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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 2022**

#### **2022 INTERIM RESULTS HIGHLIGHTS**

- Contracted sales (including the Group's subsidiaries, joint ventures and associates) amounted to RMB38.7 billion, decreased year-on-year by approximately 59.3%
- Total revenue amounted to RMB22.3 billion, decreased year-on-year by approximately 32.1%
- Net profit attributable to owners amounted to RMB438.3 million, decreased year-on-year by approximately 68.3%. Core net profit attributable to owners (adjusted) amounted to RMB546.2 million, decreased year-on-year by approximately 63.5%
- Total interest-bearing indebtedness reduced to RMB30.73 billion and net gearing ratio of 24.4%\*

\* *As at 30 June 2022*

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 2022 (the “**Period**”) with the comparative figures for the corresponding period in 2021:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended	
		30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	3	<b>22,343,341</b>	32,905,598
Cost of sales		<u>(18,568,568)</u>	<u>(26,074,741)</u>
<b>GROSS PROFIT</b>		<b>3,774,773</b>	6,830,857
Other income and gains	3	<b>416,510</b>	137,417
Selling and distribution expenses		<b>(910,982)</b>	(1,377,751)
Administrative expenses		<b>(991,853)</b>	(1,636,503)
Impairment losses on financial assets, net		<b>(24,695)</b>	(1,385)
Other expenses		<b>(412,019)</b>	(112,603)
Fair value (losses)/gains on investment properties		<b>(21,373)</b>	61,289
Fair value losses on financial assets at fair value through profit or loss		<b>(124,148)</b>	(112,550)
Finance income		<b>79,303</b>	194,193
Finance costs	4	<b>(217,010)</b>	(207,475)
Share of profits and losses of:			
Joint ventures		<b>243,614</b>	347,068
Associates		<u><b>9,532</b></u>	<u>154,589</u>
<b>PROFIT BEFORE TAX</b>	5	<b>1,821,652</b>	4,277,146
Income tax expense	6	<u><b>(962,976)</b></u>	<u>(1,695,779)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>858,676</b></u>	<u>2,581,367</u>

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Attributable to:			
Owners of the parent		<b>438,335</b>	1,381,961
Non-controlling interests		<b><u>420,341</u></b>	<u>1,199,406</u>
		<b><u><u>858,676</u></u></b>	<u><u>2,581,367</u></u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted for profit for the period	8	<b><u><u>RMB0.12</u></u></b>	<u><u>RMB0.39</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b><u>858,676</u></b>	<b><u>2,581,367</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(24,618)</u>	<u>27,887</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(24,618)</u>	<u>27,887</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(24,618)</u></b>	<b><u>27,887</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>834,058</u></b>	<b><u>2,609,254</u></b>
Attributable to:		
Owners of the parent	413,717	1,409,848
Non-controlling interests	<u>420,341</u>	<u>1,199,406</u>
	<b><u>834,058</u></b>	<b><u>2,609,254</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June</b>	31 December
	<b>2022</b>	2021
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	72,046	86,556
Investment properties	1,444,400	1,410,200
Right-of-use assets	56,030	78,991
Intangible assets	4,537	6,186
Investments in joint ventures	6,214,684	6,217,393
Investments in associates	17,707,726	17,459,401
Prepayments and other receivables	—	75,581
Deferred tax assets	<u>3,039,632</u>	<u>3,424,910</u>
 Total non-current assets	 <u>28,539,055</u>	 <u>28,759,218</u>
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	73,786	181,065
Properties under development	121,665,095	132,008,659
Completed properties held for sale	22,767,791	21,272,280
Trade receivables	9 6,291	5,239
Due from related companies	13,448,034	12,853,619
Prepayments and other receivables	42,211,440	42,057,888
Tax recoverable	2,984,368	2,429,555
Cash and bank balances	<u>21,767,972</u>	<u>27,610,483</u>
 Total current assets	 <u>224,924,777</u>	 <u>238,418,788</u>

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>20,958,175</b>	21,210,521
Other payables and accruals		<b>25,267,502</b>	26,686,065
Contract liabilities		<b>118,146,540</b>	120,815,799
Due to related companies		<b>18,014,501</b>	18,996,008
Interest-bearing bank and other borrowings		<b>11,036,220</b>	12,341,166
Lease liabilities		<b>15,679</b>	39,097
Tax payable		<b>2,784,846</b>	3,045,881
Provision for financial guarantee contracts		<b>185,620</b>	138,523
Proceeds from asset-backed securities		<b>319,306</b>	318,641
Senior notes		<b><u>3,083,469</u></b>	<u>6,879,457</u>
Total current liabilities		<b><u>199,811,858</u></b>	<u>210,471,158</u>
<b>NET CURRENT ASSETS</b>		<b><u>25,112,919</u></b>	<u>27,947,630</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>53,651,974</u></b>	<u>56,706,848</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>13,074,750</b>	19,340,356
Lease liabilities		<b>38,254</b>	43,609
Deferred tax liabilities		<b>580,021</b>	538,191
Senior notes		<b><u>3,216,361</u></b>	<u>1,301,830</u>
Total non-current liabilities		<b><u>16,909,386</u></b>	<u>21,223,986</u>
<b>NET ASSETS</b>		<b><u>36,742,588</u></b>	<u>35,482,862</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>31,450</b>	31,450
Reserves		<b><u>12,948,145</u></b>	<u>11,933,531</u>
		<b><u>12,979,595</u></b>	<u>11,964,981</u>
Non-controlling interests		<b><u>23,762,993</u></b>	<u>23,517,881</u>
Total equity		<b><u>36,742,588</u></b>	<u>35,482,862</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 2022 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 2021.

#### Going Concern Basis

As at 30 June 2022, the Group's current portion of interest-bearing bank and other borrowings, senior notes and asset-backed securities amounted to RMB14,439 million and senior notes due on 31 December 2023 with cross default clauses amounted to RMB3,216 million, while its cash and cash equivalents amounted to RMB15,878 million.

The Directors of the Group has evaluated the sustainable operation ability for 12 months from the end of the reporting period, which is affected by the macroeconomic environment, industry environment and credit environment superimposing the impact of multiple rounds of epidemic and came to an opinion that the liquidity risk of the company is facing periodic challenges.

Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

- (a) The Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, project management and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;
- (b) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;
- (c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations and take action to tighten cost controls over various operating expenses;
- (d) The Group continues to identify suitable purchasers and engage in discussions with certain potential purchasers, on possible disposals of the Group's equity interest in certain property development projects to raise additional capital.

The directors of the Company have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

## 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 2021, 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>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2022, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the



amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- a) IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group’s financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - b) IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
	<b>(Unaudited)</b>	(Unaudited)
Revenue from contracts with customers	<b>22,336,438</b>	32,898,884
Revenue from other sources gross rental income	<b>6,903</b>	6,714
	<b><u>22,343,341</u></b>	<u>32,905,598</u>

## Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Types of goods or services</b>		
Sale of properties	22,145,271	32,633,760
Other services	<u>191,167</u>	<u>265,124</u>
Total revenue from contracts with customers	<u><u>22,336,438</u></u>	<u><u>32,898,884</u></u>
<b>Timing of revenue recognition</b>		
Sale of properties transferred at a point in time	21,107,361	30,284,237
Sale of properties transferred over time	1,037,910	2,349,523
Services transferred over time	<u>191,167</u>	<u>265,124</u>
Total revenue from contracts with customers	<u><u>22,336,438</u></u>	<u><u>32,898,884</u></u>
<b>Other income and gains</b>		
Foreign exchange gain, net	—	58,367
Changes in provision for financial guarantee contracts	52,179	34,657
Government grants	3,424	15,343
Forfeiture of deposits	6,359	9,846
Gain on disposal of associates and joint ventures	82,515	2,125
Gain on disposal of subsidiaries	256,437	—
Others	<u>15,596</u>	<u>17,079</u>
	<u><u>416,510</u></u>	<u><u>137,417</u></u>

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings, senior notes and proceeds from asset-backed securities	1,301,949	1,713,461
Interest expense arising from revenue contracts	856,160	895,014
Interest on lease liabilities	<u>2,093</u>	<u>9,850</u>
Total interest expense on financial liabilities not at fair value through profit or loss	2,160,202	2,618,325
Less: Interest capitalised	<u>(1,943,192)</u>	<u>(2,410,850)</u>
	<u><u>217,010</u></u>	<u><u>207,475</u></u>

#### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	18,199,932	25,851,411
Impairment losses recognised for properties under development	241,033	—
Impairment losses recognised for properties held for sale	127,603	115,730
Depreciation of right-of-use assets	22,595	31,065
Depreciation of items of property plant and equipment	16,596	18,513
Amortisation of intangible assets	2,386	2,141
Foreign exchange loss/(gain), net	315,929	(58,367)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	692,709	1,213,001
Pension scheme contributions and social welfare	75,473	143,549
Equity-settled share option expenses	<u>1,119</u>	<u>7,373</u>

## 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 2022 and 2021.

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.

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
CIT	<b>343,219</b>	1,421,246
LAT	<b>223,903</b>	626,457
Deferred tax	<b>395,854</b>	<b>(351,924)</b>
Total tax charge for the period	<b>962,976</b>	<b>1,695,779</b>

## 7. DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2022.

## 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, and the weighted average number of ordinary shares of 3,581,791,500 (30 June 2021: 3,581,791,500) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares into ordinary shares. The Company's dilutive potential ordinary shares are derived from the shares granted under the share options.

The calculation of the basic and diluted earnings per share amounts is based on:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><b>438,335</b></u>	<u>1,381,961</u>
	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>3,581,791,500</b>	3,581,791,500
Effect of dilution — weighted average number of ordinary shares	<u><b>(28,132,998)*</b></u>	<u>(5,956,933)*</u>
	<u><b>3,553,658,502*</b></u>	<u>3,575,834,567*</u>

\* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the parent of RMB438,335,000 for the period, and the weighted average number of ordinary shares of 3,581,791,500 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:

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Less than 1 year	<u><b>6,291</b></u>	<u>5,239</u>

## 10. TRADE AND BILLS PAYABLES

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Less than 1 year	<b>20,086,843</b>	20,581,296
Over 1 year	<b><u>871,332</u></b>	<u>629,225</u>
	<b><u><u>20,958,175</u></u></b>	<u><u>21,210,521</u></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 2022 and its outlook for the second half of 2022.

### **INTERIM DIVIDEND**

Given the continued uncertainty of the Chinese real estate sector, the Group believes that it is prudent, conservative and responsible to preserve more cash to maintain liquidity under current adverse market conditions. Thus, after careful consideration, the Board of the Company resolved that no interim dividend would be declared for the six months ended 30 June 2022.

### **INTERIM RESULTS**

For the six months ended 30 June 2022, the Group's recognised revenue and total net profit amounted to RMB22,343.3 million and RMB858.7 million respectively, representing a year-on-year decrease of 32.1% and 66.7% respectively. During the period, the Group's core net profit attributable to the owners amounted to RMB546.2 million, representing a year-on-year decrease of 63.5%.

### **REVIEW OF THE FIRST HALF OF 2022**

#### **Market review**

Since the beginning of 2022, global economic environment remained uncertain and volatile. Increased inflation and recession risks have haunted the economies of western developed nations. Geopolitical conflicts further increased commodity prices and jeopardised global supply chains. Domestically, disruptions of social and economic activities in certain cities in China due to strict COVID pandemic control measures have affected consumer demands and production chains. In the first half of 2022, the property sector in China operated under continued volatility. Reduced access to financing by real estate developers, successive waves of negative credit events of private developers, and depressed homebuyers sentiment have undermined the confidence of the stakeholders in the sector. As a result, pre-sale and cashflow of privately-owned Chinese property developers have decreased significantly. Operating under the current rigorous macroeconomic environment, the Group has adhered to its development strategies and streamlined its organisation structure, strengthening its operational control and efficiency.

The Group achieved contracted sales (including Group's subsidiaries, joint ventures and associates) of approximately RMB38.7 billion in the first half of 2022, with a year-on-year decrease of approximately 59.3%. The Group retained its position as one of the Top 25 amongst China real estate developers in terms of contracted sales in the first half of 2022, according to data published by the China Real Estate Information Corporation. The contracted ASP of the first half of 2022 was approximately RMB10,330 per sq.m., compared to approximately RMB12,600 per sq.m. in the corresponding period last year.

## **Property delivery**

In order to ensure smooth property delivery, the Group strengthened its construction and contractor management, and maintained tight control of property delivery process and mitigated delivery risks. In the first half of 2022, the Group completed the delivery of an aggregated GFA of approximately 2,450,000 sq.m. of property units.

## **Land-banking**

Due to the continued uncertainty of the Chinese real estate sector, the Group did not make any new purchase of land sites in the first half of 2022 in order to preserve cash.

As at 30 June 2022, the Group (together with its joint ventures and associates) had a land bank with a total GFA (including sold GFA) of approximately 51.1 million sq.m., covering five core economic regions of China. Despite that we have suspended our land investment, we still have sufficient saleable resources to support our future developments.

## **Liability management**

As the industry has been challenged by the systematic refinancing risks and market fluctuations since mid-2021, the Group has implemented decisive measures in mitigating the challenges from adverse industry environments, including through accelerating sales and cash collection, preservation of cash by expenditure conservation and reduction of land banking. The Group responded proactively to the government's real estate control measures and maintained a disciplined approach in managing the de-leveraging process. The Group strictly complied with the government's "three red-line" policy and maintained its "yellow category" status. As at 30 June 2022, the Group had total interest-bearing debts of approximately RMB30.7 billion, down 23.5% from 31 December 2021, and the Group's net gearing ratio was approximately 24.4%. The Group's total interest-bearing debts and net gearing ratio are among the low level of real estate developers in China.

The Group's management has demonstrated its resolution and commitment to proactive liability management, by controlling its interest-bearing debts and ensuring adequate liquidity for operations. In January 2022, the Company repaid or bought back its US dollar senior notes due January 2022 with an original issue size of US\$250 million. In May and June 2022, the Company completed two rounds of exchange offer for senior notes due in May 2022 and July 2022 ("Exchanged Notes") and obtained high acceptance rate from investors with cumulative exchange rate of up to 97%. Together with the refinancing of the senior notes with the principal amount of US\$150 million due in August 2022, the Company effectively extended the maturity of its original US dollar senior notes due May, July and August 2022 with an aggregate principal amount of around US\$870 million to 2023. As a result, the Company has no major principal amount of US dollar senior notes maturing this year and the Group's cashflow pressure would be substantially alleviated. The above liability management exercises alleviated the Group's overall financial position, extends its debt maturity and strengthens its balance sheet.



## **OUTLOOK FOR THE SECOND HALF OF 2022**

Looking ahead to the second half of 2022, domestic demand and investment could remain weak with increased pressure of economic slowdown in China. It is expected that the domestic strict COVID prevention measures and mixed global geopolitical conflicts will sustain. Uncertain external factors have made economic outlook even more uncertain and complicated. Since early 2022, central and local governments have initiated and intensified their real estate-related promotional measures which are targeted to recover real estate sales and move the sector out from the current downturn. Despite reversal of government real estate policies, the Group remain cautious on the industry outlook in the second half of 2022.

The Group has accumulated valuable experiences and has proven the resilience of our operational abilities during the sector downturn in the first half. In order to navigate through the current industry challenges, the Group will continue to emphasise financial safety and to strengthen organisational structure and management efficiency. The Group's primary operating goals are to maintain operating liquidity, deleverage and stabilise debts. Under the new industry normal, the Group's main operating principles are to increase efficiencies, control risks and save costs, in order to ensure the Group can navigate through the current industry challenge and reposition ourselves for future development.

**Yang Jian**

*Chairman*

Hong Kong, 26 August 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY DEVELOPMENT

#### Contracted sales

During the six months ended 30 June 2022, the Group (including its joint ventures and associates) achieved contracted sales of approximately RMB38.7 billion, representing a year-on-year decrease of approximately 59.3%. Contracted sales area amounted to approximately 3,748,000 sq.m., representing a year-on-year decrease of approximately 50.3%. The significant decline in contracted sales was due to the impact of the unfavourable real estate market environment in first half of 2022.

During the period, contracted ASP selling price was approximately RMB10,330 per sq.m..

**Table 1: Breakdown of contracted sales for the six months ended 30 June 2022 (the Group's subsidiaries, joint ventures and associates)**

#### *By region*

	<b>Contracted sales</b> (RMB'000)	<b>% of total contracted sales</b> (%)	<b>Contracted GFA</b> (sq.m.)	<b>Contracted ASP</b> (RMB/sq.m.)
Yangtze River Delta	18,118,973	46.8	1,359,076	13,332
Midwest China	10,154,536	26.2	1,353,368	7,503
Pan-Bohai Rim	6,118,548	15.8	614,480	9,957
Western Taiwan Straits	3,334,859	8.6	302,933	11,009
Pearl River Delta	990,733	2.6	118,315	8,374
	<u>38,717,649</u>	<u>100.0</u>	<u>3,748,172</u>	10,330

#### *By city tier*

	<b>Contracted sales</b> (RMB'000)	<b>% of total contracted sales</b> (%)	<b>Contracted GFA</b> (sq.m.)	<b>Contracted ASP</b> (RMB/sq.m.)
Second-tier cities <sup>(1)</sup>	13,495,972	34.9	1,025,582	13,159
Third-tier cities <sup>(2)</sup>	20,068,917	51.8	1,969,876	10,188
Fourth-tier cities <sup>(3)</sup>	5,152,760	13.3	752,714	6,846
	<u>38,717,649</u>	<u>100.0</u>	<u>3,748,172</u>	10,330

*Notes:*

- (1) Second-tiers cities include Wenzhou, Hangzhou, Hefei, Wuxi, Suzhou, Chongqing, Xi'an, Ningbo, Qingdao, Chengdu, Tianjin, Nanjing, Xiamen, Changsha, Wuhan, Jinan, Fuzhou, Nanchang, Nanning, Shenyang, Dalian, Kunming, Guiyang, Taiyuan, Zhengzhou and Dongguan.
- (2) Third-tiers cities include Changzhou, Xuzhou, Jinhua, Luoyang, Taizhou, Nantong, Yancheng, Zhangzhou, Cangzhou, Putian, Yinchuan, Weifang, Lianyungang, Xiangyang, Quanzhou, Wuhu, Binzhou, Nanyang, Anqing, Xuancheng, Nanping, Suining, Jining, Linyi, Huzhou, Chifeng, Handan, Zhoushan, Yiyang, Yuxi, Xuchang, Zaozhuang, Suqian, Taian, Ganzhou, Quzhou, Bozhou, Dezhou, Luan, Yantai, Zibo, Jiangmen, Chenzhou, Xinyang, Maoming, Changde, Hohhot, Shangqiu, Mianyang, Zhuzhou, Yueyang, Loudi, Zunyi, Foshan, Tongling, Chuxiong, Huangshan, Huanggang, Meishan, Dazhou, Zhaoqing, Yangzhou, Qinzhou, Shaoxing, Huaian, Lishui, Weihai, Taizhou, Liuzhou, Tangshan, Sanming, Shaoguan, Liaocheng, Yulin, Jiaxing, Ningde, Zhongshan, Shantou, Yichang and Xining.
- (3) Fourth-tiers cities include Fuyang, Bengbu, Maanshan, Chizhou, Shangrao, Huangshi, Pingxiang, Ezhou, Mengzi, Guigang, Baoshan, Xinxiang, Jiujiang, Zigong, Qingyuan, Xiaogan, Zhaotong, Chaozhou, Jingzhou, Heyuan, Tongchuan, Ji'an, Yan'an, Jiyuan, Ankang, Pu'er, Jiaozuo, Suizhou, Beihai, Yongzhou, Dali, Tianshui, Shaoyang, Pingliang, Enshi, Linfen, Pingdingshan, Luohe and Hengshui.

### **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. All completed properties held for sale are located in the PRC.

As at 30 June 2022, the Group's completed properties held for sale was approximately RMB22,767.8 million, representing an increase of approximately 7.0% from approximately RMB21,272.3 million as at 31 December 2021.

### **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 2022, the Group's properties under development was approximately RMB121,665.1 million, representing a decrease of approximately 7.8% from approximately RMB132,008.7 million as at 31 December 2021.

### **Land bank**

During the six months ended 30 June 2022, there was no new land parcel acquired by the Group.

As at 30 June 2022, the Group's total land bank (including its subsidiaries, joint ventures and associates), was approximately 51.1 million sq.m., among which, approximately 7.1 million sq.m. were completed properties available for sale/leasable and approximately 44.0 million sq.m. were under development or for further development.

**Table 2: Breakdown of the Group's total land bank (including its subsidiaries, joint ventures and associates) as at 30 June 2022**

*By Group's subsidiaries*

	Number of projects	Completed GFA available for sale/leasable <sup>(1)</sup> (sq.m.)	Total GFA under development and held for future development (sq.m.)	Total land bank <sup>(2)</sup> (sq.m.)	% of total land bank
Jiangsu	40	395,249	3,549,178	3,944,427	7.7
Anhui	26	717,904	2,521,595	3,239,499	6.3
Zhejiang	44	477,969	2,659,037	3,137,006	6.2
<b>Yangtze River Delta</b>	<b>110</b>	<b>1,591,122</b>	<b>8,729,810</b>	<b>10,320,932</b>	<b>20.2</b>
Hubei	15	255,746	1,652,901	1,908,647	3.7
Hunan	18	419,249	1,487,581	1,906,830	3.7
Henan	22	197,103	1,703,390	1,900,493	3.7
Chongqing	9	143,628	1,310,650	1,454,278	2.8
Yunnan	10	316,748	686,479	1,003,227	2.0
Shaanxi	10	212,203	778,869	991,072	1.9
Sichuan	14	198,818	526,653	725,471	1.4
Guangxi	8	153,006	302,744	455,750	0.9
Qinghai	1	—	454,374	454,374	0.9
Ningxia	2	—	430,296	430,296	0.8
Shanxi	3	3,861	301,433	305,294	0.6
Inner Mongolia	4	7,451	288,266	295,717	0.6
Guizhou	2	—	241,268	241,268	0.5
Gansu	2	46,890	—	46,890	0.1
<b>Midwest China</b>	<b>120</b>	<b>1,954,703</b>	<b>10,164,904</b>	<b>12,119,607</b>	<b>23.6</b>
Shandong	31	244,127	2,838,897	3,083,024	6.0
Hebei	6	29,827	841,102	870,929	1.7
Tianjin	3	—	477,811	477,811	1.0
Liaoning	3	16,788	317,086	333,874	0.7
Jilin	1	—	98,241	98,241	0.2
<b>Pan-Bohai Rim</b>	<b>44</b>	<b>290,742</b>	<b>4,573,137</b>	<b>4,863,879</b>	<b>9.6</b>
Jiangxi	28	467,671	800,998	1,268,669	2.5
Fujian	12	115,454	615,977	731,431	1.4
<b>Western Taiwan Straits</b>	<b>40</b>	<b>583,125</b>	<b>1,416,975</b>	<b>2,000,100</b>	<b>3.9</b>
Guangdong	13	270,898	626,279	897,177	1.8
<b>Pearl River Delta</b>	<b>13</b>	<b>270,898</b>	<b>626,279</b>	<b>897,177</b>	<b>1.8</b>
<b>Subtotal</b>	<b>327</b>	<b>4,690,590</b>	<b>25,511,105</b>	<b>30,201,695</b>	<b>59.1</b>

*By Group's joint ventures and associates*

	Number of projects	Completed GFA available for sale/leasable <sup>(1)</sup> (sq.m.)	Total GFA under development and held for future development (sq.m.)	Total land bank <sup>(2)</sup> (sq.m.)	% of total land bank
Jiangsu	25	676,442	3,057,049	3,733,491	7.3
Anhui	17	652,622	2,613,122	3,265,744	6.4
Zhejiang	36	87,356	2,809,962	2,897,318	5.7
<b>Yangtze River Delta</b>	<b>78</b>	<b>1,416,420</b>	<b>8,480,133</b>	<b>9,896,553</b>	<b>19.4</b>
Henan	7	—	1,811,299	1,811,299	3.6
Yunnan	4	79,476	798,388	877,864	1.7
Chongqing	7	44,270	703,775	748,045	1.5
Guangxi	3	225,553	334,638	560,191	1.1
Hubei	3	40,699	383,803	424,502	0.8
Sichuan	2	—	377,523	377,523	0.7
Hunan	4	43,420	314,355	357,775	0.7
Inner Mongolia	1	—	155,243	155,243	0.3
<b>Midwest China</b>	<b>31</b>	<b>433,418</b>	<b>4,879,024</b>	<b>5,312,442</b>	<b>10.4</b>
Shandong	7	—	1,499,641	1,499,641	2.9
Tianjin	2	—	417,539	417,539	0.8
Hebei	3	—	353,846	353,846	0.7
Liaoning	1	3,472	—	3,472	*
<b>Pan-Bohai Rim</b>	<b>13</b>	<b>3,472</b>	<b>2,271,026</b>	<b>2,274,498</b>	<b>4.4</b>
Fujian	16	164,070	1,363,703	1,527,773	3.0
Jiangxi	5	349,669	276,167	625,836	1.2
<b>Western Taiwan Straits</b>	<b>21</b>	<b>513,739</b>	<b>1,639,870</b>	<b>2,153,609</b>	<b>4.2</b>
Guangdong	5	27,787	1,225,995	1,253,782	2.5
<b>Pearl River Delta</b>	<b>5</b>	<b>27,787</b>	<b>1,225,995</b>	<b>1,253,782</b>	<b>2.5</b>
<b>Subtotal</b>	<b>148</b>	<b>2,394,836</b>	<b>18,496,048</b>	<b>20,890,884</b>	<b>40.9</b>
<b>Total</b>	<b>475</b>	<b>7,085,426</b>	<b>44,007,153</b>	<b>51,092,579</b>	<b>100.0</b>

\* less than 0.1%

### *By City tiers*

	Number of projects	Completed GFA available for sale/leasable <sup>(1)</sup> (sq.m.)	Total GFA under development and held for future development (sq.m.)	Total land bank <sup>(2)</sup> (sq.m.)	% of total land bank
Second-tier cities	154	2,169,946	14,740,758	16,910,704	33.1
Third-tier cities	240	3,575,811	21,926,740	25,502,551	49.9
Forth-tier cities	81	1,339,669	7,339,655	8,679,324	17.0
<b>Total</b>	<b>475</b>	<b>7,085,426</b>	<b>44,007,153</b>	<b>51,092,579</b>	<b>100.0</b>

### *By Region*

	Number of projects	Completed GFA available for sale/leasable <sup>(1)</sup> (sq.m.)	Total GFA under development and held for future development (sq.m.)	Total land bank <sup>(2)</sup> (sq.m.)	% of total land bank
Yangtze River Delta	188	3,007,542	17,209,943	20,217,485	39.6
Midwest China	151	2,388,121	15,043,928	17,432,049	34.0
Pan-Bohai Rim	57	294,214	6,844,163	7,138,377	14.0
Western Taiwan Straits	61	1,096,864	3,056,845	4,153,709	8.1
Pearl River Delta	18	298,685	1,852,274	2,150,959	4.3
<b>Total</b>	<b>475</b>	<b>7,085,426</b>	<b>44,007,153</b>	<b>51,092,579</b>	<b>100.0</b>

#### *Notes:*

- (1) Includes saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.
- (2) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA and (ii) total GFA under development and held for future development, without adjusting the equity interest held by the Group in respect of the projects held by the Group's joint ventures or associates.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2022, 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 2022 RMB'000	2021 RMB'000	
<b>Revenue</b>			
Sales of properties	22,145,271	32,633,760	-32.1%
Other services	191,167	265,124	-27.9%
Rental income	<u>6,903</u>	<u>6,714</u>	+2.8%
<b>Total</b>	<u><b>22,343,341</b></u>	<u><b>32,905,598</b></u>	-32.1%

### Revenue recognised from sales of properties

The Group recorded revenue from the sales of properties amounted to approximately RMB22,145.3 million for the six months ended 30 June 2022, a year-on-year decrease of approximately 32.1%, and recognised a year-on-year decrease in the total recognised GFA by approximately 33.8% to 2,445,254 sq.m. for the six months ended 30 June 2022. Recognised ASP increased by approximately 2.6% to approximately RMB9,056 per sq.m. in the six months ended 30 June 2022 from RMB8,829 per sq.m. for the corresponding period in 2021.

**Table 3: Breakdown of recognised revenue from sales of properties for the six months ended 30 June 2022**

	For the six months ended 30 June 2022			
	Revenue	% to total	Recognised	Recognised
	<i>RMB'000</i>	revenue	GFA	ASP
		%	<i>sq.m.</i>	<i>RMB/sq.m.</i>
Yangtze River Delta	11,973,111	54.1	1,225,324	9,771
Midwest China	7,789,243	35.1	873,447	8,918
Pan-Bohai Rim	774,648	3.5	160,827	4,817
Western Taiwan Straits	1,389,250	6.3	138,233	10,050
Pearl River Delta	<u>219,019</u>	<u>1.0</u>	<u>47,423</u>	<u>4,618</u>
Total	<u>22,145,271</u>	<u>100</u>	<u>2,445,254</u>	<u>9,056</u>

	For the six months ended 30 June 2021			
	Revenue	% to total	Recognised	Recognised
	<i>RMB'000</i>	revenue	GFA	ASP
		%	<i>sq.m.</i>	<i>RMB/sq.m.</i>
Yangtze River Delta	15,597,553	47.8	1,393,796	11,191
Midwest China	14,849,495	45.5	2,012,636	7,378
Pan-Bohai Rim	1,318,852	4.0	170,749	7,724
Western Taiwan Straits	511,038	1.6	70,059	7,294
Pearl River Delta	<u>356,822</u>	<u>1.1</u>	<u>48,897</u>	<u>7,297</u>
Total	<u>32,633,760</u>	<u>100</u>	<u>3,696,137</u>	<u>8,829</u>

### Cost of sales

The Group's cost of sales decreased year-on-year by approximately 28.8% to approximately RMB18,568.6 million for the six months ended 30 June 2022.

### 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 decreased year-on-year by approximately 44.7% to approximately RMB3,774.8 million for the six months ended 30 June 2022.

The Group's gross profit margin decreased from 20.8% for the six months ended 30 June 2021 to approximately 16.9% for the six months ended 30 June 2022, mainly because of lower ASP relative to the respective land acquisition costs 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, associates and joint ventures; (ii) changes in provision for financial guarantee contracts; (iii) forfeiture of deposits; (iv) government grants; and (v) others. The Group's other income and gains increased year-on-year by approximately 203.1% to approximately RMB416.5 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in gain on disposal of subsidiaries, associates and joint ventures.

## **Selling and distribution expenses**

The Group's selling and distribution expenses decreased year-on-year by approximately 33.9% to approximately RMB911.0 million for the six months ended 30 June 2022, primarily due to the slow-down in marketing activities and less promotional expenses budget due to the impact of weaker real estate market.

## **Administrative expenses**

The Group's administrative expenses decreased year-on-year by approximately 39.4% to approximately RMB991.9 million for the six months ended 30 June 2022. The decrease was generally due to the decrease in staff cost during the period. The Group has begun to streamline the organisational structure and strengthen cost control measures since the fourth quarter of 2021.

## **Finance income**

The Group's finance income, which mainly represents bank interest income, decreased year-on-year by approximately 59.2% to approximately RMB79.3 million for the six months ended 30 June 2022.

## **Finance costs**

The Group's finance costs increased year-on-year by approximately 4.6% to approximately RMB217.0 million for the six months ended 30 June 2022.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2022 was approximately RMB2,160.2 million, representing an year-on-year decrease of approximately 17.5%, which was due to the decrease in bank and other borrowings and senior notes.

As at 30 June 2022, the Group's weighted average cost of indebtedness was approximately 9.2% (31 December 2021: approximately 9.0%).

## **Share of profits of joint ventures and associates**

The Group recorded share of profits of joint ventures of approximately RMB243.6 million for the six months ended 30 June 2022, versus share of profits of joint ventures of approximately RMB347.1 million for the six months ended 30 June 2021.

The Group recorded share of profits of associates of approximately RMB9.5 million for the six months ended 30 June 2022, versus share of profits of associates of approximately RMB154.6 million for the six months ended 30 June 2021.

On an aggregated basis, the Group's share of profits of joint ventures and associates amounted to approximately RMB253.1 million for the six months ended 30 June 2022, representing a year-on-year decrease of approximately 49.5%. The decrease was primarily due to the decrease in delivery of property projects held by the Group's joint ventures and associates during the six months ended 30 June 2022.

### **Profit before tax**

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax decreased year-on-year by approximately 57.4% to approximately RMB1,821.7 million for the six months ended 30 June 2022.

### **Income tax expense**

The Group's income tax expense comprises provisions made for corporate income tax and land appreciation tax in the PRC, and deferred tax during the period. The Group's income tax expense decreased year-on-year by approximately 43.2% to approximately RMB963.0 million for the six months ended 30 June 2022.

### **Profit for the period**

As a result of the aforementioned changes of the Group's financials, the Group's net profit for the period (before deducting non-controlling interests) decreased year-on-year by approximately 66.7% to approximately RMB858.7 million for the six months ended 30 June 2022.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The industry in which the Group engages is a capital-intensive industry. The Group primarily meets 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.

### **Net current assets**

As at 30 June 2022, the Group's net current assets amounted to approximately RMB25,112.9 million (31 December 2021: approximately RMB27,947.6 million). Specifically, the Group's total current assets decreased by approximately 5.7% from approximately RMB238,418.8 million as at 31 December 2021 to approximately RMB224,924.8 million as at 30 June 2022. The Group's total current liabilities decreased by approximately 5.1% from approximately RMB210,471.2 million as at 31 December 2021

to approximately RMB199,811.9 million as at 30 June 2022. The decrease in the Group's total current assets was primarily attributable to (i) the decrease in properties under development; and (ii) the decrease in cash and bank balances as at 30 June 2022.

### **Cash position**

As at 30 June 2022, the Group had cash and bank balances of approximately RMB21,768.0 million (31 December 2021: approximately RMB27,610.5 million), representing a decrease of approximately 21.2% as compared with the end of 2021. Under local government rules and policies, the Group's property development operations are required to maintain required amount of pre-sale cash at designated bank accounts in order to ensure completion of the development properties.

### **Financial ratios**

As at 30 June 2022, the Group had assets-to-liabilities ratio after excluding receipts in advance (calculated by dividing total liabilities minus contract liabilities by total assets minus contract liabilities) of approximately 72.8% (31 December 2021: approximately 75.8%), the net gearing ratio was approximately 24.4% (31 December 2021: approximately 35.4%) and the non-restricted cash-to-current borrowings (calculated by dividing non-restricted cash and cash equivalents by current borrowings) was approximately 1.10 (31 December 2021: approximately 1.04).

### **Indebtedness**

As at 30 June 2022, the Group had total outstanding indebtedness of approximately RMB30,730.1 million (31 December 2021: approximately RMB40,181.4 million), comprising bank and other borrowings of approximately RMB24,111.0 million (31 December 2021: approximately RMB31,681.5 million), senior notes of approximately RMB6,299.8 million (31 December 2021: approximately RMB8,181.3 million) and asset-backed securities of approximately RMB319.3 million (31 December 2021: approximately RMB318.6 million).

**Table 4: Breakdown of the Group's total indebtedness**

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
<b>Current</b>		
Bank loans		
— secured	<b>448,198</b>	801,660
— unsecured	—	74,800
Other loans		
— secured	<b>1,051,389</b>	1,313,769
— unsecured	<b>3,126,740</b>	4,229,644
Current portion of long-term bank loans		
— secured	<b>3,734,165</b>	4,007,963
Current portion of long-term other loans		
— secured	<b>1,770,920</b>	855,820
— unsecured	<b>904,808</b>	1,057,510
Senior notes	<b>3,083,469</b>	6,879,457
Asset-backed securities	<b>319,306</b>	318,641
<b>Total current indebtedness</b>	<b><u>14,438,995</u></b>	<b><u>19,539,264</u></b>
<b>Non-current</b>		
Bank loans		
— secured	<b>8,855,990</b>	12,698,700
Other loans		
— secured	<b>1,815,560</b>	5,058,860
— unsecured	<b>2,403,200</b>	1,582,796
Senior notes	<b>3,216,361</b>	1,301,830
<b>Total non-current indebtedness</b>	<b><u>16,291,111</u></b>	<b><u>20,642,186</u></b>
<b>Total indebtedness</b>	<b><u>30,730,106</u></b>	<b><u>40,181,450</u></b>
Secured	<b>17,995,528</b>	25,055,413
Unsecured	<b>12,734,578</b>	15,126,037
<b>Total indebtedness</b>	<b><u>30,730,106</u></b>	<b><u>40,181,450</u></b>

*By fixed or variable interest rates*

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
Fixed interest rate	<b>26,736,149</b>	34,498,405
Floating interest rate	<u><b>3,993,957</b></u>	<u>5,683,045</u>
<b>Total Indebtedness</b>	<u><b>30,730,106</b></u>	<u>40,181,450</u>

*By currency denomination*

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
Denominated in RMB	<b>22,718,869</b>	31,043,808
Denominated in US\$	<u><b>8,011,237</b></u>	<u>9,137,642</u>
<b>Total Indebtedness</b>	<u><b>30,730,106</b></u>	<u>40,181,450</u>

*By maturity profiles*

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
<b>Bank loans repayable:</b>		
— Within one year or on demand	<b>4,182,363</b>	4,884,423
— In the second year	<b>7,006,888</b>	6,452,777
— In the third to fifth year, inclusive	<u><b>1,849,102</b></u>	<u>6,245,923</u>
	<u><b>13,038,353</b></u>	<u>17,583,123</u>

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
<b>Other borrowings repayable:</b>		
— Within one year or on demand	<b>6,853,857</b>	7,456,743
— In the second year	<b>4,218,760</b>	6,333,356
— In the third to fifth year, inclusive	<u>—</u>	<u>308,300</u>
	<b><u>11,072,617</u></b>	<b><u>14,098,399</u></b>
<b>Senior notes repayable:</b>		
— Within one year	<b>3,083,469</b>	6,879,457
— In the second year	<b><u>3,216,361</u></b>	<u>1,301,830</u>
	<b><u>6,299,830</u></b>	<b><u>8,181,287</u></b>
<b>Asset-backed securities repayable:</b>		
— Within one year	<u>319,306</u>	<u>318,641</u>
	<b><u>319,306</u></b>	<b><u>318,641</u></b>
<b>Total</b>	<b><u>30,730,106</u></b>	<b><u>40,181,450</u></b>

### Pledge of assets

As at 30 June 2022, the Group's borrowings were secured by the Group's assets of approximately RMB65,944.4 million (31 December 2021: approximately RMB68,248.3 million) which included (i) investment properties; and (ii) properties under development.

### Financial risks

The Group's activities are exposed 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 2022, the Group had (i) cash and bank balances denominated in United States dollars and Hong Kong dollars of approximately RMB416.7 million and of approximately RMB12.0 million, respectively, (ii) bank and other borrowings denominated in United States dollars of approximately RMB1,711.4 million, and (iii) senior notes denominated in United States dollars of approximately RMB6,299.8 million, which were 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 approximately RMB56,975.9 million as at 30 June 2022 (31 December 2021: RMB61,946.8 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 2022, the Group guaranteed certain bank and other borrowings made to its joint ventures and associates up to approximately RMB9,130.6 million (31 December 2021: approximately RMB16,146.9 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 2022, 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 approximately RMB29,104.4 million (31 December 2021: approximately RMB42,001.6 million).

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Except for the contingent liabilities disclosed above, as at 30 June 2022, 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**

Other than those carried out under the Group's ordinary course of business, there were no significant investments held, no material acquisition or disposal of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2022. As at 30 June 2022, the Board has not authorised any plan for other material investments or additions of capital assets.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2022, the Group employed a total of 6,022 full-time employees. For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB769.3 million (30 June 2021: approximately RMB1,363.9 million).

The Group offers its employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments, share options and share awards, so as to attract and retain quality staff.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted and applied the Corporate Governance Code as its own code on corporate governance and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions contained in Part 2 of Appendix 14 to the Listing Rules during the six months ended 30 June 2022.

## **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 2022.

## **INTERIM DIVIDEND**

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022.

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

### **January 2022 Notes**

As at 31 December 2021, an aggregate principal amount of US\$181,190,000 of the 7.5% senior notes due January 2022 (the “January 2022 Notes”) (Stock code: 40567) remained outstanding.

During the six months ended 30 June 2022, the Group repurchased the January 2022 Notes with an aggregate principal amount of US\$61,496,000. An aggregate principal amount of US\$65,396,000 of the January 2022 Notes were cancelled and US\$115,794,000 remained outstanding after the cancellation. On 31 January 2022, the Company fully redeemed the outstanding January 2022 Notes at the redemption amount of US\$115,794,000 plus accrued and unpaid interest.

### **May 2022 Notes and July 2022 Notes**

As at 31 December 2021, an aggregate principal amount of US\$300,000,000 and US\$450,000,000 of the 8.5% green senior notes due May 2022 (the “May 2022 Notes”) (Stock code: 40680) and of the 9.5% senior notes due July 2022 (the “July 2022 Notes”) (stock code: 40439) remained outstanding respectively.

On 17 May 2022, an aggregate principal amount of US\$10,200,000 and US\$10,500,000 of the repurchased May 2022 Notes and the July 2022 Notes were cancelled respectively.

On 18 May 2022 and 16 June 2022, the Company completed the offer to exchange (“Exchange Offers”) relating to the May 2022 Notes and the July 2022 Notes. Upon completion of the Exchange Offers, a total of US\$271,147,000 May 2022 Notes and US\$426,926,000 July 2022 Notes were validly tendered for exchange and accepted by the Company. The aforesaid May 2022 Notes and July 2022 Notes have been cancelled. In exchange of the validly tendered and accepted May 2022 Notes and July 2022 Notes, the Company issued US\$224,224,517 in aggregate principal amount of the 8.75% senior notes due April 2023 and US\$473,848,483 in aggregate principal amount of the 9.75% senior notes due December 2023 pursuant to the Exchange Offers.

As at 30 June 2022, the outstanding aggregate principal amount of the May 2022 Notes and the July 2022 Notes were US\$18,653,000 and US\$12,574,000 respectively. Pursuant to the terms of the May 2022 Notes, all outstanding principal amount on the May 2022 Notes together with the accrued and unpaid interest thereon are due and payable on the maturity date of 19 May 2022. Failure to pay such principal after maturity has constituted an event of default under the May 2022 Notes.

For details, please refer to the announcements of the Company dated 18 May 2022 and 16 June 2022.

### **August 2022 Notes**

On 6 August 2021, the Company issued the 11.0% senior notes due August 2022 in an aggregate principal amount of US\$150 million (the “August 2022 Notes”), which were listed on Singapore Stock Exchange Limited (“SGX-ST”). On 26 April 2022, the Company entered into agreements with the

holders of the August 2022 Notes, pursuant to which the August 2022 Notes was fully refinanced by the Company by applying a new refinancing loan facility which was provided to the Company by the holders of the August 2022 Notes in accordance with the terms and conditions contained therein. On 20 May 2022, all outstanding principal amount of the August 2022 Notes, amounting US\$150 million, had been effectively cancelled and exchanged into the aforesaid new refinancing loan facility provided by the holders of the August 2022 Notes. No cash settlement was involved for such cancellation of the August 2022 Notes. The August 2022 Notes had been fully cancelled and delisted from the SGX-ST.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## **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](http://www.hkexnews.hk)) and the Company ([www.zldcgroup.com](http://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 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

Pursuant to the terms of the 9.5% senior notes due July 2022 (the “**July 2022 Notes**”), all outstanding principal amount on the July 2022 Notes together with the accrued and unpaid interest thereon are due and payable on the maturity date of 29 July 2022. Failure to pay such principal at maturity constituted an event of default under the July 2022 Notes.

For details, please refer to the announcement of the Company dated 29 July 2022.

## **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. He Jian 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](http://www.hkexnews.hk) as well as the website of the Company at [www.zldcgroup.com](http://www.zldcgroup.com). The Company's interim report for the six months ended 30 June 2022 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, 26 August 2022

## 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”	profit for the year/period excluding changes of fair value of investment properties and financial assets at fair value through profit or loss 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
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Gross profit margin”	calculated based on gross profit for the year/period divided by revenue for year/period and multiplied by 100%
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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”	calculated based on the total indebtedness less cash and bank balances divided by the total equity at the end of the year/period multiplied by 100%

“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, senior notes and asset-backed securities
“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)

*The expression “we”, “us”, “Zhongliang” and “Company” may be used to refer to the Company or the Group as the context may require.*

*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.*