中梁控股集团
ZHONGLIANG HOLDINGS GROUP

Zhongliang Holdings Group Company Limited

中 梁 控 股 集 團 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 2019

2019 INTERIM RESULTS HIGHLIGHTS

- Contracted sales amounted to RMB63,673.0 million, increased by approximately 26.8% as compared with the six months ended 30 June 2018.
- Total revenue amounted to RMB20,556.6 million, increased by approximately 111.2% as compared with the six months ended 30 June 2018.
- Core net profit* attributable to owners of the Company amounted to RMB1,232.2 million, increased by approximately 88.4% as compared with six months ended 30 June 2018.
- Declared interim dividend of HK15.3 cents (equivalent to RMB13.8 cents) per share, representing 40% of the core net profit attributable to owners of the Company.
- Bank balances and cash** of RMB24,721.4 million and deposits received from customers (contract liabilities) of RMB114,184.0 million as at 30 June 2019.
- Total borrowings of RMB28,802.2 million and net gearing ratio of 43.5% as at 30 June 2019.
- On 16 July 2019, the Company was listed on the Main Board of the Stock Exchange, raising gross proceeds of approximately HK$3.2 billion (including the exercise of the over-allotment options).
- On 8 August 2019, the Company was assigned a credit rating of B+ with a stable outlook by Fitch Ratings, a credit rating of B1 with a stable outlook by Moody's Investors Service, and a credit rating of B+ with a stable outlook by S&P Global Ratings.

* Core net profit represents the net profit excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses and listing expenses, net of deferred taxes.

** Bank balances and cash comprises restricted cash, pledged deposits and cash and cash equivalents.

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 (the "**Group**") for the six months ended 30 June 2019 (the "**Period**") with the comparative figures for the corresponding period in 2018:

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**20,556,565**	9,731,168
Cost of sales		**(15,522,059)**	(7,070,862)
Gross profit		**5,034,506**	2,660,306
Finance income		**192,294**	148,082
Other income and gains	*3*	**62,143**	55,985
Selling and distribution expenses		**(1,007,433)**	(430,598)
Administrative expenses		**(1,055,179)**	(628,560)
Impairment losses on financial assets		**(5,014)**	(7,968)
Changes in provision for financial guarantee contracts		**21,434**	—
Other expenses		**(41,527)**	(116,275)
Fair value gains on investment properties		**29,093**	31,552
Fair value gains/(losses) on financial assets at fair value through profit or loss		**210**	(2,905)
Finance costs	*4*	**(250,853)**	(143,928)
Share of profits and losses of:			
— Joint ventures		**44,095**	(49,362)
— Associates		**169,559**	103,710
Profit before tax	*5*	**3,193,328**	1,620,039
Income tax expense	*6*	**(1,294,640)**	(783,035)
Profit for the period		**1,898,688**	837,004

	NOTES	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Attributable to:			
— Owners of the parent		**1,204,108**	662,461
— Non-controlling interests		**694,580**	174,543
		1,898,688	837,004
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted	*8*	**RMB0.40**	RMB0.22

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**99,726**	105,269
Investment properties		**1,033,300**	928,900
Right-of-use assets		**128,247**	—
Intangible assets		**678**	455
Investments in joint ventures		**2,806,347**	2,584,059
Investments in associates		**2,740,796**	2,113,159
Deferred tax assets		**2,402,820**	1,852,380
Prepayments and other receivables		**96,202**	96,202
Total non-current assets		**9,308,116**	7,680,424
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**233,967**	228,757
Properties under development		**118,503,135**	99,481,406
Completed properties held for sale		**1,436,442**	3,596,396
Trade receivables	9	**—**	4,354
Due from related companies		**7,877,700**	9,841,443
Prepayments and other receivables		**33,097,763**	22,209,895
Tax recoverable		**2,512,000**	1,951,577
Restricted cash		**12,961,477**	7,892,069
Pledged deposits		**1,695,586**	636,777
Cash and cash equivalents		**10,064,372**	14,551,518
Total current assets		**188,382,442**	160,394,192

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*10*	**10,591,380**	8,498,295
Other payables and accruals		**22,141,291**	20,476,168
Contract liabilities		**114,183,968**	95,482,250
Due to related companies		**9,695,817**	7,419,138
Interest-bearing bank and other borrowings		**14,466,580**	14,468,672
Lease liabilities		**24,054**	—
Tax payable		**2,260,852**	1,960,281
Provision for financial guarantee contracts		**63,435**	84,869
Other financial liabilities		**54,124**	59,284
Total current liabilities		**173,481,501**	148,448,957
Net current assets		**14,900,941**	11,945,235
Total assets less current liabilities		**24,209,057**	19,625,659
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**14,335,620**	12,536,245
Lease liabilities		**93,288**	—
Deferred tax liabilities		**392,560**	335,182
Total non-current liabilities		**14,821,468**	12,871,427
NET ASSETS		**9,387,589**	6,754,232
EQUITY			
Equity attributable to owners of the parent			
Share capital		**85**	85
Reserves		**3,873,331**	2,578,591
		3,873,416	2,578,676
Non-controlling interests		**5,514,173**	4,175,556
TOTAL EQUITY		**9,387,589**	6,754,232

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB"). 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 consolidated financial statements included in the Accountants' Report set forth in Appendix I to the prospectus of the Company dated 27 June 2019 (the "Prospectus").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS28 *Long-term Interests in Associates in Joint Ventures* and IFRIC-Int23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below.

(a) Adoption of IFRS 16

IFRS 16 supersedes IAS 17 *Leases* ("IAS 17"), IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effects of initial adoption as adjustments to the opening balance of other right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of offices and office equipments. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There are no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase
	RMB'000
	(Unaudited)
Assets	
Increase in right-of-use assets	108,485
Increase in total assets	108,485
Liabilities	
Increase in lease liabilities	108,485
Increase in total liabilities	108,485

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	144,292
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	115,861
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(7,376)
Lease liabilities as at 1 January 2019	108,485

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" and "completed properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Period are as follows:

	Right-of-use assets Buildings *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	108,485	108,485
Additions	50,625	50,625
Depreciation expense	(30,863)	—
Interest expense	—	3,254
Payments	—	(45,022)
As at 30 June 2019	128,247	117,342

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's assessment, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	**20,413,499**	9,621,368
Property management services	**—**	6,321
Management consulting services	**138,918**	103,479
Revenue from other sources		
Rental income	**4,148**	—
	20,556,565	9,731,168
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	**18,245,680**	6,140,694
Recognised over time	**2,167,819**	3,480,674
Revenue from property management services:		
Recognised over time	**—**	6,321
Revenue from management consulting services:		
Recognised over time	**138,918**	103,479
Revenue from other sources:		
Rental income	**4,148**	—
	20,556,565	9,731,168
Other income and gains		
Gain on disposal of subsidiaries	**29,128**	39,696
Gain on disposal of associates	**—**	787
Forfeiture of deposits	**11,595**	6,860
Government grants	**9,438**	5,336
Others	**11,982**	3,306
	62,143	55,985

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings and lease liabilities	**1,595,503**	1,033,585
Interest expense arising from revenue contracts	**526,582**	284,681
Total interest expense on financial liabilities not at fair value through profit or loss	**2,122,085**	1,318,266
Less: Interest capitalised	**(1,871,232)**	(1,174,338)
	250,853	143,928

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**15,387,074**	7,002,971
Impairment losses recognised for properties under development	**31,952**	37,931
Depreciation of right-of-use assets	**30,863**	—
Depreciation of items of property, plant and equipment	**22,761**	27,941
Amortisation of intangible assets	**161**	130
Auditor's remuneration	**3,800**	2,888
Employee benefit expense (including directors'and chief executive's remuneration):		
Wages and salaries	**596,231**	298,868
Pension scheme contributions and social welfare	**122,746**	56,470

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 2019 and 2018.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
CIT	**1,299,710**	914,808
LAT	**505,046**	404,459
Deferred tax	**(510,116)**	(536,232)
Total tax charge for the period	**1,294,640**	783,035

7. DIVIDENDS

On 22 August 2019, the board of directors declared the payment of an interim dividend of HK15.3 cents (equivalent to RMB13.8 cents) per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil), totalling to approximately HK$548.0 million (equivelant to RMB492.9 million).

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 RMB1,204,108,000 (six months ended 30 June 2018: RMB 662,461,000), and the weighted average number of ordinary shares of 3,000,000,000 (six months ended 30 June 2018: 2,990,305,331) shares in issue during the period. The calculation of weighted average number of ordinary shares comprises the weighted average number of shares issued during the six months ended 30 June 2019 and 2018, and 2,990,305,325 ordinary shares to be issued pursuant to the capitalisation issue after the reporting period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares 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	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**—**	4,354

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**10,499,502**	8,421,930
Over 1 year	**91,878**	76,365
	10,591,380	8,498,295

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 2019 and its outlook for the second half of 2019.

INTERIM DIVIDEND

On 22 August 2019, the Board resolved to declare the payment of an interim dividend (the "**Interim Dividend**") of HK15.3 cents per share for the six months ended 30 June 2019, which is equivalent to RMB13.8 cents per share based on the average middle exchange rate of Renminbi ("**RMB**") against Hong Kong dollars ("**HK$**") as announced by the People's Bank of China for the five business days prior to the date on which the dividend is declared. The dividend payout ratio is 40% of the core net profit attributable to the owners of the Company. Based on the total issued shares of the Company as at 22 August 2019, the interim dividend for the six months ended 30 June 2019 amounted to approximately HK$548.0 million (approximately RMB492.9 million).

INTERIM RESULTS

For the six months ended 30 June 2019, the Group achieved an aggregate of contracted sales of RMB63,673.0 million, representing an increase of 26.8% as compared to that of RMB50,233.0 million for the corresponding period in 2018. During the Period, revenue recognised amounted to RMB20,556.6 million, representing an increase of 111.2% as compared to the corresponding period last year. Gross profit margin for the Period decreased to 24.5% by 2.8 percentage points as compared to the corresponding period last year. Net profit attributable to the owners of the Company for the Period grew to RMB1,204.1 million by 81.8% from that of RMB662.5 million for the corresponding period in 2018. The Group's core net profit attributable to the owners of the Company for the Period grew to RMB1,232.2 million, representing an increase of 88.4% from RMB654.2 million in the corresponding period last year.

REVIEW FOR THE FIRST HALF OF 2019

Market review

In the first half of 2019, the global economic landscape was complicated and volatile. The financial market fluctuated amid the Sino-US trade dispute. Nevertheless, China's economy remained relatively stable during the Period under the support of the government's stimulus policy. As real estate is an important pillar industry of the economy of China, priority has been given to its stability this year onwards. Although the government implemented both tightened and relaxed policies, the real estate industry developed steadily in general.

To address the industry situation in the first half of 2019, the Group pursued the principles of "facing challenges, optimising the business model, opening up capital markets and maintaining steady growth" since the beginning of the year. As a result, the Group achieved contracted sales of RMB63,673.0 million for the Period and was ranked as one of the top 20 national real estate enterprises in China.

During the six months ended 30 June 2019, the Group adhered to the philosophy of brilliant real estate investment and strictly adopted a full-coverage and full-structure development approach. To achieve this, the Group has been improving the management model of its Amoeba Ecosystem by consolidating its organisation, optimising its structure and seeking breakthroughs in innovation in order to strengthen its capability in business management.

On 16 July 2019, Zhongliang was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (the "**Listing**"), marking a key milestone in the development of the Group.

Setting full-coverage and full-structure layout

The Group is strongly committed to setting a full-structure layout and solidifying its national footprint by adopting a two-pronged approach of vertical and horizontal development at the core of lands in the PRC. During the first half of 2019, the Group acquired 70 new projects, with an average cost of land parcel acquired of RMB3,934 per sq.m. Most of them were acquired through bidding, auction and listing in the open market. The aggregate land consideration attributable to the Group for the Period was RMB25.2 billion. During the six months ended 30 June 2019, the Group entered into 18 new cities in China. As at 30 June 2019, the Group had a presence in a total of 23 provinces and 139 cities. These land-banking efforts demonstrate that the Group has made a further step towards a full-structure layout across China in the first half of 2019.

Optimising financial structure and enhancing financing capability

Since the second quarter of 2019, the financing market has tightened up significantly for real estate developers in China with more restriction in their financing channels. As always, maintaining a sound financial position serves an objective of development of the Group. On 16 July 2019, Zhongliang was officially listed on the Stock Exchange, raising proceeds of HK$3.2 billion including the exercise of the over-allotment options). This signifies that the Group has successfully kicked off a new journey by entering into the international funding market, and will enhance its financing capability in a steady manner.

On 8 August 2019, the Company was assigned a credit rating of B+ with a stable outlook by Fitch Ratings, a credit rating of B1 with a stable outlook by Moody's Investors Service, and a credit rating of B+ with a stable outlook by S&P Global Ratings.

The Group has achieved significant improvement in terms of its key financial ratios. Specifically, the Group's total equity increased from RMB6,754.2 million as at 31 December 2018 to RMB9,387.6 million as at 30 June 2019 primarily due to the profits generated by the Group during the Period, resulting in the improvement in net gearing ratio from 58.1% as at 31 December 2018 to 43.5% as at 30 June 2019, which fell to the lower end of the industry range as compared to other real estate enterprises with a market capitalisation of hundreds of billions.

Upholding people-oriented principle and continuously optimising organisational structure

The Group regards its people as its most valuable assets. Also, to achieve high-quality business growth, the Group endeavours to optimise its organisational structure. In particular, the Group provides continuous staff training with an attempt to give support to high-calibre staff members by organising talent training programs such as new blood training program, as well as to better manage and foster its key staff members. In addition, the Group will engage a third-party consulting agency to help further enhance and deepen the job scope of all organisational levels, optimise the accountability system, appropriately delegate authority and increase the operating flexibility.

OUTLOOK FOR THE SECOND HALF OF 2019

Looking forward to the second half of 2019, the implementation of the real estate policy on a city-by-city basis is turning the market into segregation. As the existing restriction to real estate financing channels is expected to remain in force for a period of time, challenges will continue to persist in the real estate industry. On the fundamental of maintaining stability, the Group will adhere to its robust operation approach and continue to seek for decent growth with quality and low risk exposure.

Being one of the top 20 national leading real estate developers in China, Zhongliang has land bank nationwide and adopts a business strategy which ensures high operation efficiency. Despite the current challenging real estate market environment, the Group remains confident of keeping a sizable growth. In the second half of 2019, the Group will strive to make a breakthrough in structure, optimise the organisation, and manage its risk exposure by taking practical and effective measures. The Group will also enhance its operation with emphasis on full-cycle orientation, full-structure layout and full-structure business model.

As for the sales performance, the Group will take active steps to boost sales in order to deliver better sales results in the second half of the year. In 2019, the Group aims to reach an annual contracted sales target of RMB130 billion. Meanwhile, the Group will continue to strengthen cash flow management by focusing on the cash collection and maintaining adequate liquidity, so as to get well-prepared for any potential volatility in the market.

The Group will optimise its capital structure by exploring different financing channels in an active manner, such that it will be able to grasp and capture the opportunities for development.

APPRECIATION

Lastly, on behalf of my fellow members of the Board, I would like to express my sincere gratitude to all shareholders for their support to the Company, and to my colleagues at all levels for their dedication and hard work. The Group will remain focused on its mission of "creating value together to enjoy the bloom of every season". In the course of creating value together, the Group will observe the rules, embrace any changes, consolidate its resources and achieve its goals with wholehearted passion and positive energy.

Yang Jian
Chairman

Hong Kong, 22 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

	For the six months ended 30 June		Change in
	2019	2018	percentage
Contracted sales$^{(Note\ 1)}$			
Contracted sales (RMB'000)$^{(Note\ 1)}$	**63,672,966**	50,233,005	+26.8%
Contracted gross floor area ("**GFA**") sold (sq.m.)	**6,026,924**	4,682,593	+28.7%
Contracted average selling price ("**ASP**") (RMB/sq.m.)	**10,565**	10,728	–1.5%
Selected financial information			
Revenue (RMB'000)	**20,556,565**	9,731,168	+111.2%
Gross profit (RMB'000)	**5,034,506**	2,660,306	+89.2%
Profit for the period attributable to owners of the Company (RMB'000)	**1,204,108**	662,461	+81.8%
Core net profit attributable to the owners of the Company (RMB'000)$^{(Note\ 2)}$	**1,232,223**	654,204	+88.4%
Gross profit margin (%)$^{(Note\ 3)}$	**24.5**	27.3	
Core net profit margin (%)$^{(Note\ 4)}$	**6.0**	6.7	
Earnings per share (basic) (RMB cents)	**40**	22	
Core earnings per share (basic) (RMB cents)	**41**	22	

	As at 30 June 2019	As at 31 December 2018	Change in percentage
Total assets (RMB'000)	**197,690,558**	168,074,616	+17.6%
Bank balances and cash (RMB'000)$^{(Note\ 5)}$	**24,721,435**	23,080,364	+7.1%
Total indebtedness (RMB'000)$^{(Note\ 6)}$	**28,802,200**	27,004,917	+6.7%
Total equity (RMB'000)	**9,387,589**	6,754,232	+39.0%
Equity attributable to owners of the Company (RMB'000)	**3,873,416**	2,578,676	+50.2%
Net gearing ratio (%)$^{(Note\ 7)}$	**43.5**	58.1	
Weighted average cost of indebtedness (%)$^{(Note\ 8)}$	**10.0**	9.9	

Notes:

(1) Contracted sales include contracted sales by the Group's subsidiaries, joint ventures and associated companies. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.

(2) Core net profit represents the net profit excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses and listing expenses, net of deferred taxes.

(3) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the period and multiplied by 100%.

(4) The calculation of core net profit margin is based on core net profit attributable to the owners of the Company for the period divided by revenue for the period and multiplied by 100%.

(5) Bank balances and cash comprises restricted cash, pledged deposits and cash and cash equivalents.

(6) Total indebtedness represents total interest-bearing bank and other borrowings.

(7) The calculation of net gearing ratio is based on total indebtedness less bank balances and cash divided by total equity at the end of the period and multiplied by 100%.

(8) Weighted average cost of indebtedness is the weighted average of interest costs of all indebtedness outstanding as at the end of each financial period.

PROPERTY DEVELOPMENT

Contracted Sales

During the six months ended 30 June 2019, the Group achieved contracted sales of RMB63,673.0 million, of which RMB40,319.1 million was contributed by its subsidiaries and RMB23,353.9 million was contributed by its joint ventures and associates. The Group's contracted sales increased by approximately 26.8% from RMB50,233.0 million for the six months ended 30 June 2018 to RMB63,673.0 million for the six months ended 30 June 2019, which was primarily due to the Group's abundant and diversified saleable resources across different regions, in particular in the Pearl River Delta Economic Zone, Pan-Bohai Economic Rim and Midwest China Economic Region. Contracted sales is defined as 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.

The following table sets forth a summary of the contracted sales by city for the six months ended 30 June 2019:

	Contracted sales *(RMB'000)*	**% of total contracted sales** *(%)*	**Contracted GFA** *(sq.m.)*	**Contracted ASP** *(RMB/sq.m.)*
Wenzhou	5,830,049	9.2	386,521	15,083
Taizhou	3,843,819	6.1	210,891	18,227
Jinhua	3,842,511	6.0	272,945	14,078
Lishui	3,385,653	5.3	185,689	18,233
Hangzhou	2,708,564	4.3	139,924	19,357

	Contracted sales *(RMB'000)*	% of total contracted sales *(%)*	Contracted GFA *(sq.m.)*	Contracted ASP *(RMB/sq.m.)*
Chongqing	1,897,309	3.0	254,689	7,450
Xuzhou	1,832,679	2.9	214,580	8,541
Quanzhou	1,651,052	2.6	262,895	6,280
Wuxi	1,506,828	2.4	118,440	12,722
Hefei	1,417,198	2.2	124,063	11,423
Sanming	1,390,621	2.2	168,858	8,235
Huzhou	1,307,991	2.1	88,371	14,801
Ningbo	1,278,302	2.0	130,912	9,765
Ningde	1,014,063	1.6	82,922	12,229
Shangrao	971,826	1.5	66,843	14,539
Wuhu	961,118	1.5	126,577	7,593
Changzhou	940,793	1.5	88,784	10,596
Kunming	898,815	1.4	100,038	8,985
Nantong	867,322	1.4	83,171	10,428
Zibo	819,408	1.3	86,255	9,500
Anqing	811,552	1.3	71,124	11,410
Yiyang	806,477	1.3	96,084	8,393
Ganzhou	785,707	1.2	104,455	7,522
Laiwu	777,350	1.2	104,899	7,410
Xuchang	743,512	1.2	69,053	10,767
Zhangzhou	709,389	1.1	44,629	15,895
Zhoushan	690,068	1.1	65,117	10,597
Zhaotong	629,239	1.0	80,737	7,794
Baotou	602,099	0.9	70,921	8,490
Baoshan	574,788	0.9	85,710	6,706
Guigang	557,638	0.9	74,684	7,467
Dali	547,917	0.9	40,616	13,490
Ezhou	466,686	0.7	60,041	7,773
Dezhou	451,317	0.7	41,975	10,752
Lianyungang	446,949	0.7	58,116	7,691
Shangqiu	438,457	0.7	68,378	6,412
Yantai	417,168	0.7	39,960	10,440
Yinchuan	411,378	0.6	40,873	10,065
Fuzhou	409,128	0.6	41,360	9,892
Qingdao	408,234	0.6	43,891	9,301
Linfen	405,266	0.6	30,716	13,194
Bozhou	400,399	0.6	52,153	7,677

	Contracted sales *(RMB'000)*	% of total contracted sales *(%)*	Contracted GFA *(sq.m.)*	Contracted ASP *(RMB/sq.m.)*
Maoming	395,274	0.6	38,992	10,137
Ji'an	373,837	0.6	43,791	8,537
Ankang	372,841	0.6	55,453	6,724
Shenyang	372,670	0.6	35,911	10,378
Xinyang	370,238	0.6	45,100	8,209
Linyi	368,492	0.6	20,045	18,383
Liuzhou	366,073	0.6	37,374	9,795
Yancheng	358,642	0.6	41,848	8,570
Jiaxing	347,291	0.5	19,080	18,202
Changsha	318,805	0.5	45,572	6,996
Zhuzhou	316,646	0.5	31,472	10,061
Shaoyang	309,273	0.5	58,486	5,288
Mianyang	304,749	0.5	43,159	7,061
Jining	302,741	0.5	42,572	7,111
Nanchong	301,407	0.5	32,488	9,277
Liaocheng	297,497	0.5	27,368	10,870
Quzhou	287,651	0.5	14,122	20,369
Lu'an	266,947	0.4	32,645	8,177
Changde	265,895	0.4	47,155	5,639
Yangzhou	264,713	0.4	26,109	10,139
Suqian	257,231	0.4	30,405	8,460
Pingdingshan	253,054	0.4	25,036	10,108
Enshi	237,040	0.4	25,152	9,424
Huaibei	222,619	0.3	34,142	6,520
Qinzhou	219,959	0.3	39,180	5,614
Hohhot	214,852	0.3	23,038	9,326
Suizhou	207,533	0.3	24,179	8,583
Pingxiang	195,763	0.3	16,689	11,730
Tongchuan	193,048	0.3	20,953	9,213
Zaozhuang	188,715	0.3	20,322	9,286
Puyang	188,329	0.3	21,715	8,673
Puer	179,576	0.3	14,268	12,586
Taizhou	175,163	0.3	15,757	11,117
Binzhou	174,738	0.3	24,261	7,202
Jiangmen	163,913	0.3	12,484	13,130
Shaoguan	158,455	0.2	22,198	7,138
Chizhou	158,094	0.2	16,431	9,622

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Jiyuan	157,827	0.2	6,969	22,647
Dazhou	154,793	0.2	21,466	7,211
Jiaozuo	147,612	0.2	24,697	5,977
Tangshan	137,519	0.2	15,828	8,688
Jiujiang	136,105	0.2	14,150	9,619
Foshan	135,828	0.2	15,214	8,928
Pingliang	133,357	0.2	19,805	6,734
Suzhou	128,877	0.2	9,197	14,013
Nanning	127,410	0.2	10,554	12,072
Jieyang	119,167	0.2	12,765	9,335
Shaoxing	113,182	0.2	12,263	9,230
Loudi	108,738	0.2	13,536	8,033
Chifeng	107,413	0.2	13,501	7,956
Zhaoqing	97,584	0.2	15,292	6,381
Bijie	97,492	0.2	15,970	6,105
Meishan	95,514	0.2	10,199	9,365
Suzhou	94,694	0.1	9,063	10,448
Tianshui	92,655	0.1	8,322	11,134
Chaozhou	91,646	0.1	16,228	5,647
Chengdu	90,956	0.1	4,819	18,874
Tongling	89,992	0.1	15,179	5,929
Xuancheng	84,403	0.1	8,490	9,941
Xinyi	62,333	0.1	2,598	23,993
Yueyang	56,264	0.1	6,689	8,411
Yuxi	46,776	0.1	4,595	10,180
Jingdezhen	38,857	0.1	4,548	8,544
Luoyang	38,258	0.1	3,206	11,933
Hengyang	28,155	*	3,901	7,217
Yichang	23,943	*	1,508	15,877
Fuzhou	21,670	*	1,744	12,425
Taian	7,543	*	816	9,244
	63,672,966	100.0	6,026,924	10,565

* *Less than 0.1%*

The following table sets forth a summary of the contracted sales by region for the six months ended 30 June 2019:

	Contracted sales *(RMB'000)*	**% of total contracted sales** *(%)*	**Contracted GFA** *(sq.m.)*	**Contracted ASP** *(RMB/sq.m.)*
Yangtze River Delta Economic Region	34,983,627	55.0	2,704,707	12,934
Midwest China Economic Region	15,106,062	23.7	1,832,057	8,245
Pan-Bohai Economic Rim	4,723,392	7.4	504,103	9,370
Western Taiwan Straits Economic Zone	7,698,018	12.1	852,884	9,026
Pearl River Delta Economic Zone	1,161,867	1.8	133,173	8,724
	63,672,966	100.0	6,026,924	10,565

The following table sets forth a summary of the contracted sales by tier of city for the six months ended 30 June 2019:

	Contracted sales *(RMB'000)*	**% of total contracted sales** *(%)*	**Contracted GFA** *(sq.m.)*	**Contracted ASP** *(RMB/sq.m.)*
Second-tier cities	16,984,017	26.7	1,404,531	12,092
Third-tier cities	37,695,487	59.2	3,586,737	10,510
Fourth-tier cities	8,993,462	14.1	1,035,656	8,684
	63,672,966	100.0	6,026,924	10,565

Completed properties held for sale

As at 30 June 2019, the Group had 28 completed property projects and completed properties held for sale of RMB1,436.4 million, representing a decrease of 60.1% from RMB3,596.4 million as at 31 December 2018.

Projects under development

As at 30 June 2019, the Group had 214 projects under development and properties under development of RMB118,503.1 million, representing an increase of 19.1% from RMB99,481.4 million as at 31 December 2018.

Land bank

During the six months ended 30 June 2019, there were a total of 70 newly acquired land parcels with a total planned GFA of approximately 8.1 million sq.m. The average cost of land parcels acquired (excluding carparks) was approximately RMB3,934 per sq.m.. The following table sets forth the details of land parcels the Group acquired during the six months ended 30 June 2019:

	City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding carparks) (sq.m.)	Attributable planned GFA (excluding carparks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding carparks) (RMB/sq.m.)
1	Weifang	Land parcel No.2018-089 in Qingzhou City, Weifang	Residential/ Commercial	100	25,651	51,276	51,276	30,781,200	30,781,200	600
2	Jinhua	A parcel of land located at the northeastern side of the intersection of Shangfo Road and Sitong Road in Shangxi Town, Yiwu City	Residential/ Commercial	100	24,424	53,733	53,733	220,800,000	220,800,000	4,109
3	Mianyang	Land parcel No.15 located at Ming Yue New City in Jiangyou City	Residential/ Commercial	100	63,171	189,513	189,513	151,611,200	151,611,200	800
4	Quanzhou	Land parcel No.06 located at Yuzhou Commercial Area in Nanxing District, Huian City	Residential/ Commercial	40	26,195	68,107	27,243	158,000,000	63,200,000	2,320
5	Nanyang	Land parcel No.2018-32 located at the western side of Qifeng Avenue, Fangcheng	Residential/ Commercial	100	49,990	124,975	124,975	114,730,000	114,730,000	918
6	Hangzhou	A parcel of residential land located at YH02 southern area of Future Science and Technology City	Residential/ Commercial	100	26,094	28,703	28,703	391,090,000	391,090,000	13,625
7	Nanning	Land parcel No.GC2018-137 located at Yongning District, Nanning City	Residential/ Commercial	100	25,091	75,272	75,272	205,492,915	205,492,915	2,730
8	Taizhou	Land parcel No.BXE036-0613 located at Yuhuan New City	Residential/ Commercial	100	70,000	105,000	105,000	512,000,000	512,000,000	4,876
9	Dalian	Land parcel No.0408 located at Jinzhou Bay of Jinzhou District, Dalian	Residential/ Commercial	100	67,287	91,510	91,510	226,200,000	226,200,000	2,472
10	Lu'an	Land parcel No.2019-3 located at the west of Liuan City	Residential/ Commercial	100	58,177	104,719	104,719	164,400,000	164,400,000	1,570
11	Nanchang	A parcel of land with an area of 77.8mu located at the western side of Xuefu Road in the new city district of Anyi County, Nanchang	Residential/ Commercial	100	51,893	103,786	103,786	291,300,000	291,300,000	2,807
12	Suqian	Land parcel No. 2018 (Jin) D Suyu 08 in Suqian	Residential/ Commercial	100	61,047	152,617	152,617	392,050,766	392,050,766	2,569
13	Changsha	Land parcel No.[2019]001 in Changsha County, Changsha City	Residential/ Commercial	100	87,316	165,900	165,900	337,080,000	337,080,000	2,032
14	Tianjin	Land parcel No.2018-017 located at Dazhang Village, Beichen District, Tianjin	Residential/ Commercial	60	62,087	103,133	61,880	445,760,000	267,456,000	4,322
15	Tianjin	Land parcel No.2018-018 located at Dazhang Village, Beichen District, Tianjin	Residential/ Commercial	60	54,988	89,311	53,587	345,000,000	207,000,000	3,863
16	Suining	A parcel of land with an area of 24mu located at the Jingkai South District, Suining	Residential/ Commercial	100	16,006	35,214	35,214	97,480,600	97,480,600	2,768
17	Suzhou	A parcel of land located at the east of Xiangcheng Avenue and the south of Kangyuan Road in Suzhou	Residential/ Commercial	100	47,434	104,355	104,355	1,411,900,000	1,411,900,000	13,530
18	Taizhou	A parcel of land located at the southern side of Wangjiang Road in Binjiang New City, Jingjiang	Residential/ Commercial	50	73,286	131,915	65,958	598,000,000	299,000,000	4,533
19	Hefei	Land parcel No.CF201901 located at Gangji Village, Changfeng County	Residential/ Commercial	100	69,271	124,687	124,687	675,415,000	675,415,000	5,417
20	Xi'an	A project with an area of 153mu located at Liguang Street in Qinhan New City, Xixian New Area	Residential/ Commercial	100	102,289	173,892	173,892	610,000,000	610,000,000	3,508
21	Qingdao	A parcel of land located at the east of Qingdao Road, Laixi City	Residential/ Commercial	80	35,097	98,851	79,081	93,680,000	74,944,000	948
22	Chenzhou	A parcel of land (Chen Tu Gua Gao Zi [2019] No.012) in Beihu District, Chenzhou City	Residential/ Commercial	100	70,075	185,698	185,698	200,000,000	200,000,000	1,077

	City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding carparks) (sq.m.)	Attributable planned GFA (excluding carparks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding carparks) (RMB/sq.m.)
23	Cangzhou	Land parcel No.GTP-2017-11 in High-tech Zone, Cangzhou City	Residential/ Commercial	100	69,928	153,841	153,841	590,000,000	590,000,000	3,835
24	Hangzhou	A parcel of land located at Kun Sheng Xiao Bang in Jiubao, Hangzhou	Residential/ Commercial	34	62,475	16,382	5,570	347,300,000	118,082,000	21,200
25	Hefei	Land parcel No.E1903 in Yaohai District, Hefei	Residential/ Commercial	36	59,233	118,466	42,648	928,478,686	334,252,327	7,838
26	Chongqing	Land parcel No.C-14-2/03 located at Zone C of Lijiatuo Division in Ba'nan District, Chongqing City	Residential/ Commercial	100	7,391	14,782	14,782	89,500,000	89,500,000	6,055
27	Nanjing	Land parcel No.2018G66 located at Shangfa Town in Jiangning District, Nanjing City	Residential/ Commercial	30	24,217	60,544	18,163	730,000,000	219,000,000	12,057
28	Changzhou	A parcel of land located at the northern side of Laodong Middle Road and the western side of Youyi Road in Tianning District, Changzhou City	Residential/ Commercial	45	61,134	134,495	60,523	1,080,000,000	486,000,000	8,030
29	Yiyang	A parcel of land (Yi Tu Wang Pai Zi [2019] No.07) in High-tech Zone, Yiyang City	Residential/ Commercial	80	36,605	102,494	81,995	206,730,000	165,384,000	2,017
30	Guigang	Land parcel No.2018G-109 in Qintang District, Guigang City	Residential/ Commercial	100	46,461	92,921	92,921	83,880,000	83,880,000	903
31	Yantai	A redevelopment project located at Beishangfang of Zhifu District, Yantai	Residential/ Commercial	34	66,667	114,000	38,760	256,630,200	87,254,268	2,251
32	Jinhua	A parcel of land located at the northern side of Xixi New City, Lanxi City	Residential/ Commercial	54	40,850	81,700	44,118	287,580,000	155,293,200	3,520
33	Fuzhou	A parcel of land located at Meixi New City, Minqing	Residential/ Commercial	20	60,467	120,934	24,187	423,000,000	84,600,000	3,498
34	Chuxiong	Land parcel No.2019-G-4-1&2 with an area of 112.96mu located at Dongnan New City, Chuxiong City	Residential/ Commercial	100	75,309	263,582	263,582	301,989,090	301,989,090	1,146
35	Guiyang	Land parcel No.G(19)014 located at Sanma Area of Yunyan District, Guiyang City	Residential/ Commercial	100	27,663	69,158	69,158	493,041,000	493,041,000	7,129
36	Wenzhou	A parcel of land (Yong Zhong YB-08-D15) in Yongqiang North Area, Longwan	Residential/ Commercial	100	50,068	90,122	90,122	994,000,000	994,000,000	11,029
37	Fuyang	Land parcel No.[2019]-7 in Yingquan District, Fuyang City	Residential/ Commercial	100	198,625	407,659	407,659	1,101,512,400	1,101,512,400	2,702
38	Wenzhou	Land parcel No.B-c1-2 in Binhai New Area, Yueqing City	Residential/ Commercial	100	31,677	63,354	63,354	520,500,000	520,500,000	8,216
39	Chizhou	Land parcel No. [2019]1 in Guichi District, Chizhou City	Residential/ Commercial	100	99,532	159,251	159,251	495,000,000	495,000,000	3,108
40	Xinxiang	Land parcel No.(2019)03-2 in Weihui, Xinxiang City	Residential/ Commercial	100	33,016	82,374	82,374	91,680,000	91,680,000	1,113
41	Anqing	Land parcel No.1901 located in the new city at the eastern part of Anqing City	Residential/ Commercial	100	107,731	236,900	236,900	1,137,000,000	1,137,000,000	4,799
42	Fuzhou	Land parcel No.2019 Pai-04 at the north of Fuqing City	Residential/ Commercial	100	33,948	101,844	101,844	312,000,000	312,000,000	3,064
43	Fuzhou	A parcel of land (Rong Gao Xin No. 2019-04) in High-tech Zone, Fuzhou City	Residential/ Commercial	100	60,357	116,393	116,393	650,000,000	650,000,000	5,585
44	Wenzhou	Land parcel No.C-c25 located at the central district of Yueqing City	Residential/ Commercial	100	12,605	31,513	31,513	309,000,000	309,000,000	9,805
45	Hangzhou	A parcel of land located at Xin An Jiang Street in Jiangde City, Hangzhou with a theatre erected thereon	Residential/ Commercial	100	15,462	26,595	26,595	340,000,000	340,000,000	12,784
46	Quanzhou	Land parcel No.P2018-38 located at the south of Chidian Town, Jinjiang City	Residential/ Commercial	100	34,205	85,513	85,513	502,000,000	502,000,000	5,870
47	Nanchang	Land parcel No.DAFJ2019005 located at the Hi-tech Zone in Qingshan Lake District, Nanchang City	Residential/ Commercial	34	102,269	204,538	69,543	1,185,810,000	403,175,400	5,798
48	Sanming	Land parcel No.2019P002 in Guixiyang Area, Sanming	Residential/ Commercial	31	45,119	103,700	32,168	438,000,000	135,867,600	4,224
49	Xuancheng	A parcel of land located at the southern side of Baida Shopping Centre in Chengnan Area, Guangde County	Residential/ Commercial	100	69,872	125,770	125,770	388,808,000	388,808,000	3,091

	City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding carparks) (sq.m.)	Attributable planned GFA (excluding carparks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding carparks) (RMB/sq.m.)
50	Zigong	Land parcel No.C-250-1 in Jianshe Road of Gongjing District, Zigong City	Residential/ Commercial	100	26,634	39,951	39,951	63,919,300	63,919,300	1,600
51	Puer	Land parcel No.P01138 in Simao District, Puer	Residential/ Commercial	100	17,342	31,215	31,215	73,728,000	73,728,000	2,362
52	Xi'an	Land parcel No.XXKG-DZ01-44 located at Konggang New City in Xixian, Xi'an City	Residential/ Commercial	100	39,375	78,750	78,750	165,380,000	165,380,000	2,100
53	Weihai	A parcel of land (Rong Zi Jing Gua Zi [2019] No.5) located in Rongcheng, Weihai City	Residential/ Commercial	100	19,240	61,588	61,588	125,536,525	125,536,525	2,038
54	Loudi	A parcel of land (Lou Tu Wang Gao Zi [2019] No.5) located in Louxing District, Loudi City	Residential/ Commercial	100	38,989	136,461	136,461	181,180,000	181,180,000	1,328
55	Quanzhou	Land parcel No.2018-22 in Jinjiang, Quanzhou	Residential/ Commercial	15	126,062	317,298	47,722	487,000,000	73,244,800	1,535
56	Wuxi	Project No. 2 located at Zhang Village in Huishan New City of Huishan District, Wuxi	Residential/ Commercial	40	78,576	133,250	53,300	1,379,090,000	551,636,000	10,350
57	Shaoxing	A parcel of land located at Daojiupan in City West, Shengzhou	Residential/ Commercial	100	33,205	49,808	49,808	194,000,000	194,000,000	3,895
58	Jinhua	Land parcel No.2 located at Jiangwan Organic Renewal Area in Economic and Technological Development Zone, Yiwu	Residential/ Commercial	100	61,839	80,390	80,390	1,284,050,000	1,284,050,000	15,973
59	Beihai	A parcel of land located at the northern side of Cultural and Sports Centre No.1 Road of Lianzhou Town, Hepu County, Beihai City	Residential/ Commercial	100	39,312	137,592	137,592	152,000,000	152,000,000	1,105
60	Lishui	A parcel of land located at the northwestern side of the intersection of Dongdi Road and Haoxi Road in City North Area, Lishui	Residential/ Commercial	100	144,691	347,258	347,258	2,452,000,000	2,452,000,000	7,061
61	Jiyuan	A parcel of land located at the east of Qinyuan Road and the northern side of Binhe North Street in Hi-tech Zone of Jiyuan City	Residential/ Commercial	93	29,758	59,336	54,993	188,814,500	174,993,279	3,182
62	Suzhou	A parcel of land located at Gutang Street, Taicang City District	Residential/ Commercial	100	11,131	20,036	20,036	188,270,000	188,270,000	9,397
63	Xuancheng	A parcel of land in Old City District of Ningguo City with an old factory of Sierte erected thereon	Residential/ Commercial	39	70,000	126,000	48,523	246,749,580	95,023,263	1,958
64	Huangshi	Land parcel No.WG(2019)14 in Huangshigang District, Huangshi City	Residential/ Commercial	100	64,740	213,642	213,642	648,900,000	648,900,000	3,037
65	Cangzhou	Land parcel No.65 in Huanghua Development Zone under the public transfer 2018	Residential/ Commercial	100	48,224	96,448	96,448	290,000,000	290,000,000	3,007
66	Ezhou	Land parcel No.WP(2019)003 in Gedian, Ezhou	Residential/ Commercial	65	39,962	103,901	67,536	480,610,000	312,396,500	4,626
67	Wenzhou	Land parcels No. 02-41, 03-05, 03-06,03-10 and 03-11 located at Phase 2, Nanbinjiang, Jiangnan New District, Ruian City	Residential/ Commercial	15	114,285	300,329	45,049	793,370,000	119,005,500	2,642
68	Jiujiang	A parcel of land next to Liangxinjiayuan, Luliangxi Avenue, Liangtang New District, Xiushui County, Jiujiang City	Residential/ Commercial	100	31,736	63,472	63,472	137,575,300	137,575,300	2,167
69	Yibin	Land parcel No.TD-A-05-03 in Linjiang New District, Yibin City	Residential/ Commercial	56	40,816	101,632	56,914	410,609,000	229,941,040	4,040
70	Huangshi	Land parcel No.G18062 in Daye	Residential/ Commercial	100	38,605	96,513	96,513	105,900,000	105,900,000	1,097
					3,814,277	8,135,861	6,525,007	32,004,893,262	25,151,430,473	3,934

As at 30 June 2019, the total land bank attributable to the Group, taken into account the total land bank of projects developed by subsidiaries, joint ventures and associates, was approximately 42.0 million sq.m., among which, approximately 1.5 million sq.m. were completed properties available for sale/ leasable and approximately 40.5 million sq.m. were under development.

The following table sets forth the breakdown of the total land bank attributable to the Group developed by the Group's subsidiaries, joint ventures and associate in terms of tier of city as at 30 June 2019:

	Number of projects	Completed GFA available for sale/leasable GFA[(1)] *(sq.m.)*	Planned GFA under development *(sq.m.)*	Estimated GFA for future development *(sq.m.)*	Total land bank attributable to the Group[(2)] *(sq.m.)*	% of total land bank attributable to the Group	Total land bank[(3)] *(sq.m.)*
Second-tier cities	109	331,695	5,688,994	1,626,334	7,647,023	18.2%	11,955,041
Third-tier cities	224	998,647	20,607,066	5,313,793	26,919,506	64.1%	31,987,160
Forth-tier cities	52	167,371	6,295,914	974,762	7,438,047	17.7%	9,054,066
Total	385	1,497,713	32,591,974	7,914,889	42,004,576	100.0%	52,996,267

Notes:

(1) Includes saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.

(2) Total land bank attributable to the Group equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development, adjusted by the equity interest held by the Group in respect of the projects held by the Group's joint ventures and associates.

(3) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties 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 2019, the Group derived its revenue from three business lines, namely (i) sales of properties; (ii) management consulting services; and (iii) rental income from property lease. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the details of the Group's revenue recognised by business lines for the period indicated:

	For the six months ended 30 June		Change in
	2019	2018	percentage
	(RMB'000)	*(RMB'000)*	
Revenue			
Revenue from contracts with customers			
Sales of properties	**20,413,499**	9,621,368	+112.2%
Management consulting services	**138,918**	103,479	+34.2%
Property management services	**—**	6,321	–100.0%
Revenue from other sources			
Rental income	**4,148**	—	N/A
Total	**20,556,565**	9,731,168	+111.2%

The revenue of the Group increased by approximately 111.2% from RMB9,731.2 million for the six months ended 30 June 2018 to RMB20,556.6 million for the six months ended 30 June 2019. This increase was mainly attributable to:

(i) the increase in the total recognised GFA by approximately 129.8% from 790,437 sq.m. for the six months ended 30 June 2018 to 1,816,690 sq.m. for the six months ended 30 June 2019;

(ii) the increase in revenue from management consulting services by approximately 34.2% from RMB103.5 million for the six months ended 30 June 2018 to RMB138.9 million for the six months ended 30 June 2019; and

(iii) the increase in rental income from property lease from nil for the six months ended 30 June 2018 to RMB4.1 million for the six months ended 30 June 2019. The rental income from property lease in the first half of 2019 was mainly contributed by the Group's investment properties located in Wenzhou.

The impact was partially offset by (i) the decrease in the recognised ASP of properties delivered by the Group by approximately 7.7% from RMB12,172 per sq.m. for the six months ended 30 June 2018 to RMB11,237 per sq.m. for the six months ended 30 June 2019 due to the decrease in proportion of recognised revenue contributed by Yangtze River Delta Economic Region where generally had higher ASP; and (ii) the decrease in revenue from property management services, which was an ancillary business of the Group, from RMB6.3 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019 as a result of the disposal of such ancillary business by the Group upon reorganisation in the process of the Listing.

Revenue generated from the sales of properties amounted to RMB20,413.5 million for the six months ended 30 June 2019. The following table sets forth the details of the revenue generated from the sales of properties, the total recognised GFA and recognised ASP for the Group's projects by geographical location for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018:

	For the six months ended 30 June					
	2019			2018		
	Revenue	**Recognised GFA**	**Recognised ASP**	Revenue	Recognised GFA	Recognised ASP
	(RMB'000)	***(sq.m.)***	***(RMB/ sq.m.)***	*(RMB'000)*	*(sq.m.)*	*(RMB/ sq.m.)*
Yangtze River Delta Economic Region						
Wenzhou	**1,754,890**	**143,463**	**12,232**	2,955,757	218,948	13,500
Ningbo	**1,296,358**	**122,009**	**10,625**	1,581,379	121,709	12,993
Suzhou	**51,706**	**3,367**	**15,357**	68,713	3,778	18,187
Shaoxing	**47,499**	**6,118**	**7,764**	243,075	28,946	8,398
Taizhou	**3,099,525**	**247,486**	**12,524**	1,380,590	101,440	13,610
Hangzhou	**62,795**	**4,600**	**13,651**	74,118	6,589	11,249
Others	**10,843,444**	**887,042**	**12,224**	2,587,325	212,234	12,191
Subtotal	**17,156,217**	**1,414,085**	**12,132**	8,890,957	693,644	12,818

	For the six months ended 30 June					
	2019			2018		
	Revenue	**Recognised GFA**	**Recognised ASP**	Revenue	Recognised GFA	Recognised ASP
	(RMB'000)	***(sq.m.)***	***(RMB/ sq.m.)***	*(RMB'000)*	*(sq.m.)*	*(RMB/ sq.m.)*
Midwest China Economic Region						
Dazhou	**52,437**	**7,870**	**6,663**	100,924	15,523	6,502
Kunming	**83,971**	**9,536**	**8,806**	18,116	2,768	6,545
Changsha	**7,334**	**1,407**	**5,213**	11,449	2,183	5,245
Others	**558,775**	**75,446**	**7,406**	60,412	8,113	7,446
Subtotal	**702,517**	**94,259**	**7,453**	190,901	28,587	6,678
Pan-Bohai Economic Rim						
Yantai	**3,205**	**502**	**6,384**	28,535	5,217	5,470
Linyi	**10,466**	**1,014**	**10,321**	7,831	955	8,200
Others	**75,643**	**10,502**	**7,203**	13,278	1,813	7,324
Subtotal	**89,314**	**12,018**	**7,432**	49,644	7,985	6,217
Western Taiwan Straits Economic Zone						
Ganzhou	**695,637**	**65,915**	**10,554**	197,694	24,889	7,943
Ningde	**55,091**	**7,058**	**7,805**	85,320	8,645	9,869
Jiujiang	**13,672**	**1,772**	**7,716**	67,973	7,502	9,061
Others	**1,681,693**	**218,834**	**7,685**	138,879	19,185	7,239
Subtotal	**2,446,093**	**293,579**	**8,332**	489,866	60,221	8,134
Pearl River Delta Economic Zone	**19,358**	**2,749**	**7,042**	—	—	—
Total	**20,413,499**	**1,816,690**	**11,237**	9,621,368	790,437	12,172

Cost of sales

The Group's cost of sales increased by approximately 119.5% from RMB7,070.9 million for the six months ended 30 June 2018 to RMB15,522.1 million for the six months ended 30 June 2019. 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 89.2% from RMB2,660.3 million for the six months ended 30 June 2018 to RMB5,034.5 million for the six months ended 30 June 2019.

The Group's gross profit margin decreased from 27.3% for the six months ended 30 June 2018 to 24.5% for the six months ended 30 June 2019, mainly because of higher land acquisition costs relative to the respective ASP in respect of the property projects delivered during the Period.

Finance income

The Group's finance income (mainly represents bank interest income) increased by approximately 29.9% from RMB148.1 million for the six months ended 30 June 2018 to RMB192.3 million for the six months ended 30 June 2019, primarily due to the increase in bank balances and cash.

Other income and gains

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries; (ii) forfeiture of deposits; (iii) government grants; and (iv) others, which mainly include sundry income. The Group's other income increased by approximately 11.0% from RMB56.0 million for the six months ended 30 June 2018 to RMB62.1 million for the six months ended 30 June 2019.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 134.0% from RMB430.6 million for the six months ended 30 June 2018 to RMB1,007.4 million for the six months ended 30 June 2019, primarily due to the increase in marketing expenses incurred for launching of property projects available for pre-sale during the Period.

Administrative expenses

The Group's administrative expenses increased by approximately 67.9% from RMB628.6 million for the six months ended 30 June 2018 to RMB1,055.2 million for the six months ended 30 June 2019, primarily due to the increase in administrative and staff costs as a result of the Group's business expansion.

Finance costs

The Group's finance costs increased by approximately 74.3% from RMB143.9 million for the six months ended 30 June 2018 to RMB250.9 million for the six months ended 30 June 2019, primarily due to the increase in interest on the Group's bank and other borrowings as a result of the increase in amount of borrowings and interest rates, partially offset by the increase in interest capitalised in properties under development.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2019 was approximately RMB2,122.1 million, representing an increase of 61.0% from RMB1,318.3 million for the six months ended 30 June 2018. The increase was due to the increase in bank borrowings and interest rates.

The Group's weighted average effective cost of indebtedness for total borrowings for the Period was approximately 10.0% (31 December 2018: approximately 9.9%).

Share of profits/losses of joint ventures

The Group recorded share of losses of joint ventures accounted for using the equity method of RMB49.4 million for the six months ended 30 June 2018 and share of profits of joint ventures of RMB44.1 million for the six months ended 30 June 2019. Such change was primarily due to the delivery of property projects held by the Group's joint ventures which generated profit during the six months ended 30 June 2019.

Share of profits of associates

The Group's share of profits of associates increased by approximately 63.5% from RMB103.7 million for the six months ended 30 June 2018 to RMB169.6 million for the six months ended 30 June 2019, primarily due to the increase in delivery of property projects held by the Group's associates during the six months ended 30 June 2019.

Profit before tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax increased by approximately 97.1% from RMB1,620.0 million for the six months ended 30 June 2018 to RMB3,193.3 million for the six months ended 30 June 2019.

Income tax expense

The Group's income tax expense comprises provisions made for CIT and LAT in the PRC less deferred tax during the Period.

The Group's income tax expense increased by approximately 65.3% from RMB783.0 million for the six months ended 30 June 2018 to RMB1,294.6 million for the six months ended 30 June 2019.

The effective income tax rate of the Group for the six months ended 30 June 2019 was 29.4%, compared to 31.1% for the six months ended 30 June 2018. Effective income tax rate was calculated based on the quotient of (a) the result of CIT plus deferred tax, divided by (b) the result of profit before tax minus LAT.

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 81.8% from RMB662.5 million for the six months ended 30 June 2018 to RMB1,204.1 million for the six months ended 30 June 2019. The Group's core net profit for the period attributable to the owners of the Company increased by approximately 88.4% from RMB654.2 million for the six months ended 30 June 2018 to RMB1,232.2 million for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group expects to continue meeting its operating capital, capital expenditure and other capital needs with the proceeds from the Listing and cash generated from operations including proceeds from sale and pre-sale of properties, bank loans, which include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary, loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements, 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 long-term loans.

Net current assets

As at 30 June 2019, the Group's net current assets amounted to RMB14,900.9 million (31 December 2018: RMB11,945.2 million). Specifically, the Group's total current assets increased by approximately 17.4% from RMB160,394.2 million as at 31 December 2018 to RMB188,382.4 million as at 30 June 2019. The Group's total current liabilities increased by approximately 16.9% from RMB148,449.0 million as at 31 December 2018 to RMB173,481.5 million as at 30 June 2019. The increase in the Group's total current assets was primarily attributable to (i) the increase in properties under development; and (ii) the increase in prepayments and other receivables during the Period.

Cash position

As at 30 June 2019, the Group had bank balances and cash of RMB24,721.4 million (31 December 2018: RMB23,080.4 million), of which RMB24,710.7 million (31 December 2018: RMB23,080.4 million) was denominated in RMB and RMB10.7 million (31 December 2018: RMB8,000) was denominated in HK$.

Indebtedness

As at 30 June 2019, the Group had total outstanding borrowings of RMB28,802.2 million (31 December 2018: RMB27,004.9 million), of which RMB20,933.1 million (31 December 2018: RMB20,259.4 million) was carried at fixed rates. All of the Group's borrowings were denominated in RMB.

The following table sets forth Group's total borrowings as at the dates indicated:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Current		
Bank loans		
— secured	**1,033,900**	490,000
— unsecured	**227,000**	232,000
Other loans		
— secured	**5,613,528**	5,854,621
— unsecured	**720,460**	673,201
Current portion of long-term bank loans		
— secured	**3,283,915**	4,593,900
Current portion of long-term other loans		
— secured	**3,536,100**	2,624,950
— unsecured	**51,677**	—
Total current borrowings	**14,466,580**	14,468,672
Non-current		
Bank loans		
— secured	**8,860,414**	5,211,318
— unsecured	**1,150,000**	820,000
Other loans		
— secured	**4,024,806**	4,844,927
— unsecured	**300,400**	1,660,000
Total non-current borrowings	**14,335,620**	12,536,245
Total borrowings	**28,802,200**	27,004,917
Total secured borrowings	**26,352,663**	23,619,716
Total unsecured borrowings	**2,449,537**	3,385,201

The following table sets forth the maturity profiles of the Group's total borrowings as at the dates indicated:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Bank loans repayable:		
— Within one year or on demand	**4,544,815**	5,315,900
— In the second year	**5,131,891**	3,979,318
— In the third to fifth year, inclusive	**4,878,523**	2,052,000
	14,555,229	11,347,218
Other borrowings repayable:		
— Within one year or on demand	**9,921,765**	9,152,772
— In the second year	**4,001,829**	6,104,927
— In the third to fifth year, inclusive	**323,377**	400,000
	14,246,971	15,657,699
Total	**28,802,200**	27,004,917

Pledge of assets

As at 30 June 2019, the Group's borrowings were secured by the Group's assets of RMB43,287.6 million (31 December 2018: RMB43,669.7 million) which included (i) investment properties; (ii) properties under development; and (iii) pledged deposits.

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 manages its interest cost using variable rate bank borrowings and other borrowings. During the Period, the Group did not use derivative financial instruments to hedge interest rate risk.

Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The Directors believe that, during the Period, there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables and amounts due from related companies.

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. Cash flows are closely monitored on an ongoing basis.

Foreign exchange exposure

The Group primarily operates its business in China and substantially all of its revenue and expenditures are denominated in RMB, while the net proceeds from the Listing and any payment of dividends will be made in HK$. As at 30 June 2019, the Group had bank balances and cash denominated in RMB of RMB24,710.7 million and in HK$ of RMB10.7 million, which are subject to fluctuations in exchange rates.

The Group does not have a foreign currency hedging policy. However, the Group will closely monitor the its exposure to exchange rates in order to best preserve the Group's cash value.

CONTINGENT LIABILITIES

Mortgage guarantees

The Group provides 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, 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 date 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 RMB40,261.6 million as at 30 June 2019 (31 December 2018: RMB28,897.3 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 of the Company 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 2019, the Group guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB8,326.9 million (31 December 2018: RMB6,594.2 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 2019, 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 RMB48,822.5 million (31 December 2018: RMB44,047.4 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2019, 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.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

As at the date of this announcement, net proceeds from the Listing not utilised are held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Stock Exchange on 16 July 2019. Save for that the Company had issued new shares in connection with the Listing as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 12,575 full-time employees. For the six months ended 30 June 2019, the staff cost recognised as expenses of the Group amounted to RMB719.0 million (30 June 2018: RMB355.3 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 post-IPO share option scheme on 19 June 2019, 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 Group is committed to achieving high standards of corporate governance to safeguard the interests of the holders (the "**Shareholders**") of the shares of the Company and to enhance corporate value and accountability.

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code on corporate governance since the Listing.

As the Company was listed on 16 July 2019, the Company was not required to comply with the Corporate Governance Code during the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company since the Listing.

As the Company was listed on 16 July 2019, the Company was not required to comply with the Model Code during the Period.

INTERIM DIVIDEND

On 22 August 2019, the Board resolved to declare the Interim Dividend of HK15.3 cents (equivalent to RMB13.8 cents) per share for the six months ended 30 June 2019 to the Shareholders whose name appear on the register of member of the Company at the close of business on Tuesday, 5 November 2019. The Interim Dividend is expected to be paid on or about Friday, 15 November 2019.

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

CLOSURE OF RESISTER 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 Friday, 1 November 2019 to Tuesday, 5 November 2019, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 31 October 2019.

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 had reviewed the interim results for the six months ended 30 June 2019. The interim results for the six months ended 30 June 2019 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

(1) In connection with the Listing, the Company issued 530,000,000 new ordinary shares with a nominal value of HK$0.01 each at a price of HK$5.55 per ordinary share for a total cash consideration of HK$2,941.5 million, before deducting underwriting fees, commissions and related expenses. In addition, the Company issued 2,990,305,325 shares by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 16 July 2019.

(2) As disclosed in the Prospectus, the guarantees provided by the Company's controlling shareholders and one of its associates would be released prior to the Listing. Upon the Listing, such guarantees were released.

(3) On 5 August 2019, the over-allotment option was partially exercised and the Company allotted and issued 51,791,500 additional shares at HK$5.55 per share on 7 August 2019.

THE BOARD OF DIRECTORS

As at the date of this announcement, the Board consisted of four executive Directors, including Mr. Yang Jian, Mr. Huang Chunlei, Mr. Xu Liangqiong and Mr. Ling Xinyu; 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 2019 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, 22 August 2019

Notes:

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.