Zhenro Properties Group Limited

正 榮 地 產 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 was RMB16,011.1 million, representing an increase of 10.1% as compared to the six months ended 30 June 2020.
- Profit for the six months ended 30 June 2021 was RMB1,503.7 million, representing an increase of 18.0% as compared to the six months ended 30 June 2020.
- Profit attributable to owners of the parent for the six months ended 30 June 2021 was RMB1,166.1 million, representing an increase of 33.1% as compared to the six months ended 30 June 2020.
- Core profit(1) for the six months ended 30 June 2021 was RMB1,540.5 million, representing an increase of 17.4% as compared to the six months ended 30 June 2020.
- Core profit(1) attributable to owners of the parent for the six months ended 30 June 2021 was RMB1,203.0 million, representing an increase of 31.7% as compared to the six months ended 30 June 2020.
- As at 30 June 2021, net debt to total equity ratio was 57.2%, short term debt to total debt ratio was 28.5%, cash to short term debt ratio was 219% and the weighted average financing cost of debt was 6.35%.
- The aggregated contracted sales of the Group, together with its joint ventures and associates, for the six months ended 30 June 2021 was RMB82,299 million, representing an increase of 47.0% as compared to the six months ended 30 June 2020 and completion of 54.9% of full year contracted sales target.
- During the first half of 2021, the Group has acquired 24 parcels of land with an aggregated estimated GFA of 3.56 million sq.m. and an attributable ratio (in terms of GFA) of 46%. As at 30 June 2021, the Group had a total land bank with GFA of 29.30 million sq.m.

Notes:

(1) Defined as net profit excluding changes in fair values of investment properties and financial assets, exchange gain or loss, impairment losses and the relevant deferred taxes.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhenro Properties Group Limited ("**Zhenro Properties**" or the "**Company**") 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 2021 (the "**Period**") together with the comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	*5*	**16,011,103**	14,542,163
Cost of sales		**(12,960,151)**	(11,587,983)
Gross profit		**3,050,952**	2,954,180
Other income and gains	*5*	**1,276,233**	402,100
Selling and distribution expenses		**(625,173)**	(454,692)
Administrative expenses		**(645,497)**	(543,195)
Impairment losses on financial assets, net		**(5,217)**	(849)
Other expenses		**(382,339)**	(71,711)
Fair value gains on investment properties		**5,183**	79,617
Fair value gains or loss from financial assets at fair value through profit or loss		**9,508**	(41,982)
Finance costs	*6*	**(355,619)**	(307,086)
Share of profits and losses of:			
Joint ventures		**(3,710)**	74,242
Associates		**65,159**	292,156
PROFIT BEFORE TAX	*7*	**2,389,480**	2,382,780
Income tax expense	*8*	**(885,828)**	(1,108,253)
PROFIT FOR THE PERIOD		**1,503,652**	1,274,527
Attributable to:			
Owners of the parent		**1,166,138**	875,845
Non-controlling interests		**337,514**	398,682
		1,503,652	1,274,527
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*10*	**RMB0.27**	RMB0.20

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**1,503,652**	1,274,527
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**107,949**	(46,357)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**107,949**	(46,357)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**107,949**	(46,357)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,611,601**	1,228,170
Attributable to:		
Owners of the parent	**1,274,087**	829,488
Non-controlling interests	**337,514**	398,682
	1,611,601	1,228,170

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	**30 June 2021** *RMB'000* *(Unaudited)*	31 December 2020 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**536,224**	561,410
Investment properties		**10,034,700**	10,615,200
Right-of-use assets		**334,020**	345,356
Other intangible assets		**4,406**	6,902
Prepayments, other receivables and other assets		**1,076,272**	–
Investments in joint ventures		**2,495,052**	3,137,528
Investments in associates		**7,250,915**	5,675,958
Deferred tax assets		**2,292,934**	1,803,433
Total non-current assets		**24,024,523**	22,145,787
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**1,072,072**	938,067
Properties under development		**130,759,863**	117,686,697
Completed properties held for sale		**7,978,609**	7,870,910
Trade receivables	*11*	**128,021**	124,825
Due from related companies		**9,751,353**	7,880,825
Prepayments, other receivables and other assets		**30,540,388**	20,377,345
Tax recoverable		**1,641,061**	1,388,542
Cash and bank balances		**44,449,953**	42,972,503
Total current assets		**226,321,320**	199,239,714
CURRENT LIABILITIES			
Trade and bills payables	*12*	**22,596,502**	21,219,712
Other payables and accruals		**13,898,076**	12,351,381
Contract liabilities		**79,905,273**	60,866,676
Due to related companies		**8,064,320**	13,816,828
Interest-bearing bank loans and other borrowings		**14,931,658**	12,891,572
Senior notes		**4,260,433**	5,186,525
Corporate bonds		**1,150,881**	1,470,458
Lease liabilities		**44,893**	54,666
Tax payable		**4,862,838**	4,400,731
Total current liabilities		**149,714,874**	132,258,549
NET CURRENT ASSETS		**76,606,446**	66,981,165
TOTAL ASSETS LESS CURRENT LIABILITIES		**100,630,969**	89,126,952

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
As at 30 June 2021

	Notes	**30 June 2021** **RMB'000** ***(Unaudited)***	31 December 2020 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**30,414,451**	28,869,723
Other payables and accruals		**1,906,309**	2,891,445
Senior notes		**17,409,149**	15,781,545
Corporate bonds		**3,170,990**	3,084,546
Lease liabilities		**53,989**	48,438
Deferred tax liabilities		**635,220**	848,301
Total non-current liabilities		**53,590,108**	51,523,998
Net assets		**47,040,861**	37,602,954
EQUITY			
Equity attributable to owners of the parent			
Share capital		**282**	282
Reserves		**20,244,205**	19,575,985
		20,244,487	19,576,267
Non-controlling interests			
Perpetual capital securities		**1,417,158**	1,418,707
Other non-controlling interests		**25,379,216**	16,607,980
Total equity		**47,040,861**	37,602,954

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 16 January 2018.

The Company is an investment holding company. During the six months ended 30 June 2021, the Group was principally engaged in property development, property leasing and commercial property management.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

3. 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 2020, except for the adoption of the following revised standards for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

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

(a) (Continued)

Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic for the period ended 30 June 2021.

The Group has changed its accounting policy of the classification of the interest paid in the interim condensed consolidated statement of cash flows from operating activities to financing activities during the period (the "Policy Change") so as to provide more reliable and relevant information of cash flows generated from financial liabilities. In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of financial liabilities as cash flows from financing activities in the interim condensed consolidated statement of cash flows to reflect the nature of the cash flows associated with financial liabilities, including the interest paid as a cost of financing, and to provide more relevant information about the cash flows associated with financial liabilities. The directors are also of the opinion that such classification and presentation will provide more comparable information with industry peers. The comparative amounts have been restated accordingly.

4. **OPERATING SEGMENT INFORMATION**

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment. No single location's revenue, net profit or total assets exceeded 10% of the Group's combined revenue, net profit or total assets during the period. As all the locations have similar economic characteristics and are similar in the nature of property development and leasing and management, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Revenue from contracts with customers	**15,946,259**	14,486,261
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**64,844**	55,902
	16,011,103	14,542,163

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Types of goods or services		
Sale of properties	**15,763,928**	14,299,944
Sale of goods	**61,988**	–
Property management services	**44,200**	41,521
Management consulting services	**76,143**	144,796
Total revenue from contracts with customers	**15,946,259**	14,486,261
Timing of revenue recognition		
Properties transferred at a point in time	**15,825,916**	14,299,944
Services transferred over time	**120,343**	186,317
Total revenue from contracts with customers	**15,946,259**	14,486,261

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Other income		
Interest income	**315,004**	317,858
Others	**5,741**	3,342
	320,745	321,200
Gains		
Forfeiture of deposits	**9,844**	10,250
Government grants	**9,144**	7,172
Exchange gain	**29,053**	–
Gain on disposal of subsidiaries	**853,200**	12,737
Gain on disposal of items of property, plant and equipment	**39**	3,024
Remeasurement gain on investments in joint ventures and associates held before business combination	**771**	–
Dividend income from financial assets at fair value through profit or loss	**3,532**	–
Net gain on disposal of financial assets at fair value through profit or loss	**25,785**	36,417
Gain on bargain purchase	**24,120**	11,300
	955,488	80,900
	1,276,233	402,100

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	**2,968,456**	2,813,832
Interest expense arising from revenue contracts	**521,425**	581,653
Interest on lease liabilities	**2,183**	2,593
Total interest expense on financial liabilities not at fair value through profit or loss	**3,492,064**	3,398,078
Less: Interest capitalised	**(3,136,445)**	(3,090,992)
	355,619	307,086

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of properties sold	**12,847,442**	11,431,698
Impairment losses written off for completed properties held for sale	**(1,462)**	(560)
Impairment losses recognised for properties under development and completed properties held for sale	**134,659**	91,545
Impairment losses of financial assets, net	**5,217**	849
Depreciation of items of property, plant and equipment	**29,338**	24,766
Depreciation of right-of-use assets	**22,122**	23,719
Amortisation of other intangible assets	**2,581**	863
Gains or losses on disposal of items of property, plant and equipment, net	**(32)**	32
Gain on disposal of subsidiaries	**(853,200)**	(12,737)
Exchange differences, net	**(29,053)**	22,506
Auditors' remuneration	**2,900**	2,200
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**324,834**	301,253
Pension scheme contributions and social welfare	**63,147**	29,828

8. 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 and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the six months ended 30 June 2021 and 2020.

Subsidiaries of the Group operating in Mainland China are subject to the People's Republic of China ("PRC") corporate income tax at a rate of 25%.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Corporate income tax	**1,248,798**	638,017
LAT	**226,407**	568,292
Deferred tax	**(589,377)**	(98,056)
Total tax charge for the period	**885,828**	1,108,253

9. DIVIDENDS

The proposed 2020 final dividend of HK$0.15 (equivalent to approximately RMB0.13) per share, totalling HK$655,163,000 (equivalent to approximately RMB551,261,000), was approved by the Group's shareholders at the annual general meeting on 18 June 2021. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2021.

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. 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 4,367,756,000 (six months ended 30 June 2020: 4,367,756,000) shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the reporting periods.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,166,138**	875,845
Shares		
Weighted average number of ordinary shares in issue during the period	**4,367,756,000**	4,367,756,000

11. 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 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 1 year	**87,049**	82,579
Over 1 year	**40,972**	42,246
	128,021	124,825

12. TRADE AND BILLS PAYABLES

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 1 year	**22,305,507**	20,993,540
Over 1 year	**290,995**	226,172
	22,596,502	21,219,712

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the interim results of the Group for the six months ended 30 June 2021.

RESULTS

For the six months ended 30 June 2021, the revenue of the Group increased by 10.1% year-on-year to RMB16,011.1 million; the profit increased by 18.0% year-on-year to RMB1,503.7 million; the core profit (excluding changes in fair values of investment properties and financial assets, exchange gain or loss, impairment losses and the relevant deferred taxes) increased by 17.4% year-on-year to RMB1,540.5 million; the profit attributable to owners of the parent increased by 33.1% year-on-year to RMB1,166.1 million; and the core profit attributable to owners of the parent increased by 31.7% year-on-year to RMB1,203.0 million. The Board has resolved not to distribute interim dividends for the six months ended 30 June 2021.

MARKET AND BUSINESS REVIEW

Looking back at the first half of 2021, the overall government policy on the real estate market has continued the principle of "houses are for living in, not for speculation". The central and local governments launched various control policies such as "stabilizing the land prices, property prices and expectations" to promote the stable and sound development of the real estate market. Meanwhile, some key first- and second-tier cities kept on relaxing the policy on talent in a limited way in terms of qualifications of home ownership and settlement conditions to attract and retain talents, boosting the growth of local housing demand. Under the impact of the "three red lines" and the centralized real estate loan management policies, real estate companies have further deleveraged, reduced debt and ensured their debt maintained at a reasonable and safe level, further stabilizing the real estate market. In addition, the Ministry of Natural Resources launched a "centralized land supply" policy in February 2021, requiring 22 key cities to implement two centralized policies for the supply of residential land parcels, namely the centralized release of land supply announcements and the centralized organization of land supply activities. The policies are aiming at improving the transparency of land supply and guiding the market to have a reasonable expectation, which are beneficial to cooling the land market.

2021 is the closing year of the "New Three-year Strategy" of Zhenro Properties and the opening year of the "Ten-year Strategy". With both opportunities and challenges in the real estate industry, the Group adhered to its goal of "high quality growth" and operational approaches of "improve and going further". The Group focused on the improvement of core business capabilities, deepened its national development footprint, forged ahead and achieved good operational results.

Steady Growth in Contracted Sales and Promotion of Professionalization of Sales and Marketing Functions

During the Period, as the novel coronavirus ("**COVID-19**") pandemic was effectively under control in China, the impact of the pandemic on the national real estate market gradually weakened, and the abundant liquidity continuously unlocked the previously accumulated essential housing demand. With the Group's precise project development plan, high-quality products, sufficient saleable resources and efficient sales and marketing strategies, the Group successfully achieved contracted sales of RMB82.299 billion during the Period, representing a year-on-year increase of 47.0%, and achieved 54.9% of the annual sales target of RMB150 billion. In addition, the Group promoted the marketization of the operations of the sales and marketing teams comprehensively to enhance its sales and marketing capabilities and professionalism, which was beneficial to reducing sales and marketing expenses and providing a better incentive mechanism for sales and marketing personnel.

Sound Investment Focusing on Deep Penetration in First- and Second-Tier Cities

The policy of "centralized land supply" tests the operational and capital allocation capabilities of real estate companies, and to a certain extent affects the investment decisions of real estate companies. In this regard, the Group swiftly established a centralized land supply leadership team, actively mapped out countermeasures, deepened the Group's investment research and successfully seized the opportunity to replenish high-quality land bank. The Group adhered to the strategy of "regional penetration", focused strategically on first- and second-tier cities with strong fundamentals, and forayed into two core cities, namely Guangzhou and Hangzhou, further pushing the national layout development and laying a foundation for sustainable high quality growth in the future. During the Period, the total gross floor area ("**GFA**") of the Group's newly acquired land bank was approximately 3.56 million sq.m., of which 33%, 28% and 24% were located in three core regions, namely the Yangtze River Delta region, the Western Taiwan Straits region and the Pearl River Delta region, respectively, while the rest was located in the Central and Western China regions and Bohai Rim region. In terms of the tiers of cities, 90% of the newly acquired land bank was located in first- and second-tier cities which had a vibrant economy and considerable population. Facing the ever-changing operating environment, the Group deepened its strategic cooperation with its peers and achieved a win-win cooperation through the use of developers' respective management, capital and resource advantages in order to reduce projects' development costs and enhance project competitiveness. During the Period, the Group's equity interest in the newly acquired land bank (in terms of land premium) was approximately 45%, and the consolidated ratio (in terms of land premium) was approximately 48%.

As at 30 June 2021, the Group had a land bank with an aggregate GFA of 29.30 million sq.m. in 35 cities in the PRC, of which 82% was located in first- and second-tier cities. The Group's equity interest in the land bank (in terms of GFA) was approximately 56%.

Decreased Financing Cost and Prudent Financial Management Recognized by Credit Rating Agencies

In the first half of 2021, with its sound financial performance, outstanding financing breakthrough capabilities and good investor relations, the Group successfully seized several financing opportunities and continued to lead the industry in green financing practice. During the Period, the Group issued new green senior notes with an aggregate amount of US$1.26 billion, the average tenor was extended to 3.95 years, and the average financing cost dropped to 6.7%. At the same time, the Group repaid and early redeemed senior notes with an aggregate amount of approximately US$1.08 billion. The Group's weighted average financing cost of borrowings was further reduced to 6.35% at the end of the Period (end of 2020: 6.5%) through the abovementioned debt swaps.

By optimizing the debt structure, controlling debt growth strictly and strengthening cash reserves, the Group continued to intensify its financial risk resistance. As at 30 June 2021, the Group's major credit ratios remained at an industry healthy level, including short-term debt to total debt ratio of 28.5% (end of 2020: 29.1%), net debt-to-equity ratio of 57.2% (end of 2020: 64.7%), cash-to-short term borrowing ratio of 2.2 times (end of 2020: 2.2 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 72.4% (end of 2020: 76.6%), it is expected that all "three red lines" will be fulfilled.

The Group has been recognized by credit rating agencies for its prudent financial management and overall strength. During the Period, Fitch Ratings, an international rating agency, upgraded the Company's rating outlook to "positive" and affirmed the Company's issuer credit rating at "B+", reflecting Fitch Ratings' recognition for the Group's persistent reduction in leverage, strong liquidity, larger-scaled contracted sales, increased project consolidated ratio and cash collection, as well as lower level of leverage at the associated and joint venture companies. Moody's maintained the Company's credit rating of B1 (stable). In terms of domestic market, Zhenro Property Holdings Company Limited, a wholly-owned subsidiary of the Company, was assigned "AAA" corporate credit rating (which is the highest rating) with a "stable" outlook respectively by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) and Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司).

Focus on Operation and Building of an Economic Moat

The real estate market is complex, fluid and full of uncertainty. A highly efficient operational management becomes the core competitiveness of real estate enterprises to respond to periodic fluctuations. During the Period, the Group kept on improving its operational efficiency and capability and building an economic moat. Firstly, the Group upgraded its operational management, including the acceleration of the standardization of its business activities, implementation of digitalized management and establishment of a scientific assessment mechanism to promote refined management. Secondly, the Group upgraded its capital management, managed its capital dynamically and enhanced the utilization of capital. Thirdly, the Group strengthened its investment management capabilities, strengthened its investment research systems and controlled investment risks strictly. Fourthly, the Group improved its product strength, paid attention to creating product features, established product intellectual property rights and ensured product quality. Fifthly, the Group made greater efforts to train managerial talents, encouraged the cross experience and information exchange in multi-line management, strengthened the management responsibility of the existing team, and enhanced the employees' awareness and management ability in terms of real estate comprehensive operation, so that the collective decisions made by the management are more scientific and comprehensive.

Good Corporate Governance and Exploration of ESG Practice

Zhenro Properties upholds the core value of "prosperity from integrity" and has established a diversified environmental, social, and governance ("**ESG**") development system, it has formed a clear management structure covering the Board, the senior management and the ESG working committee comprising various functional departments, thus effectively reducing governance risks, which lays a solid foundation for sustainable development in the future. As a pioneer in implementing ESG philosophy in the real estate industry, the Group has incorporated ESG objectives into its strategic plan for long-term development and invested more resources in enhancing ESG work and relevant information disclosure. In addition, the Group attaches importance to two-way communication with different stakeholders. The Group is committed to enhancing corporate transparency and building long-term relationships with stakeholders. With its prudent corporate image, good operating results and excellent brand value, Zhenro Properties has its corporate value recognized by all parties and its investment structure continuously optimized.

In terms of green development and environmental protection, the Group has set the construction of environment-friendly and green buildings as the focus of its internal environmental protection policy. The Group invested in supporting innovative product design, so as to effectively utilize materials, energy and space, etc., thus protecting the environment from the source. As at 30 June 2021, a total of 16 projects of Zhenro Properties were granted China 2 or 3-star green building certificates, with a total GFA of 1.69 million sq.m.. In terms of green financing, as at 30 June 2021, the Group issued green senior notes with an aggregated amount of US$1.81 billion to support the refinancing of its green projects covering green building, energy efficiency, renewable energy, prevention and management of pollutants and sustainable water management.

During the Period, the Group received a BBB ESG rating from China Chengxin Lvjin (Beijing) Co., Ltd.* (中誠信綠金(北京)有限公司), which was the highest rating given among the real estate enterprises assessed in the year. The Group also obtained a number of awards and honors, including the "Best Innovation Award in Investor Relations" by China Excellent IR; "Triple A Sustainable Capital Markets Regional Awards 2020 – Corporate Issuer of the Year" and "Triple A Sustainable Capital Markets Regional Awards 2020 – Best Green Bond (Real Estate)" by The Asset; "Best Investor Relations (Investment Grade & High Yield)", "Best Use of Debt (Investment Grade & High Yield)", "Third in the Best Investor Relations Programs (Small and Medium-sized)", "Third in the Best ESG (Small and Medium-sized)" and "Most Honored Company" by Institutional Investor; and "Quam IR Awards" by China Tonghai IR. In addition, the Post-issuance Stage Certificate from Hong Kong Quality Assurance Agency and a green evaluation score of E1/86 (where E1 was the highest rating) from S&P were granted for two green senior notes issued in September and November 2020, respectively, which showed the significant environmental benefits reaped from the green projects of the Group.

OUTLOOK

Looking forward to the second half of the year, "stabilizing the land prices, property prices and expectations" remains the main keynote of government policies, and the real estate market is subject to considerable pressure and challenges. The recent continuous adjustment and optimization of land supply policy are expected to slow down the growth of land price, stabilize the housing price trend, play a positive role in "stabilizing the land prices, property prices and expectations", and promote the long-term healthy development of the real estate industry. Considering the rigid housing demand arising out of the continuous advancement of new urbanization and the demand for improved housing resulting from the increase in the proportion of stable income group, the prospect of the real estate market remains promising in the long term, especially in the core cities with a vibrant economy and considerable population, which will continue to outperform other cities in the property market. In addition, under the influence of the policies of "three red lines" and two caps on real estate loans and individual housing loans, the real estate industry will continue to deleverage comprehensively, and a differentiated financing environment has gradually taken shape with the real estate enterprises with high leverage and those of small and medium size being under greater capital and financing pressure. During the industry change, branded real estate enterprises with strong investment capacity and sound financial position will continue to exhibit their product, brand, capital, talent and operation advantages and further expand their market share, which will further enlarge the differentiation among real estate enterprises.

2021 is the first year for the Group's ten-year strategy. In order to achieve the goal of "high quality growth", the Group put forward the "four focuses" policy: focus on the strategy, with deep penetration in the first- and second-tier cities and their metropolitan areas, and rapid and active response to market changes; focus on operation, with cash flow and profit management as guiding indicators, striking a proper balance between scale, efficiency and financial safety, and achieving prudent investment, accurate decision-making, cost reduction and efficiency improvement and profit; focus on capacity, with the enhancement of core competitiveness in four aspects, namely financing and fund management, investment and expansion, resource integration, and product service; focus on organization talents, with adherence to the principle of "optimization of the headquarters, development of centers and enhancement of regional companies" to train more managerial talents and establish more professional teams. Meanwhile, the Group will continue to fulfill its corporate social responsibility, strengthen its ESG work, and strive to become a high-quality and socially responsible enterprise.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support to the Company, and all employees for their dedication and hard work. We will continue to uphold our core value of "prosperity from integrity" and achieve sustainable and high quality growth while bringing returns to shareholders and investors, with the aim of developing the Company into a respectable enterprise with sustainable competitiveness.

Zhenro Properties Group Limited
HUANG Xianzhi
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted Sales

For the six months ended 30 June 2021, the Group, together with its joint ventures and associates, recorded contracted sales of RMB82,299 million, representing an increase of 47.0% for the six months ended 30 June 2020, which was primarily due to the increase in saleable GFA accumulated by the Group in first- and second-tier cities through the execution of the Group's development strategies.

For the six months ended 30 June 2021, total contracted GFA sold amounted to approximately 5.0 million sq.m., representing an increase of approximately 36.2% from approximately 3.7 million sq.m. for the six months ended 30 June 2020. Contracted average selling price ("**ASP**") for the six months ended 30 June 2021 was RMB16,534 per sq.m., whilst that for the six months ended 30 June 2020 was RMB15,321 per sq.m.. The increase was primarily due to the increase in the proportion of GFA with a relatively higher ASP among the total contracted GFA in the first half of 2021.

Contracted sales from Yangtze River Delta region, Western Taiwan Straits region, Bohai Rim region, Central China region, Western China region and Pearl River Delta region contributed to approximately 56.7%, 24.7%, 5.3%, 7.5%, 3.1% and 2.7%, respectively, of the Group's total contracted sales for the six months ended 30 June 2021.

The following table sets out the geographic breakdown of the contracted sales for the six months ended 30 June 2021.

	Contracted GFA Sold *sq.m.*	**Contracted Sales** *RMB'000*	**Contracted ASP** *RMB/sq.m.*	**% of Contracted Sales**
Yangtze River Delta region	2,423,776	46,666,836	19,254	56.7
Western Taiwan Straits region	1,408,593	20,318,154	14,424	24.7
Bohai Rim region	274,678	4,338,070	15,793	5.3
Central China region	533,054	6,208,819	11,648	7.5
Western China region	202,232	2,562,227	12,670	3.1
Pearl River Delta region	135,090	2,205,010	16,323	2.7
Total	4,977,423	82,299,116	16,534	100.0%

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 10.2% from RMB14,299.9 million for the six months ended 30 June 2020 to RMB15,763.9 million for the six months ended 30 June 2021, accounting for 98.5% of the Group's total revenue. During the Period, the Group's recognized ASP from sales of properties was approximately RMB15,004 per sq.m., representing an increase of 23.4% from RMB12,156 per sq.m. for the six months ended 30 June 2020, primarily due to the change in the geographic mix of properties being delivered, so that there was an increase in the proportion of GFA with a higher ASP among total delivered GFA in the first half of 2021.

The increase in revenue recognized from sales of properties was primarily due to more GFA completed and delivered as a result of the Group's continuous expansion.

During the six months ended 30 June 2021, the properties delivered by the Group mainly included Nanjing Zhenro Center, Wuxi Lake Heavens, Hefei Zhenro Mansion, Changsha Zhenro Fortune Center, Wuhan Zhenro Pinnacle etc.. The following table sets forth the details of the revenue recognized from the sales of properties of the Group by geographical location for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sale of Properties		Total GFA Delivered		Recognized ASP	
	RMB'000	*RMB'000*	***%***	*%*	***sq.m.***	*sq.m.*	***RMB/sq.m.***	*RMB/sq.m.*
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Yangtze River Delta region	**5,565,194**	5,938,520	**35.3**	41.5	**243,520**	422,284	**22,853**	14,063
Western Taiwan Straits region	**5,813,598**	7,329,197	**36.9**	51.3	**493,475**	655,220	**11,781**	11,186
Bohai Rim region	**330,801**	23,055	**2.1**	0.2	**25,033**	1,696	**13,214**	13,594
Central China region	**4,050,293**	655,125	**25.7**	4.5	**288,307**	68,994	**14,049**	9,495
Western China region	**4,041**	354,048	**0.0**	2.5	**333**	28,175	**12,131**	12,566
Total	**15,763,928**	14,299,944	**100.0**	100.0	**1,050,668**	1,176,369	**15,004**	12,156

Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As at 30 June 2021, the Group had completed properties held for sale of RMB7,978.6 million, representing an increase of 1.4% from RMB7,870.9 million as at 31 December 2020. The increase was primarily due to the increase in GFA completed. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

Properties Under Development

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

As at 30 June 2021, the Group had properties under development of RMB130,759.9 million, representing an increase of 11.1% from RMB117,686.7 million as at 31 December 2020. The increase was primarily due to an increase in the number of projects developed by the Group in the first half of 2021.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the six months ended 30 June 2021 was approximately RMB64.8 million, representing an increase of 16.0% from RMB55.9 million for the six months ended 30 June 2020. Rental income fell sharply during the same period of last year due to the impact of COVID-19 pandemic and the rent has rebounded to pre-COVID-19 pandemic level during the first half of 2021.

Investment Properties

As at 30 June 2021, the Group had 12 investment properties with a total GFA of approximately 788,051 sq.m. Out of the investment properties portfolio of the Group, 7 investment properties with a total GFA of approximately 496,928 sq.m. had commenced leasing.

LAND BANK

During the first half of 2021, the Group continued its deep penetration in the extended regions and cities. The Group acquired a total of 24 new land parcels with a total site area of approximately 1.1 million sq.m., an aggregate estimated GFA of approximately 3.56 million sq.m., a total contractual land premium of approximately RMB32,578.5 million (of which the total land premium attributable to the Group was approximately RMB14,679.0 million) and an average cost of approximately RMB9,161 per sq.m.. The following table sets forth details of the Group's newly acquired land parcels during the six months ended 30 June 2021.

PROPERTIES DEVELOPED BY THE GROUP'S SUBSIDIARIES

City	Land Parcel/Project Name	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
		sq.m	*sq.m.*	*RMB million*	*RMB/sq.m.*	
Nanjing	Nanjing South New Town Project G32	31,902	122,472	3,230	26,373	31%
Hangzhou	Hangzhou Lin'an Qingshan Lake Project	30,764	81,522	894	10,968	60%
Wuhan	Wuhan Caidian Yuelong Mansion East	34,012	118,011	445	3,768	100%
Xi'an	Xi'an Jinghe Lehuacheng A Parcel	53,117	187,115	858	4,587	34%
Xi'an	Xi'an Jinghe Lehuacheng B Parcel	41,900	147,916	680	4,597	34%
Quanzhou	Quanzhou Jinjiang P2020-6 Parcel	20,165	54,083	341	6,305	51%
Putian	Putian Hanjiang Zhenro Mansion	19,895	66,248	285	4,302	100%
Xiamen	Xiamen Jimei Parcel 03	19,978	85,982	1,880	21,865	51%
Xiamen	Xiamen Jimei Parcel 01	19,209	77,435	1,570	20,275	51%
Fuzhou	Fuzhou Begonia Mansion	46,429	120,791	740	6,126	100%
Guangzhou	Guangzhou Baiyun District Zhongluotan Parcel	58,507	186,732	2,091	11,197	51%
Guangzhou	Guangzhou Zengcheng Parcel	50,673	215,171	1,490	6,925	51%
Guangzhou	Guangzhou Nansha Parcel	12,679	71,340	1,021	14,317	50%
Subtotal		**439,231**	**1,534,818**	**15,525**	**10,115**	

PROPERTIES DEVELOPED BY THE GROUP'S JOINT VENTURES AND ASSOCIATED COMPANIES

City	Land Parcel/Project Name	Site Area *sq.m*	Estimated Total GFA *sq.m.*	Land Premium *RMB million*	Average Land Cost (Based on the Estimated Total GFA) *RMB/sq.m.*	Attributable Interest
Nanjing	Nanjing Zhenro Runqi Mansion	32,844	90,660	1,640	18,090	45%
Nanjing	Nanjing Zhenro Runhe Mansion	48,786	166,593	1,210	7,263	40%
Hangzhou	Hangzhou Xiasha Parcel No. 05	52,122	220,449	2,841	12,886	26%
Wuxi	Wuxi Zhenro Jade Yue	78,590	210,345	1,901	9,038	50%
Fuyang	Fuyang Yingzhou District Parcel No. 14	101,718	296,655	861	2,901	50%
Quanzhou	Quanzhou Forest Garden	64,921	219,254	392	1,788	25%
Nanchang	Nanchang Zhenro Donglan Mansion	76,375	241,515	1,276	5,284	15%
Xiamen	Xiamen Haicang H2021P01 Parcel	46,551	142,802	2,660	18,627	49%
Foshan	Foshan Nanhai Xiqiao Parcel No. 03	51,714	199,077	1,037	5,209	49%
Guangzhou	Guangzhou Liwan Parcel	48,797	168,789	2,581	15,289	44%
Tianjin	Tianjin Xiqing Zhangjiawo Parcel No. 2020-07	32,702	65,404	655	10,015	50%
Subtotal		**635,120**	**2,021,543**	**17,053**	**8,436**	
Total		**1,074,351**	**3,556,360**	**32,578**	**9,161**	

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 10.1% from RMB14,542.2 million for the six months ended 30 June 2020 to RMB16,011.1 million for the six months ended 30 June 2021. Out of the Group's total recognized revenue for the six months ended 30 June 2021, (i) sales of properties increased by approximately 10.2% to RMB15,763.9 million as compared to that of the corresponding period in 2020, (ii) property lease income increased by approximately 16.0% to RMB64.8 million as compared to that of the corresponding period in 2020, (iii) income from property management services increased by approximately 6.5% to RMB44.2 million as compared to that of the corresponding period in 2020, (iv) management consulting services income decreased by approximately 47.4% to RMB76.1 million as compared to that of the corresponding period in 2020, and (v) sales of goods income of RMB62.0 million (for the corresponding period in 2020: Nil). The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	Six months ended 30 June 2021		Six months ended 30 June 2020		
	Revenue	**% of Total Revenue**	Revenue	% of Total Revenue	Year- over-Year Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Sales of properties	**15,763,928**	**98.4**	14,299,944	98.3	10.2
Property lease	**64,844**	**0.4**	55,902	0.4	16.0
Property management services	**44,200**	**0.3**	41,521	0.3	6.5
Management consulting services[(1)]	**76,143**	**0.5**	144,796	1.0	(47.4)
Sales of goods	**61,988**	**0.4**	0	0	0
Total	**16,011,103**	**100.0**	14,542,163	100.0	10.1

Note:

(1) Primarily includes revenue generated from provision of design consultation services to joint ventures and associates and third parties.

Cost of Sales

The Group's cost of sales primarily represents the costs directly incurred for the property development activities as well as commercial property management and leasing operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 11.8% from RMB11,588.0 million for the six months ended 30 June 2020 to RMB12,960.2 million for the six months ended 30 June 2021, primarily attributable to the increase in the number of properties completed and delivered by the Group during the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 3.3% from RMB2,954.2 million for the six months ended 30 June 2020 to RMB3,051.0 million for the six months ended 30 June 2021.

Gross profit margin for the six months ended 30 June 2021 slightly decreased by 1.2 percentage point to 19.1% from 20.3% for the six months ended 30 June 2020.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation, gain on disposal of subsidiaries and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently enter into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains increased by approximately 217.4% from RMB402.1 million for the six months ended 30 June 2020 to RMB1,276.2 million for the six months ended 30 June 2021, primarily due to gain on disposal of subsidiaries.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff costs, office expenses, fees paid to third-party sales agents, rental and other expenses relating to sales of properties and property leasing services.

The Group's selling and distribution expenses increased by approximately 37.5% from RMB454.7 million for the six months ended 30 June 2020 to RMB625.2 million for the six months ended 30 June 2021, primarily due to (i) the strengthened selling and marketing efforts in promoting newly-launched property projects in new cities and regions in which the Group operates as part of its business expansion; and (ii) the expansion of the Group's in-house sales and marketing team to support its business expansion in 2021.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses increased by approximately 18.8% from RMB543.2 million for the six months ended 30 June 2020 to RMB645.5 million for the six months ended 30 June 2021, primarily due to the continuous increase in the number of property projects under development and planned for future development, which was in line with the Group's business expansion, resulting in increases in its management and administrative headcount, traveling expenses and other miscellaneous expenses.

Other Expenses

Other expenses increased by 433.2% from RMB71.7 million for the six months ended 30 June 2020 to RMB382.3 million for the six months ended 30 June 2021, primarily due to the expense for redemption of senior notes at a premium and donation expense.

Fair Value Gains on Investment Properties

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Fair value gains on investment properties decreased by approximately 93.5% from RMB79.6 million for the six months ended 30 June 2020 to RMB5.2 million for the six months ended 30 June 2021.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs increased by approximately 15.8% from RMB307.1 million for the six months ended 30 June 2020 to RMB355.6 million for the six months ended 30 June 2021, primarily due to an increase in the scale of total interest-bearing borrowings in the first half of 2021.

Share of Profits of Joint Ventures and Associated Companies

The Group's share of losses of joint ventures was RMB3.7 million for the six months ended 30 June 2021, whilst the Group recorded share of profits of joint ventures of RMB74.2 million for the six months ended 30 June 2020. The change was primarily due to a decrease in the number of properties delivered by the joint ventures.

The Group's share of profits of associated companies was RMB65.2 million for the six months ended 30 June 2021, whilst the Group recorded share of profits of associated companies of RMB292.2 million for the six months ended 30 June 2020. The change was primarily due to a decrease in the number of properties delivered by the associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and land appreciation tax ("**LAT**") payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses decreased by approximately 20.1% from RMB1,108.3 million for the six months ended 30 June 2020 to RMB885.8 million for the six months ended 30 June 2021, primarily due to the decrease in LAT borne during the Period. The effective corporate income tax rate was 30.5% for the six months ended 30 June 2021, compared with 29.8% for the six months ended 30 June 2020.

Profit for the Period

As a result of the foregoing, the Group's profit for the Period increased by approximately 18.0% from RMB1,274.5 million for the six months ended 30 June 2020 to RMB1,503.7 million for the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group has met, and expects to continue meeting, its operating capital, capital expenditure and other capital needs with proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group's need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new bank loans. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan.

Cash Positions

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB34,981.7 million (31 December 2020: RMB35,477.9 million), pledged deposits of approximately RMB672.9 million (31 December 2020: RMB609.6 million) and restricted cash of approximately RMB8,795.3 million (31 December 2020: RMB6,885.0 million).

Indebtedness

As at 30 June 2021, the Group had total outstanding bank and other borrowings of RMB45,346.1 million, compared with RMB41,761.3 million as at 31 December 2020. As at 30 June 2021, the Group also had corporate bonds and senior notes with carrying amounts of approximately RMB25,991.5 million, compared with RMB25,523.1 million as at 31 December 2020. The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars.

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

	As at 30 June 2021 RMB' 000 (Unaudited)	As at 31 December 2020 RMB' 000 (Audited)
Current borrowings:		
Bank borrowings – secured	**464,750**	219,615
Bank borrowings – unsecured	**356,266**	131,474
Other borrowings – secured	**878,717**	–
Plus: current portion of non-current borrowings		
Bank borrowings – secured	**10,892,029**	9,785,574
Bank borrowings – unsecured	**1,340,314**	570,990
Other borrowings – secured	**513,982**	1,078,200
Other borrowings – unsecured	**485,600**	1,105,719
Senior notes and Corporate bonds	**5,411,314**	6,656,983
Total current borrowings	**20,342,972**	19,548,555
Non-current borrowings:		
Bank borrowings – secured	**25,469,486**	23,862,894
Bank borrowings – unsecured	**3,392,747**	3,203,029
Other borrowings – secured	**802,218**	1,207,800
Other borrowings – unsecured	**750,000**	596,000
Senior notes and Corporate bonds	**20,580,139**	18,866,091
Total non-current borrowings	**50,994,590**	47,735,814
Total	**71,337,562**	67,284,369

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

	As at 30 June 2021 RMB' 000 (Unaudited)	As at 31 December 2020 RMB' 000 (Audited)
Repayable within one year	**20,342,972**	19,548,555
Repayable in the second year	**21,509,598**	22,230,132
Repayable within third to fifth years	**26,291,064**	24,453,188
Repayable more than five years	**3,193,928**	1,052,494
Total	**71,337,562**	67,284,369

Additionally, as at 30 June 2021, the Group has issued a variety of corporate bonds and unsecured senior notes. Please refer to "SENIOR NOTES OFFERINGS AND REDEMPTIONS" below for more details.

Borrowing Costs

The Group's weighted average financing cost of debt was 6.35% for the six months ended 30 June 2021, compared with 6.5% for the year ended 31 December 2020. The decrease was primarily due to the Group's effective measures to optimize its debt structure, as well as its stronger bargaining power to access capital at competitive costs as a result of its growing operation scale.

Charge on Assets

As at 30 June 2021, the Group's asset portfolio which included property, plant and equipment with carrying value of RMB218.5 million (31 December 2020: Nil), right-of-use assets with carrying value of RMB164.1 million (31 December 2020: Nil), investment properties with carrying value of RMB9,296.9 million (31 December 2020: RMB9,092.9 million), properties under development with carrying value of RMB72,554.5 million (31 December 2020: RMB63,105.0 million), completed properties held for sale with carrying value of RMB647.1 million (31 December 2020: RMB1,293.5 million) and financial assets at fair value through profit or loss with carrying value of RMB711.6 million (31 December 2020: RMB493.1 million) were pledged as security for the Group's secured borrowings.

OFF-BALANCE SHEET EQUITY DATA

For the six months ended 30 June 2021, revenue attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB2.04 billion. As at 30 June 2021, cash and bank balances attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB2.40 billion.

FINANCIAL RISKS

The Group is not subject to significant credit risk and liquidity risk.

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.5 as at 30 June 2021, compared with 1.5 as at 31 December 2020.

The Group's net gearing ratio was 57.2% as at 30 June 2021, compared with 64.7% as at 31 December 2020.

CONTINGENT LIABILITIES

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As at 30 June 2021, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB35,383.1 million, compared with RMB32,161.3 million as at 31 December 2020.

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the financial condition and results of operations of the Group.

Other Financial Guarantees

As at 30 June 2021, the guarantees given to banks and other institutions in connection with borrowings made to the joint ventures and associates were approximately RMB3,115.6 million, compared with RMB2,604.5 million as at 31 December 2020.

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 adverse effect on business, financial condition or results of operations of the Group.

Commitments

As at 30 June 2021, the Group's capital commitment for which it had contracted but yet to be provided for was RMB32,549.0 million, compared with RMB28,716.1 million as at 31 December 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2021, 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.

SENIOR NOTES OFFERINGS AND REDEMPTIONS

The Group continuously looks for financing opportunities to support its business development. These opportunities include raising funds through asset-backed securities programs, senior notes and corporate bonds offering plans.

In January 2021, the Company issued green senior notes due January 2026 with an aggregate principal amount of US$400.0 million bearing interest at a rate of 6.63% per annum.

In February 2021, the Company issued green senior notes due August 2026 with an aggregate principal amount of US$300.0 million bearing interest at a rate of 6.70% per annum.

In March 2021, the Company redeemed senior notes due March 2022 with an aggregate principal amount of US$310.0 million bearing interest at a rate of 9.15% per annum.

In April 2021, the Company issued green senior notes due April 2022 with an aggregate principal amount of US$220.0 million bearing interest at a rate of 5.98% per annum.

In June 2021, the Company issued green senior notes due September 2024 with an aggregate principal amount of US$340.0 million bearing interest at a rate of 7.10% per annum.

In June 2021, the Company redeemed senior notes due August 2021 with an aggregate principal amount of RMB1,000.0 million bearing interest at a rate of 7.40% per annum.

In June 2021, the Company redeemed senior notes due January 2023 with an aggregate principal amount of US$420.0 million bearing interest at a rate of 8.65% per annum.

The Group intends to use the proceeds from these senior notes offerings to repay external borrowings and may also consider other financing plans in the near future.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Reference is made to the joint announcement issued by the Company and Zhenro Services Group Limited ("**Zhenro Services**") dated 19 May 2021 (the "**Announcement**").

On 19 May 2021, Zhenro Properties Holdings Company Limited* (正榮地產控股股份有限公司) ("**Zhenro Properties Holdings**", a wholly-owned subsidiary of the Company), two purchasers each being a wholly-owned subsidiary of Zhenro Services (the "**Purchasers**") and Zhenro Commercial Management Co., Ltd.* (正榮商業管理有限公司) (the "**Target Company**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, an aggregate of 99% equity interest in the Target Company at the total consideration of RMB891 million, subject to the consideration adjustment mechanism under the Sale and Purchase Agreement. The consideration is payable by the Purchasers to Zhenro Properties Holdings in cash in two instalments. The equity transfer will be completed in two phases, and the completion of each phase is conditional upon certain conditions precedent being fulfilled and/or waived (as the case may be) by the Purchasers. The first and second phases concern the transfer of 59.40% and 39.60% equity interests in the Target Company, respectively, by Zhenro Properties Holdings to the Purchasers. The Target Company and its subsidiaries are principally engaged in the provision of commercial operation and management services for commercial properties.

As at 30 June 2021, the conditions precedent to the first phase of equity transfer have been fulfilled and the first phase of equity transfer has taken place, and upon which, the Target Company and its subsidiaries have ceased to be subsidiaries of the Company and their financial results are no longer consolidated into the financial statements of the Company.

For details regarding the disposal of the Target Company by Zhenro Properties Holdings, please refer to the Announcement.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, joint ventures and associates by the Company during the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 June 2021, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

EMPLOYEES

As at 30 June 2021, the Group had a total of 1,906 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

SUBSEQUENT EVENTS

Save for the following events, no material events were undertaken by the Group subsequent to 30 June 2021 and up to the date of this announcement.

In July 2021, the Company issued green senior notes due June 2022 in the principal amount of RMB1,300.0 million and RMB300.0 million, respectively, totalling an aggregate principal amount of RMB1,600.0 million and bearing interest at a rate of 7.125% per annum.

In July 2021, Zhenro Properties Holdings issued corporate bonds due July 2025 with an aggregate principal amount of RMB1,320.0 million bearing interest at a rate of 6.3% per annum.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

Reference is made to the announcements of the Company dated 5 July 2019, 7 August 2020, 13 August 2020 and 29 September 2020.

In July 2019, pursuant to a facility agreement (the "**2019 Facility Agreement**") entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, The Bank of East Asia, Limited, Goldman Sachs (Asia) L.L.C. and BNP Paribas, acting through its Hong Kong Branch, collectively as the original lenders, for dual-currency term loan facilities in the amount of HK$234,000,000 and US$90,000,000 (totaling approximately US$120,000,000) (the "**2019 Loan Facilities**", each a "**2019 Loan Facility**") will be made available to the Company for a term of 36 months from the date of the 2019 Facility Agreement.

As provided in the 2019 Facility Agreement, if Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% beneficial shareholding must, at any time on or after the first date of utilisation of the 2019 Loan Facility, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company, the commitments under the 2019 Loan Facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the 2019 Loan Facilities may become immediately due and payable.

In August 2020, a facility agreement (the "**2020 Facility Agreement**") was entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Bank of China (Hong Kong) Limited, CMB Wing Lung Bank Limited, Hang Seng Bank Limited and certain other financial institutions, collectively as lenders, for dual-currency term loan facilities in the amount of HK$273,000,000 and US$106,000,000 (totaling approximately US$141,000,000) for a term of 36 months from the date of the first utilisation of the loan facility. In September 2020, Chong Hing Bank Limited (as the lender) acceded to the 2020 Facility Agreement in accordance to the terms of the 2020 Facility Agreement (the "**Accession**"). Following the execution of the Accession, the total amount of loan facilities made available to the Company under the 2020 Facility Agreement equals to approximately US$161,000,000.

As provided in the 2020 Facility Agreement, if (i) Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei (collectively, the "**Relevant Persons**") collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% of the beneficial shareholding must, at all times from the date of the 2020 Facility Agreement for so long as any liability is outstanding or any commitment is in force, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of Mr. HUANG Xianzhi, Mr. LIU Weiliang or Mr. CHAN Wai Kin (each being an existing executive Director, collectively, the "**Existing EDs**") or any of the Relevant Persons, the commitments under the loan facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facilities may become immediately due and payable.

In August 2020, a supplemental facility letter (the "**2020 Supplemental Facility Letter**") was entered into between the Company as the borrower and The Hong Kong and Shanghai Banking Corporation Limited as the lender, for a term loan facility in the amount of HK$156,000,000, for a term of 15 months from the drawdown date of such loan facility.

As provided in the 2020 Supplemental Facility Letter, if (i) the Relevant Persons collectively (a) are not or cease to maintain at least 51% of the beneficial shareholding in the issued share capital (among which at least 45% of the beneficial shareholding shall be unencumbered) and voting rights of the Company; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of the Existing EDs or any of the Relevant Persons, the commitments under the loan facility may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facility may become immediately due and payable.

IMPACT OF COVID-19 PANDEMIC

Since January 2020, the COVID-19 pandemic has spread rapidly across the PRC and other parts of the world, posing severe challenges to the global economy.

With the effective control measures taken by the Chinese government, the outbreak has been gradually controlled and real estate business activities have also resumed in an orderly manner. To cope with the situation, the Group also carried out actions to minimize the impact of the COVID-19 pandemic on its business, including establishing the online sales platform, implementing measures to ensure smooth commencement of construction of projects, guaranteeing punctual supply of units and minimizing the risks associated with units delivery. In addition, the Group dynamically adjusted its business and marketing strategies to drive continued recovery in sales.

The Group will closely monitor the development of the COVID-19 pandemic and continue to assess the impact of the outbreak on the Group's finances and operations.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

On 20 November 2019, Mr. WANG Benlong resigned and ceased to act as the executive Director, chief executive officer and the authorized representative of the Company. The Board expects that more time will be required to identify and appoint a suitable candidate as the chief executive officer of the Company. During the transitional period, Mr. HUANG Xianzhi, an executive Director of the Company and the chairman of the Board, has been appointed as the chief executive officer on 20 November 2019, to temporarily take up the duties of Mr. WANG Benlong until a suitable candidate is appointed. Code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board believes that Mr. HUANG Xianzhi's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision, which the Board believes is in the best interest of the business development of the Group during this transitional period. The Company will seek to comply with Code provision

A.2.1 by identifying and appointing a suitable and qualified candidate to fill the casual vacancy as soon as practicable. Further announcement(s) will be made as and when appropriate in accordance with applicable requirements under the Listing Rules.

So far as the Directors are aware, other than the abovementioned deviation, the Company has complied with the Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2021.

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

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2021.

CHANGES IN BOARD COMPOSITION

On 26 March 2021, (i) Mr. LIU Weiliang, an executive Director of the Company, was appointed as the vice chairman of the Board; and (ii) Mr. LI Yang was appointed as an executive Director and executive vice president of the Company.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, being independent non-executive Directors, and Mr. OU Guowei, the non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies and financial positions of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

The Company's unaudited condensed consolidated interim results for the six months ended 30 June 2021 were reviewed by the Audit Committee before being recommended to the Board for approval.

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

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhenrodc.com). The interim report will be despatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Zhenro Properties Group Limited
HUANG Xianzhi
Chairman of the Board

Shanghai, PRC, 20 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Huang Xianzhi, Mr. Liu Weiliang, Mr. Li Yang and Mr. Chan Wai Kin, the non-executive director of the Company is Mr. Ou Guowei, and the independent non-executive directors of the Company are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Lin Hua.

* *For identification purposes only*