit and core net profit for the period attributable to the owners of the Company

As a result of the aforementioned changes of the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 0.1% from RMB1,204.1 million for the six months ended 30 June 2019 to RMB1,205.8 million for the six months ended 30 June 2020.

The Group's core net profit for the period attributable to the owners of the Company increased by approximately 6.2% from RMB1,232.2 million for the six months ended 30 June 2019 to RMB1,308.1 million for the six months ended 30 June 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations including proceeds from sale and pre-sale of properties, proceeds from bank and other borrowings, capital contribution from non-controlling shareholders and other financings. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of indebtedness.

Net current assets

As at 30 June 2020, the Group's net current assets amounted to RMB34,442.4 million (31 December 2019: RMB26,112.3 million). Specifically, the Group's total current assets increased by approximately 12.1% from RMB210,130.8 million as at 31 December 2019 to RMB235,642.9 million as at 30 June 2020. The Group's total current liabilities increased by approximately 9.3% from RMB184,018.5 million as at 31 December 2019 to RMB201,200.5 million as at 30 June 2020. The increase in the Group's total current assets was primarily attributable to (i) the increase in properties under development; (ii) the increase in completed properties held for sale; and (iii) the increase in prepayments and other receivables during the Period.

Cash position

As at 30 June 2020, the Group had cash and bank balances of RMB35,021.4 million (31 December 2019: RMB26,495.3 million), representing an increase of approximately 32.2% as compared with the end of 2019.

Indebtedness

As at 30 June 2020, the Group had total outstanding indebtedness of RMB52,809.4 million (31 December 2019: RMB40,181.2 million), of which RMB44,342.1 million (31 December 2019: RMB31,994.1 million) was carried at fixed rates. Except for the senior notes of RMB7,845.7 million and the bank and other borrowings of RMB1,203.5 million which were denominated in USD, all of the other borrowings of the Group were denominated in RMB.

Subject to certain terms and conditions in facility, the current portion of bank and other borrowings of approximately RMB1,061.9 million could be extended for 364 days upon its maturity.

Breakdown of the Group's total indebtedness:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Current		
Bank loans		
— secured	2,226,080	2,193,310
Other loans		
— secured	9,361,796	10,378,095
— unsecured	1,618,205	890,550
Current portion of long-term bank loans		
— secured	3,155,014	4,786,982
Current portion of long-term other loans		
— secured	1,559,748	1,876,376
Senior note	<u>5,054,138</u>	<u>1,378,045</u>
Total current indebtedness	<u>22,974,981</u>	<u>21,503,358</u>
Non-current		
Bank loans		
— secured	22,510,087	11,991,707
— unsecured	—	1,150,000
Other loans		
— secured	4,532,690	2,718,849
Senior notes	<u>2,791,595</u>	<u>2,817,326</u>
Total non-current indebtedness	<u>29,834,372</u>	<u>18,677,882</u>
Total indebtedness	<u>52,809,353</u>	<u>40,181,240</u>
Secured	51,191,148	38,140,690
Unsecured	<u>1,618,205</u>	<u>2,040,550</u>
Total indebtedness	<u>52,809,353</u>	<u>40,181,240</u>

By maturity profiles

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Bank loans repayable:		
— Within one year or on demand	5,381,094	6,980,292
— In the second year	16,033,415	11,251,174
— In the third to fifth year, inclusive	<u>6,476,672</u>	<u>1,890,533</u>
	<u>27,891,181</u>	<u>20,121,999</u>
Other borrowings repayable:		
— Within one year or on demand	12,539,749	13,145,021
— In the second year	4,101,690	2,718,849
— In the third to fifth year, inclusive	<u>431,000</u>	<u>—</u>
	<u>17,072,439</u>	<u>15,863,870</u>
Senior notes repayable:		
— Within one year	5,054,138	1,378,045
— In the second year	<u>2,791,595</u>	<u>2,817,326</u>
	<u>7,845,733</u>	<u>4,195,371</u>
Total	<u>52,809,353</u>	<u>40,181,240</u>

Pledge of assets

As at 30 June 2020, the Group's borrowings were secured by the Group's assets of RMB68,123.1 million (31 December 2019: RMB60,039.6 million) which included (i) investment properties; (ii) properties under development; (iii) pledged deposits; and (iv) restricted cash.

Financial risks

The Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management and did not use any derivatives or other instruments for hedging purposes during the Period.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group has not used derivative financial instruments to hedge any interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

Foreign currency risk

The Group has transactional currency exposures arising from transactions by the group entities in currencies other than their respective functional currencies. In addition, the Group has foreign currency exposures from its cash and cash equivalents and senior notes.

As at 30 June 2020, the Group had cash and bank balances denominated in United States dollars and Hong Kong dollars of RMB1,590.2 million and of RMB1,096.4 million, respectively, bank and other borrowings denominated in United States dollars of RMB1,203.5 million, and senior notes denominated in United States dollars of RMB7,845.7 million, which are subject to fluctuations in exchange rates. The Group has not entered into any foreign currency hedging arrangement. However, the Group will closely monitor its exposure to exchange rates in order to best preserve the Group's cash value.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control of the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and senior notes. Cash flows are closely monitored on an ongoing basis.

CONTINGENT LIABILITIES

Mortgage guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under such arrangement, the related properties were pledged to the

banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The total outstanding guarantee amounts provided by the Group to banks amounted to RMB56,210.6 million as at 30 June 2020 (31 December 2019: RMB51,717.8 million).

The Group did not incur any material losses during the Period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Financial guarantees

As at 30 June 2020, the Group guaranteed certain bank and other borrowings made to its joint ventures and associates up to RMB8,523.7 million (31 December 2019: RMB10,228.9 million).

Legal contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results.

COMMITMENTS

As at 30 June 2020, the Group's property development expenditures and acquisition of land use rights and capital contributions payable to joint ventures and associates that had contracted but yet provided for were RMB81,007.9 million (31 December 2019: RMB75,218.3 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2020, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS

There were no other significant investments held, no material acquisition or disposal of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2020. As at 30 June 2020, the Board has not authorised any plan for other material investments or additions of capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 12,597 full-time employees. For the six months ended 30 June 2020, the staff cost recognised as expenses of the Group amounted to RMB813.9 million (30 June 2019: RMB719.0 million).

The Group offers its employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses, so as to attract and retain quality staff. In addition, subject to the Group's management system, the Amoeba Ecosystem, employees who participate in the Group's incentive plan, namely the co-investment schemes under the Amoeba Ecosystem may also be entitled to receive the benefit distribution derived from the relevant projects pursuant to the co-investment scheme and may also be rewarded additional bonuses when the project of the Amoeba unit he or she belongs to has achieved certain performance targets. In addition, the Group has adopted the Share Option Scheme, details of which are set out in the Prospectus. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's PRC employees that provide for basic medical insurance, work-related injury insurance, basic retirement insurance, maternity insurance, unemployment insurance and housing funds.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhance investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Directors are of the view that the Company had complied with all the applicable code provisions contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing.

In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code for the six months ended 30 June 2020.

INTERIM DIVIDEND

On 24 August 2020, the Board resolved to declare an Interim Dividend of HK16.3 cents (equivalent to RMB14.6 cents) per Share for the six months ended 30 June 2020 to the Shareholders whose name appear on the register of member of the Company at the close of business on Thursday, 12 November 2020. The Interim Dividend is expected to be paid on or about Tuesday, 24 November 2020.

There is no arrangement under which the Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Tuesday, 10 November 2020 to Thursday, 12 November 2020, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 9 November 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Board established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zldcgroup.com).

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Au Yeung Po Fung, who possesses appropriate professional qualifications.

The Audit Committee has reviewed the interim results for the six months ended 30 June 2020. The interim results for the six months ended 30 June 2020 has not been audited but has been reviewed by Ernst & Young, the auditor of the Company, 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.

EVENTS AFTER THE REPORTING PERIOD

On 7 July 2020, 62,300,000 share options with exercise price of HK\$5.83 per Share had been granted to certain eligible participants (the “**Grantees**”) under the Share Option Scheme, subject to the acceptance of the options by the Grantees. The options shall be exercisable within a period of ten years from the date of grant. Details can be referred to the Company's announcement dated 7 July 2020.

THE BOARD OF DIRECTORS

As at the date of this announcement, the Board consisted of four executive Directors, including Mr. Yang Jian, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert); and three independent non-executive Directors, including Mr. Wang Kaiguo, Mr. Wu Xiaobo and Mr. Au Yeung Po Fung.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.zldcgroup.com. The Company's interim report for the six months ended 30 June 2020 will be dispatched to Shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board
Zhongliang Holdings Group Company Limited
Yang Jian
Chairman

Hong Kong, 24 August 2020

GLOSSARY AND DEFINITION

“ASP”	average selling price
“Board”	The board of Directors
“China” or “PRC”	the People’s Republic of China
“contracted sales”	the total contractual value of properties that are contracted for pre-sale and sale in a given period, which is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognised in any future period. Contracted sales data is unaudited, provided for investors’ for reference only and may be subject to various uncertainties during the process of collating such sales information
“core net profit margin”	core net profit attributable to the owners of the Company for the year/period divided by revenue for the year/period and multiplied by 100%
“core net profit”	profit for the year/period excluding changes of fair value of investment properties and financial assets at fair value through profit or loss and listing and other non-recurring expenses, net of deferred tax
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing”	the listing of the Shares on the main board of the Stock Exchange on 16 July 2019
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“net gearing ratio”	the total indebtedness less bank balances and cash divided by the total equity at the end of the year/period multiplied by 100%
“Prospectus”	the prospectus of the Company dated 27 June 2019 being issued in connection with the Listing
“Share Option Scheme”	the post-IPO share option scheme adopted on 19 June 2019
“Share(s)”	ordinary share(s) in the capital of the Company with the nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“total indebtedness”	total interest-bearing bank and other borrowings and senior notes
“weighted average cost of indebtedness”	the weighted average of interest costs of all indebtedness outstanding as at the end of each year/period
“Zhongliang” or “Company”	Zhongliang Holdings Group Company Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2772)

References to “land bank”, “property projects” or “projects” refer to the Group’s property projects with land for which the Group has obtained land-use rights and property projects for which it has not obtained land-use rights but have entered into the land grant contracts or received successful tender auction confirmations as at the relevant dates.

The site area information for an entire project is based on the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. If more than one document is available, such information is based on the most recent document available.

The figures for GFA are based on figures provided in or estimates based on the relevant governmental documents, such as the property ownership certificate, the construction work planning permit, the pre-sale permit, the construction land planning permit or the land use rights certificate.