# 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 2023

### 2023 INTERIM RESULTS HIGHLIGHTS

- Contracted sales (including the Group's subsidiaries, joint ventures and associates) amounted to RMB21.03 billion, decreased year-on-year by approximately 45.7%
- Total revenue amounted to RMB28.9 billion, increased year-on-year by approximately 29.1%
- Net profit attributable to owners amounted to RMB18.6 million, decreased year-on-year by approximately 95.8%. Excluding impairment losses on various assets, fair value losses from the valuation of investment properties and foreign exchange loss, adjusted net profit attributable to owners was RMB1.22 billion.
- Total interest-bearing indebtedness reduced to RMB23.11 billion and net gearing ratio was 27.6%*

* *As at 30 June 2023*

The board (the "**Board**") of directors (the "**Directors**", each the "**Director**") of Zhongliang Holdings Group Company Limited (the "**Company**" or "**Zhongliang**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 (the "**Period**") with the comparative figures for the corresponding period in 2022:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *3* | **28,850,797** | 22,343,341 |
| Cost of sales | | **(26,340,583)** | (18,568,568) |
| **GROSS PROFIT** | | **2,510,214** | 3,774,773 |
| Other income and gains | *3* | **141,514** | 416,510 |
| Selling and distribution expenses | | **(543,697)** | (910,982) |
| Administrative expenses | | **(486,053)** | (991,853) |
| Impairment losses on financial assets, net | | **(31,758)** | (24,695) |
| Other expenses | | **(477,107)** | (412,019) |
| Fair value losses on investment properties | | **(15,213)** | (21,373) |
| Fair value gains/(losses) on financial assets at fair value through profit or loss | | **2,958** | (124,148) |
| Finance income | | **41,744** | 79,303 |
| Finance costs | *4* | **(201,876)** | (217,010) |
| Share of profits and losses of: | | | |
| Joint ventures | | **693,958** | 243,614 |
| Associates | | **93,197** | 9,532 |
| **PROFIT BEFORE TAX** | *5* | **1,727,881** | 1,821,652 |
| Income tax expense | *6* | **(1,284,246)** | (962,976) |
| **PROFIT FOR THE PERIOD** | | **443,635** | 858,676 |

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Attributable to: | | | |
| Owners of the parent | | **18,628** | 438,335 |
| Non-controlling interests | | **425,007** | 420,341 |
| | | **443,635** | 858,676 |

**EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

| | | | |
|---|---|---|---|
| Basic and diluted profit for the period | *8* | **RMB0.01** | RMB0.12 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT FOR THE PERIOD** | **443,635** | 858,676 |
| **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 | **(21,850)** | (24,618) |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **(21,850)** | (24,618) |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | **(21,850)** | (24,618) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **421,785** | 834,058 |
| Attributable to: | | |
| Owners of the parent | **(3,222)** | 413,717 |
| Non-controlling interests | **425,007** | 420,341 |
| | **421,785** | 834,058 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2023** *RMB'000* **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **45,462** | 60,487 |
| Investment properties | | **1,556,800** | 1,543,700 |
| Right-of-use assets | | **6,118** | 40,713 |
| Intangible assets | | **3,706** | 5,251 |
| Investments in joint ventures | | **5,503,393** | 4,667,553 |
| Investments in associates | | **16,227,510** | 16,828,180 |
| Deferred tax assets | | **2,808,688** | 2,936,545 |
| Total non-current assets | | **26,151,677** | 26,082,429 |
| **CURRENT ASSETS** | | | |
| Financial assets at fair value through profit or loss | | **35,582** | 34,266 |
| Properties under development | | **93,234,410** | 112,418,842 |
| Completed properties held for sale | | **30,513,341** | 24,696,306 |
| Trade receivables | *9* | **11,860** | 7,751 |
| Due from related companies | | **13,041,833** | 13,344,135 |
| Prepayments and other receivables | | **41,375,938** | 41,625,083 |
| Tax recoverable | | **2,659,682** | 3,024,078 |
| Cash and bank balances | | **14,396,949** | 16,585,989 |
| Total current assets | | **195,269,595** | 211,736,450 |

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *10* | **22,807,879** | 21,019,046 |
| Other payables and accruals | | **24,164,427** | 24,515,740 |
| Contract liabilities | | **100,012,306** | 113,837,210 |
| Due to related companies | | **15,569,273** | 16,653,749 |
| Interest-bearing bank and other borrowings | | **11,918,927** | 11,341,143 |
| Lease liabilities | | **4,896** | 21,410 |
| Tax payable | | **3,563,594** | 2,863,201 |
| Provision for financial guarantee contracts | | **147,301** | 236,839 |
| Senior notes | | **6,696,871** | 6,501,799 |
| Total current liabilities | | **184,885,474** | 196,990,137 |
| **NET CURRENT ASSETS** | | **10,384,121** | 14,746,313 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **36,535,798** | 40,828,742 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **4,493,172** | 8,892,210 |
| Lease liabilities | | **1,423** | 24,066 |
| Deferred tax liabilities | | **425,876** | 538,328 |
| Total non-current liabilities | | **4,920,471** | 9,454,604 |
| **NET ASSETS** | | **31,615,327** | 31,374,138 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **31,450** | 31,450 |
| Reserves | | **11,161,103** | 11,080,374 |
| | | **11,192,553** | 11,111,824 |
| **Non-controlling interests** | | **20,422,774** | 20,262,314 |
| **Total equity** | | **31,615,327** | 31,374,138 |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

**Going concern basis**

As at 30 June 2023, the Group's total interest-bearing bank and other borrowings and senior notes amounted to RMB23,108,970,000, out of which RMB18,615,798,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB12,295,191,000. As at 30 June 2023, the Group had not repaid an aggregate amount of principal and interest of RMB3,585,155,000 for senior notes due May 2022, July 2022 and April 2023 and an aggregate amount of interest of RMB372,781,000 for certain senior notes according to their scheduled repayment dates. As at 30 June 2023, an aggregate amount of principal of RMB3,985,923,000 for interest-bearing bank and other borrowings had not been repaid according to their scheduled repayment dates, triggering certain long term interest-bearing bank and other borrowings amounted to RMB78,739,000 becoming repayable on demand. A winding-up petition was filed by a trustee of senior notes due May 2022 against the Company on 21 November 2022.

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

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

(a) The Group continues to generate positive operating cash flows for the next 12 months by implementing various strategies to improve the Group's income from sales of properties, project management and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;

(b) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;

(c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations and take action to tighten cost controls over various operating expenses;

(d) The Group continues to identify suitable purchasers and engage in discussions with certain potential purchasers, on possible disposals of the Group's equity interests in certain property development projects to raise additional capital.

The directors of the Company have reviewed the Group's cash flow forecast covering a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 on a going concern basis.

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

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IFRS 17 | *Insurance Contracts* |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 — Comparative Information* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform — Pillar Two Model Rules* |

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group did not apply the initial recognition exception, the amendments did not have any impact on the financial position or performance of the Group.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| *Revenue from contracts with customers* | **28,840,914** | 22,336,438 |
| *Revenue from other sources* | | |
| Gross rental income | **9,883** | 6,903 |
| | **28,850,797** | 22,343,341 |

**Disaggregated revenue information for revenue from contracts with customers**

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Types of goods or services** | | |
| Sale of properties | **28,781,947** | 22,145,271 |
| Other services | **58,967** | 191,167 |
| Total revenue from contracts with customers | **28,840,914** | 22,336,438 |
| **Timing of revenue recognition** | | |
| Sale of properties transferred at a point in time | **27,631,155** | 21,107,361 |
| Sale of properties transferred over time | **1,150,792** | 1,037,910 |
| Services transferred over time | **58,967** | 191,167 |
| Total revenue from contracts with customers | **28,840,914** | 22,336,438 |
| **Other income and gains** | | |
| Changes in provision for financial guarantee contracts | **96,353** | 52,179 |
| Forfeiture of deposits | **30,186** | 6,359 |
| Government grants | **4,870** | 3,424 |
| Gain on disposal of subsidiaries | **820** | 256,437 |
| Gain on disposal of an associate and joint venture | **—** | 82,515 |
| Others | **9,285** | 15,596 |
| | **141,514** | 416,510 |

## 4. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank and other borrowings, senior notes and proceeds from asset-backed securities | **1,077,447** | 1,301,949 |
| Interest expense arising from revenue contracts | **48,646** | 856,160 |
| Interest on lease liabilities | **369** | 2,093 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **1,126,462** | 2,160,202 |
| Less: Interest capitalised | **(924,586)** | (1,943,192) |
| | **201,876** | 217,010 |

## 5. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of properties sold | **25,514,002** | 18,199,932 |
| Impairment losses recognised for properties under development | **805,116** | 241,033 |
| Impairment losses recognised for properties held for sale | **21,465** | 127,603 |
| Depreciation of right-of-use assets | **36,198** | 22,595 |
| Depreciation of items of property plant and equipment | **15,860** | 16,596 |
| Amortisation of intangible assets | **4,928** | 2,386 |
| Foreign exchange loss, net | **326,861** | 315,929 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **375,256** | 692,709 |
| Pension scheme contributions and social welfare | **60,828** | 75,473 |
| Equity-settled share option expenses | **1,741** | 1,119 |

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2023.

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 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| CIT | **727,997** | 343,219 |
| LAT | **494,763** | 223,903 |
| Deferred tax | **61,486** | 395,854 |
| Total tax charge for the period | **1,284,246** | 962,976 |

## 7. DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2023.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,492,670,410 (30 June 2022: 3,492,670,410) in issue during the period.

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

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **18,628** | 438,335 |

| | Number of shares | |
|---|---|---|
| | **2023** | 2022 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **3,492,670,410** | 3,492,670,410 |
| Effect of dilution — weighted average number of ordinary shares | **(297,954,545)*** | (28,132,998)* |
| | **3,194,715,865*** | 3,464,537,412* |

* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the parent of RMB18,628,000 for the period, and the weighted average number of ordinary shares of 3,492,670,410 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 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Less than 1 year | **11,860** | 7,751 |

## 10. TRADE AND BILLS PAYABLES

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Less than 1 year | **19,250,721** | 15,416,547 |
| Over 1 year | **3,557,158** | 5,602,499 |
| | **22,807,879** | 21,019,046 |

## 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 2023 and its outlook for the second half of 2023.

## INTERIM DIVIDEND

The Board of the Company resolved that no interim dividend would be declared for the six months ended 30 June 2023.

## INTERIM RESULTS

For the six months ended 30 June 2023, the Group's recognised revenue amounted to RMB28.85 billion, representing a year-on-year increase of 29%.

Taking into account the impairment losses on various assets, fair value losses from the valuation of investment properties and foreign exchange loss, the Group recorded a profit attributable to owners of the Company of approximately RMB18 million for the six months ended 30 June 2023, as compared to approximately RMB438 million for the corresponding period in the previous year. Excluding impairment losses on various assets, fair value losses from the valuation of investment properties and foreign exchange loss, the Group recorded adjusted net profit attributable to owners of the Company of approximately RMB1.22 billion for the six months ended 30 June 2023, as compared to approximately RMB1.29 billion for the corresponding period in the previous year.

## REVIEW OF THE FIRST HALF OF 2023

### Market review

The first half of 2023 was characterized by turbulent global geopolitical and economic environment, continued interest rate hikes by the US and European central banks to control inflation, risks and uncertainties in global economic growth. China's economy recovery is still in precarious state, and it needs more policy measures to boost growth and confidence.

In the first half of the year, China's real estate market showed a mixed overall performance, with a brief rebound at the beginning of the year followed by a decline in market sentiment, especially in June and July, failing to sustain a recovery trend. Although the central government has expressed its positive stance, effective stimulus measures have yet to be widely implemented and current support policies haven't made their impact. The market still lacks confidence and sustainability while private developers continue to face refinancing and sales challenges.

China's real estate market is under a downward channel, awaiting the impact of effectively government stimulus policies. Homebuyers' confidence is at low level, and consumers are either holding off their buying decision or settling for consumption downgrade. The gap amongst different development enterprises is widening with the private-owned developers struggling to survive. It is expected that China's real estate industry will take a long time to recover, and the operating environment is harsh.

Operating under the current rigorous industry environment, the Group adopted decisive measures and adhered to its strategies. The Group continued strengthening its operational control and efficiency, lowered its operating costs, secured property delivery and financial stability, maintained its operating solvency, thereby demonstrating its resilience in its business.

The Group achieved contracted sales (including Group's subsidiaries, joint ventures and associates) of approximately RMB21.03 billion in the first half of 2023, representing a year-on-year decrease of approximately 46%. The contracted ASP in the first half of 2023 was approximately RMB10,200 per sq.m., compared to approximately RMB10,300 per sq.m. in the corresponding period of last year.

**Property delivery**

In order to ensure smooth property delivery, the Group strengthened its construction and contractor management, and maintained tight control of the property delivery process and mitigated delivery risks.

During the first half of 2023, the Group (including its joint ventures and associated companies) completed the delivery of around 50,000 property units.

**Land-banking**

Due to the continued uncertainty of the Chinese real estate sector, the Group did not make any new purchases of land sites in the first half of 2023 in order to preserve cash. As at 30 June 2023, the Group (together with its joint ventures and associates) had a land bank with a total GFA (including sold GFA) of approximately 36.6 million sq.m., covering five core economic regions of China.

**Liability management**

As the industry has been challenged by adverse liquidity and financing situations since mid-2021, the Group has implemented decisive measures and stabilised cash flow by accelerating sales and cash collection, lowering cost and enhancing operating efficiency, reduction of land banking and preservation of cash and controlling interest-bearing debts, and achieved a stable financial status to enable prompt property delivery, stable operations and onshore financing.

The Group's total interest-bearing debts were further deleveraged to approximately RMB23.1 billion as at 30 June 2023 (out of which onshore interest-bearing debts amounted to approximately RMB14.6 billion whereas offshore interest-bearing debts amounted to approximately RMB8.5 billion). Due to the current market condition, the liquidity of the Group is constrained. The aggregate cash and bank balances (including restricted cash and pledged deposits) of the Group was approximately RMB14.4 billion as at 30 June 2023. Under the current strict requirement of local government policies, substantially most of the Group's cash are under strict pre-sale cash escrow in designated bank accounts at project-level in order to ensure completion of the properties under development.

With respect to its onshore debts, as at 30 June 2023, substantially most of the Group's onshore interest-bearing debts were loans with project pledges. The Group has been proactively working with onshore banks and lending institutions to extend the maturity at due dates of such onshore loans, and believes that the maturity risk of onshore loans would be manageable.

With respect to its offshore debts, the Company announced in November 2022 that it has been seeking a holistic solution to its offshore debts situation ("**Holistic Solution**") and since then continuously held proactive and constructive dialogue with its offshore creditors. On 14 July 2023, the Company and members of the ad hoc group of consenting creditors ("**AHG**") entered into the Restructuring Support Agreement ("**RSA**"), pursuant to which, the Company shall have the AHG's support for its Holistic Solution by way of scheme of arrangement ("**Scheme**") on the terms and subject to the conditions set out in the RSA. As at 11 August 2023, the AHG, together with certain other creditors, acceded and/or provided instructions to accede to the RSA, collectively representing approximately 71% of scheme debts of the Company. The implementation of the Holistic Solution will alleviate the Company's pressure of offshore indebtedness, allow adequate financial flexibility, enable the Group to better manage its business operations, and maximize value for all stakeholders. The Company endeavours to successfully implement the Holistic Solution in the second half of 2023.

## OUTLOOK FOR THE SECOND HALF OF 2023

Despite the current difficulties in the Chinese real estate market, the government's policy direction of recovering the market is imminent. The real estate industry is still a pillar industry of the national economy, and the structural first-time purchasers' and upgraders' demand are still abundant in the market. China's Central Politburo held a key economic policy meeting in July 2023 and released positive tone towards the economy and the real estate market, which particularly urged to adapt to the major change in supply-demand relations in the property market, timely adjust and optimize real estate policies. Various central government bureaus continuously announced intentions to boost the economy and the sector, which include extension of "the Financial 16-Guidelines" announced last year to prop up financial support for the real estate enterprises to ensure property delivery, newly announced "Guidelines of Promoting Urban Village Redevelopment in Megacities" to promote domestic demand and optimize real estate structure and "Private Economy 31-Guidelines" to mull supportive measures and boost confidence for the private businesses. It is expected that central and local governments will continue to release positive signals and implement further policy measures.

Looking ahead to the second half of the year, while the foundation for economic and real estate market recovery is still not solid, policy expectations and market confidence are gradually bottoming out. Although the recovery cycle could be longer, real estate market will eventually rebound. To cope with the prolonged difficulties of the industry, the Group will continue to emphasize financial safety, maintain operational liquidity, reduce leverage and stabilize debts, control risks, save costs, strengthen organizational structure and efficiency to ensure that the Group could navigate the industry challenges.

**Yang Jian**
*Chairman*

Hong Kong, 25 August 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

## PROPERTY DEVELOPMENT

### Contracted sales

During the six months ended 30 June 2023, the Group (including its joint ventures and associates) achieved contracted sales of approximately RMB21.03 billion, representing a year-on-year decrease of approximately 45.7%. Contracted sales area amounted to approximately 2,065,037 sq.m., representing a year-on-year decrease of approximately 44.9%.

During the period, contracted ASP selling price was approximately RMB10,185 per sq.m..

**Table 1: Breakdown of contracted sales for the six months ended 30 June 2023 (including the Group's subsidiaries, joint ventures and associates)**

***By region***

| | Contracted sales *(RMB'000)* | % of total contracted sales *(%)* | Contracted GFA *(sq.m.)* | Contracted ASP *(RMB/sq.m.)* |
|---|---|---|---|---|
| Yangtze River Delta | 7,995,377 | 38.0 | 605,505 | 13,204 |
| Midwest China | 6,227,891 | 29.6 | 811,828 | 7,671 |
| Pan-Bohai Rim | 3,441,456 | 16.4 | 331,812 | 10,372 |
| Western Taiwan Straits | 2,345,305 | 11.1 | 238,497 | 9,834 |
| Pearl River Delta | 1,022,977 | 4.9 | 77,395 | 13,218 |
| | 21,033,006 | 100.0 | 2,065,037 | 10,185 |

***By city tier***

| | Contracted sales *(RMB'000)* | % of total contracted sales *(%)* | Contracted GFA *(sq.m.)* | Contracted ASP *(RMB/sq.m.)* |
|---|---|---|---|---|
| Second-tier cities(1) | 8,256,462 | 39.2 | 638,052 | 12,940 |
| Third-tier cities(2) | 9,332,516 | 44.4 | 931,390 | 10,020 |
| Fourth-tier cities(3) | 3,444,028 | 16.4 | 495,595 | 6,949 |
| | 21,033,006 | 100.0 | 2,065,037 | 10,185 |

*Notes:*

(1) Second-tiers cities include Wenzhou, Suzhou, Tianjin, Wuxi, Chongqing, Jinan, Ningbo, Hefei, Changsha, Fuzhou, Chengdu, Xi'an, Qingdao, Nanchang, Hangzhou, Wuhan, Dalian, Nanjing, Guiyang, Nanning, Kunming, Zhengzhou, Xiamen, Dongguan and Shenyang.

(2) Third-tiers cities include Luoyang, Changzhou, Zhongshan, Shaoxing, Weifang, Yuxi, Wuhu, Xuzhou, Taizhou, Taian, Putian, Nanyang, Zhangzhou, Handan, Cangzhou, Chifeng, Anqing, Binzhou, Xinyang, Ningde, Xuancheng, Nanping, Suining, Taizhou, Jinhua, Xining, Dezhou, Luan, Linyi, Foshan, Shantou, Sanming, Zibo, Yantai, Chuxiong, Jiangmen, Zaozhuang, Lishui, Ganzhou, Xiangyang, Nantong, Quzhou, Yulin, Hohhot, Changde, Yiyang, Yinchuan, Zhaoqing, Maoming, Xuchang, Chenzhou, Tangshan, Zhoushan, Jining, Tongling, Suqian, Quanzhou, Mianyang, Zhuzhou, Huaian, Yichang, Meishan, Dazhou, Huzhou, Loudi, Yangzhou, Yueyang, Liaocheng, Weihai, Nanchong, Yancheng, Qinzhou, Bozhou, Fuzhou, Lianyungang, Jiaxing, Zunyi and Shangqiu.

(3) Fourth-tiers cities include Pingxiang, Bengbu, Shangrao, Huangshi, Ankang, Xinxiang, Fuyang, Jingzhou, Jiujiang, Zhaotong, Maanshan, Guigang, Luohe, Xiaogan, Ezhou, Mengzi, Enshi, Baoshan, Shaoyang, Dali, Yan'an, Yongzhou, Qingyuan, Chaozhou, Beihai, Zigong, Ji'an, Jiaozuo, Heyuan, Linfen, Pu'er, Xiushui County, Puyang, Chizhou, Huaibei, Tongchuan, Jiyuan, Jingdezhen, Suizhou, Pingliang, Pingdingshan and Tianshui.

**Completed properties held for sale**

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

As at 30 June 2023, the Group's completed properties held for sale was approximately RMB30,513.3 million, versus approximately RMB24,696.3 million as at 31 December 2022.

**Projects under development**

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

As at 30 June 2023, the Group's properties under development was approximately RMB93,234.4 million, versus approximately RMB112,418.8 million as at 31 December 2022.

**Land bank**

During the six months ended 30 June 2023, there was no new land parcel acquired by the Group.

As at 30 June 2023, the Group's total land bank (including its subsidiaries, joint ventures and associates), was approximately 36.6 million sq.m., among which, approximately 5.2 million sq.m. were completed properties available for sale/leasable and approximately 31.4 million sq.m. were under development or for further development.

**Table 2: Breakdown of the Group's total land bank (including its subsidiaries, joint ventures and associates) as at 30 June 2023**

*By provinces and municipalities*

| | Number of projects | Completed GFA available for sale/leasable[1] *(sq.m.)* | Total GFA under development and held for future development *(sq.m.)* | Total land bank[2] *(sq.m.)* | % of total land bank |
|---|---|---|---|---|---|
| Jiangsu | 50 | 570,036 | 4,750,302 | 5,320,338 | 14.5 |
| Anhui | 36 | 934,648 | 3,790,951 | 4,725,599 | 12.9 |
| Zhejiang | 33 | 351,114 | 2,352,198 | 2,703,312 | 7.4 |
| **Yangtze River Delta** | **119** | **1,855,798** | **10,893,451** | **12,749,249** | **34.8** |
| Henan | 22 | 163,752 | 2,450,539 | 2,614,291 | 7.1 |
| Hunan | 21 | 372,978 | 1,780,037 | 2,153,015 | 5.9 |
| Hubei | 15 | 360,536 | 1,586,164 | 1,946,700 | 5.3 |
| Chongqing | 15 | 445,562 | 1,460,213 | 1,905,775 | 5.2 |
| Yunnan | 12 | 491,026 | 1,213,968 | 1,704,994 | 4.7 |
| Others | 45 | 481,677 | 3,706,435 | 4,188,112 | 11.4 |
| **Midwest China** | **130** | **2,315,531** | **12,197,356** | **14,512,887** | **39.6** |
| Shandong | 34 | 88,719 | 3,216,366 | 3,305,085 | 9.0 |
| Hebei | 8 | 29,827 | 1,024,437 | 1,054,264 | 2.9 |
| Others | 9 | 3,645 | 1,108,546 | 1,112,191 | 3.0 |
| **Pan-Bohai Rim** | **51** | **122,191** | **5,349,348** | **5,471,539** | **14.9** |
| Fujian | 23 | 543,235 | 1,020,811 | 1,564,046 | 4.3 |
| Others | 7 | — | 917,225 | 917,225 | 2.5 |
| **Western Taiwan Straits** | **30** | **543,235** | **1,938,036** | **2,481,271** | **6.8** |
| Guangdong | 14 | 387,065 | 1,036,224 | 1,423,289 | 3.9 |
| **Pearl River Delta** | **14** | **387,065** | **1,036,224** | **1,423,289** | **3.9** |
| **Subtotal** | **344** | **5,223,820** | **31,414,415** | **36,638,235** | **100.0** |

*By city tiers*

| | Number of projects | Completed GFA available for sale/leasable[(1)] *(sq.m.)* | Total GFA under development and held for future development *(sq.m.)* | Total land bank[(2)] *(sq.m.)* | % of total land bank |
|---|---|---|---|---|---|
| Second-tier cities | 114 | 1,669,991 | 10,175,404 | 11,845,395 | 32.3 |
| Third-tier cities | 171 | 2,463,367 | 15,648,287 | 18,111,654 | 49.5 |
| Forth-tier cities | 59 | 1,090,462 | 5,590,724 | 6,681,186 | 18.2 |
| **Total** | **344** | **5,223,820** | **31,414,415** | **36,638,235** | **100.0** |

*Notes:*

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

(2) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; and (ii) total GFA under development and held for future development, without adjusting the equity interest held by the Group in respect of the projects held by the Group's joint ventures or associates.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2023, the Group derived its revenue from (i) sales of properties; (ii) other services; and (iii) rental income from property leasing. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the breakdown of the Group's revenue recognised by business line for the periods indicated:

| | For the six months ended 30 June | | Change in percentage |
|---|---|---|---|
| | ***2023*** | 2022 | |
| | ***RMB'000*** | *RMB'000* | % |
| **Revenue** | | | |
| Sales of properties | **28,781,947** | 22,145,271 | +30.0% |
| Other services | **58,967** | 191,167 | –69.2% |
| Rental income | **9,883** | 6,903 | +43.2% |
| **Total** | **28,850,797** | 22,343,341 | +29.1% |

**Revenue recognised from sales of properties**

The Group recorded revenue from the sales of properties amounted to approximately RMB28,781.9 million for the six months ended 30 June 2023, a year-on-year increase of approximately 30.0%, and recognised a year-on-year increase in the total recognised GFA by approximately 5.8% to 2,587,781 sq.m. for the six months ended 30 June 2023. Recognised ASP was approximately RMB11,122 per sq.m. in the six months ended 30 June 2023 versus approximately RMB9,056 per sq.m. in the previous year.

**Table 3: Breakdown of recognised revenue from sales of properties for the six months ended 30 June 2023**

| | **For the six months ended 30 June 2023** | | | |
|---|---|---|---|---|
| | **Revenue** | **% to total revenue** | **Recognised GFA** | **Recognised ASP** |
| | ***RMB'000*** | ***%*** | ***sq.m.*** | ***RMB/sq.m.*** |
| Yangtze River Delta | **21,049,279** | **73.13** | **1,495,418** | **14,076** |
| Midwest China | **2,628,080** | **9.13** | **435,899** | **6,029** |
| Pan-Bohai Rim | **3,578,124** | **12.43** | **442,729** | **8,082** |
| Western Taiwan Straits | **1,238,797** | **4.31** | **179,255** | **6,911** |
| Pearl River Delta | **287,667** | **1.00** | **34,480** | **8,343** |
| **Total** | **28,781,947** | **100** | **2,587,781** | **11,122** |

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

**Cost of sales**

The Group's cost of sales increased year-on-year by approximately 41.9% to approximately RMB26,340.6 million for the six months ended 30 June 2023. Net impairment losses recognised for properties under development and completed properties held for sale of approximately RMB826.6 million were included in the cost of sales for the six months ended 30 June 2023, as compared to approximately RMB368.6 million for the corresponding period in the previous year.

**Gross profit and gross profit margin**

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit decreased year-on-year by approximately 33.5% to approximately RMB2,510.2 million for the six months ended 30 June 2023.

The Group's gross profit margin decreased from 16.9% for the six months ended 30 June 2022 to approximately 8.7% for the six months ended 30 June 2023, mainly because of lower ASP relative to the respective land acquisition costs in respect of property projects delivered and impairment on property projects during the period.

**Other income and gains**

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries, joint ventures and associates; (ii) government grants; (iii) forfeiture of deposits; (iv) changes in provision for financial guarantee contracts; and (v) others, which mainly include sundry income. The Group's other income and gains decreased year-on-year by approximately 66.0% to approximately RMB141.5 million for the six months ended 30 June 2023, primarily due to the decrease in gain on disposal of subsidiaries, associates and joint ventures.

**Selling and distribution expenses**

The Group's selling and distribution expenses decreased year-on-year by approximately 40.3% to approximately RMB543.7 million for the six months ended 30 June 2023, primarily due to the slow-down in marketing activities and less promotional expenses budget due to the impact of a weakened real estate market.

**Administrative expenses**

The Group's administrative expenses decreased year-on-year by approximately 51.0% to approximately RMB486.1 million for the six months ended 30 June 2023. The decrease was generally due to the savings in staff costs and management consultancy fees during the period. The Group continued to strengthen cost control measures.

**Other expenses and other net losses**

The Group incurred other expenses of approximately RMB477.1 million for the six months ended 30 June 2023, as compared to approximately RMB412.0 million for six months ended 30 June 2022. The increase in other expenses were mainly due to the recognition of the foreign exchange losses.

The Group recorded an aggregate of other net losses of approximately RMB44.0 million including fair value losses on investment properties and net fair value/impairment losses on financial assets for the six months ended 30 June 2023, as compared to an aggregate of other net losses of approximately RMB170.2 million for the previous year. The change was due to the turnaround from fair value losses to fair value gains on the financial assets at fair value through profit or loss during the period.

**Finance income**

The Group's finance income, which mainly represents bank interest income, decreased year-on-year by approximately 47.4% to approximately RMB41.7 million for the six months ended 30 June 2023.

**Finance costs**

The Group's finance costs decreased year-on-year by approximately 7.0% to approximately RMB201.9 million for the six months ended 30 June 2023.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2023 was approximately RMB1,126.5 million, representing a year-on-year decrease of approximately 47.9%, was due to the decrease in bank and other borrowings and senior notes.

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

The Group recorded share of profits of joint ventures of approximately RMB694.0 million for the six months ended 30 June 2023, versus share of profits of joint ventures of approximately RMB243.6 million for the six months ended 30 June 2022.

The Group recorded share of profits of associates of approximately RMB93.2 million for the six months ended 30 June 2023, versus share of profits of associates of approximately RMB9.5 million for the six months ended 30 June 2022.

On an aggregated basis, the Group's share of profits of joint ventures and associates amounted to approximately RMB787.2 million for the six months ended 30 June 2023, representing a year-on-year increase of approximately 210.9%. The increase was primarily due to the increase in delivery of property projects held by the Group's joint ventures and associates during the six months ended 30 June 2023.

**Profit before tax**

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax decreased year-on-year by approximately 5.1% to approximately RMB1,727.9 million for the six months ended 30 June 2023.

**Income tax expense**

The Group's income tax expense comprises provisions made for corporate income tax and land appreciation tax in the PRC, and deferred tax during the period. The Group's income tax expense increased year-on-year by approximately 33.4% to approximately RMB1,284.2 million for the six months ended 30 June 2023.

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

As a result of the aforementioned changes of the Group's financials, the Group's net profit for the period (before deducting non-controlling interests) decreased year-on-year by approximately 48.3% to approximately RMB443.6 million for the six months ended 30 June 2023. The Group's profit for the period attributable to owners of the Company decreased year-on-year by approximately 95.8% to approximately RMB18.6 million for the six months ended 30 June 2023.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group primarily meets its operating capital, capital expenditure and other capital needs with cash generated from operations including proceeds from sale and pre-sale of properties, proceeds from bank and other borrowings, capital contribution from non-controlling shareholders and other financings.

**Net current assets**

As at 30 June 2023, the Group's net current assets amounted to approximately RMB10,384.1 million (31 December 2022: approximately RMB14,746.3 million). Specifically, the Group's total current assets decreased by approximately 7.8% from approximately RMB211,736.4 million as at 31 December 2022 to approximately RMB195,269.6 million as at 30 June 2023. The Group's total current liabilities decreased by approximately 6.1% from approximately RMB196,990.1 million as at 31 December 2022 to approximately RMB184,885.5 million as at 30 June 2023. The decrease in the Group's total current assets was primarily attributable to (i) the decrease in properties under development; and (ii) the decrease in cash and bank balances as at 30 June 2023.

**Financial ratios**

As at 30 June 2023, the Group had assets-to-liabilities ratio after excluding receipts in advance (calculated by dividing total liabilities minus contract liabilities by total assets minus contract liabilities) of approximately 74.0%, the net gearing ratio was approximately 27.6% and the non-restricted cash-to-current borrowings (calculated by dividing non-restricted cash and cash equivalents by current borrowings) was approximately 0.66.

**Cash position**

The Group's cash and bank balances (including restricted cash and pledged deposits) amounted to approximately RMB14,396.9 million in total as at 30 June 2023 (31 December 2022: approximately RMB16,586.0 million), representing a decrease of approximately 13.2% as compared with the end of 2022. Under the current strict requirement of local government policies, substantially most of the Group's cash were under strict pre-sale cash escrow in designated bank accounts at project-level in order to ensure completion of the properties under development.

**Indebtedness**

As at 30 June 2023, the Group had total outstanding indebtedness of approximately RMB23,109.0 million (31 December 2022: approximately RMB26,735.2 million), comprising bank and other borrowings of approximately RMB16,412.1 million (31 December 2022: approximately RMB20,233.4 million) and senior notes of approximately RMB6,696.9 million (31 December 2022: approximately RMB6,501.8 million).

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

| | As at 30 June 2023 *RMB'000* | As at 31 December 2022 *RMB'000* |
|---|---|---|
| **Current** | | |
| Bank loans | | |
| — secured | **1,039,664** | 78,000 |
| Other loans | | |
| — secured | **1,157,052** | 772,553 |
| — unsecured | **3,423,504** | 2,582,695 |
| Current portion of long-term bank loans | | |
| — secured | **4,119,061** | 3,814,148 |
| Current portion of long-term other loans | | |
| — secured | **1,436,050** | 1,876,407 |
| — unsecured | **743,596** | 2,217,340 |
| Senior notes | **6,696,871** | 6,501,799 |
| **Total current indebtedness** | **18,615,798** | 17,842,942 |
| **Non-current** | | |
| Bank loans | | |
| — secured | **2,561,626** | 6,070,740 |
| Other loans | | |
| — secured | **1,049,900** | 2,149,200 |
| — unsecured | **881,646** | 672,270 |
| **Total non-current indebtedness** | **4,493,172** | 8,892,210 |
| **Total indebtedness** | **23,108,970** | 26,735,152 |
| Secured | **11,363,353** | 14,761,048 |
| Unsecured | **11,745,617** | 11,974,104 |
| **Total indebtedness** | **23,108,970** | 26,735,152 |

*By fixed or variable interest rates*

| | As at 30 June 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|
| Fixed interest rate | **20,166,584** | 23,055,236 |
| Floating interest rate | **2,942,386** | 3,679,916 |
| **Total Indebtedness** | **23,108,970** | 26,735,152 |

*By currency denomination*

| | As at 30 June 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|
| Denominated in RMB | **14,594,810** | 18,481,756 |
| Denominated in US$ | **8,514,160** | 8,253,396 |
| **Total Indebtedness** | **23,108,970** | 26,735,152 |

*By maturity profiles*

| | As at 30 June 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|
| **Bank loans repayable:** | | |
| — Within one year or on demand | **5,158,725** | 3,892,148 |
| — In the second year | **1,701,376** | 5,158,740 |
| — In the third to fifth year, inclusive | **860,250** | 912,000 |
| | **7,720,351** | 9,962,888 |

| | As at 30 June 2023 *RMB'000* | As at 31 December 2022 *RMB'000* |
|---|---|---|
| **Other borrowings repayable:** | | |
| — Within one year or on demand | **6,760,202** | 7,448,995 |
| — In the second year | **1,544,284** | 1,912,016 |
| — In the third to fifth year, inclusive | **387,262** | 909,454 |
| | **8,691,748** | 10,270,465 |
| **Senior notes repayable:** | | |
| — Within one year | **6,696,871** | 6,501,799 |
| | **6,696,871** | 6,501,799 |
| **Total Indebtedness** | **23,108,970** | 26,735,152 |

**Pledge of assets**

As at 30 June 2023, the Group's borrowings were secured by the Group's assets of approximately RMB47,746.3 million (31 December 2022: approximately RMB56,787.9 million) which included properties under development.

**Financial risks**

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

***Interest rate risk***

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

***Foreign currency risk***

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

As at 30 June 2023, the Group had (i) cash and bank balances denominated in United States dollars and Hong Kong dollars of approximately RMB0.3 million and of approximately RMB0.3 million, respectively, (ii) bank and other borrowings denominated in United States dollars of approximately RMB1,817.3 million, and (iii) senior notes denominated in United States dollars of approximately RMB6,696.9 million, which were subject to fluctuations in exchange rates. The Group has not entered into any foreign currency hedging arrangement. However, the Group will closely monitor its exposure to exchange rates in order to best preserve the Group's cash value.

***Credit risk***

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

***Liquidity risk***

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

## CONTINGENT LIABILITIES

### Mortgage guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under such arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

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

The total outstanding guarantee amounts provided by the Group to banks amounted to approximately RMB28,847.4 million as at 30 June 2023 (31 December 2022: RMB32,608.4 million).

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

**Financial guarantees**

As at 30 June 2023, the Group guaranteed certain bank and other borrowings made to its joint ventures and associates up to approximately RMB6,359.5 million (31 December 2022: approximately RMB7,152.1 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 2023, the Group's property development expenditures and acquisition of land use rights and capital contributions payable to joint ventures and associates that had contracted but yet provided for were approximately RMB24,836.2 million (31 December 2022: approximately RMB27,156.2 million).

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2023, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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

Other than those carried out under the Group's ordinary course of business, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Group for other material investments or additions of capital assets during the six months ended 30 June 2023.

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of approximately 4,100 full-time employees. For the six months ended 30 June 2023, the staff cost recognised as expenses of the Group amounted to approximately RMB473.8 million (30 June 2022: approximately RMB769.3 million).

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

## CORPORATE GOVERNANCE

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

The Company has adopted and applied the Corporate Governance Code as its own code on corporate governance and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions contained in Part 2 of Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code for the six months ended 30 June 2023.

## INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

## AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Au Yeung Po Fung, who possesses appropriate professional qualifications. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2023.

## EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, save for that the Company entered into the RSA with AHG obtaining support for its Holistic Solution by way of the Scheme, no significant event has taken place subsequent to 30 June 2023. For details, please refer to the announcements of the Company dated 16 July 2023 and 14 August 2023.

## THE BOARD OF DIRECTORS

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

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

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.zldcgroup.com. The Company's interim report for the six months ended 30 June 2023 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 25 August 2023

## GLOSSARY AND DEFINITION

| | |
|---|---|
| "ASP" | average selling price |
| "Board" | The board of Directors |
| "China" or "PRC" | the People's Republic of China |
| "Contracted sales" | the total contractual value of properties that are contracted for pre-sale and sale in a given period, which is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognised in any future period. Contracted sales data is unaudited, provided for investors' for reference only and may be subject to various uncertainties during the process of collating such sales information |
| "Corporate Governance Code" | Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "Director(s)" | director(s) of the Company |
| "GFA" | gross floor area |
| "Gross profit margin" | calculated based on gross profit for the year/period divided by revenue for year/period and multiplied by 100% |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange on 16 July 2019 |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "Net gearing ratio" | calculated based on the total indebtedness less cash and bank balances divided by the total equity at the end of the year/period multiplied by 100% |
| "Share(s)" | ordinary share(s) in the capital of the Company with the nominal value of HK$0.01 each |
| "Shareholder(s)" | holder(s) of the Shares |

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|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Total indebtedness" | total interest-bearing bank and other borrowings, senior notes and asset-backed securities |
| "Zhongliang" or "Company" | Zhongliang Holdings Group Company Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2772) |

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

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

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