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 2019

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 was RMB13,648.4 million, representing an increase of 10.8% as compared to the six months ended 30 June 2018.
- Profit for the six months ended 30 June 2019 was RMB1,179.2 million, representing an increase of 23.2% as compared to the six months ended 30 June 2018.
- Core profit(1) for the six months ended 30 June 2019 was RMB1,151.1 million, representing an increase of 33.4% as compared to the six months ended 30 June 2018.
- Core profit(1) attributable to owners of the parent for the six months ended 30 June 2019 was RMB905.3 million, representing an increase 21.3% as compared to the six months ended 30 June 2018.
- As at 30 June 2019, net debt to total equity ratio(2) was 70.8% and cash on hand was RMB30,136.9 million.
- During the first half of 2019, the Group has acquired 22 parcels of land with the aggregated estimated GFA of 2.9 million sq.m. As at 30 June 2019, the Group had a total land bank of 26.3 million sq.m.

Notes:

(1) Defined as net profit excludes changes in fair value of investment properties and financial assets and the relevant deferred taxes.

(2) Adjusted after taking into consideration that the Group completed its placing and subscription of shares in July 2019.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Zhenro Properties Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the preceding financial year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**2019** *RMB'000* *(Unaudited)*	2018 *RMB'000* *(Unaudited)*
REVENUE	*5*	**13,648,419**	12,314,646
Cost of sales		**(10,874,726)**	(9,600,262)
Gross Profit		**2,773,693**	2,714,384
Other income and gains	*5*	**156,718**	179,433
Selling and distribution expenses		**(354,815)**	(321,978)
Administrative expenses		**(523,641)**	(509,733)
Impairment losses of financial assets, net		**(158)**	(1,376)
Other expenses		**(74,175)**	(14,514)
Fair value gains on investment properties		**123,248**	98,047
Finance costs	*6*	**(207,650)**	(191,453)
Share of profits and losses of:			
Joint ventures		**135,451**	(27,291)
Associates		**(64,130)**	(56,876)
PROFIT BEFORE TAX	*7*	**1,964,541**	1,868,643
Income tax expense	*8*	**(785,307)**	(911,465)
PROFIT FOR THE PERIOD		**1,179,234**	957,178
Attributable to:			
Owners of the parent		**933,434**	840,364
Non-controlling interests		**245,800**	116,814
		1,179,234	957,178
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*10*	**RMB0.23**	RMB0.21

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	**1,179,234**	957,178
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**30,303**	(78,448)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**30,303**	(78,448)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**30,303**	(78,448)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,209,537**	878,730
Attributable to:		
Owners of the parent	**963,737**	761,916
Non-controlling interests	**245,800**	116,814
	1,209,537	878,730

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019** **RMB'000** **(Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**598,187**	876,882
Investment properties		**8,722,800**	8,461,900
Other right-of-use assets		**369,082**	–
Prepaid land lease payments		**213,674**	213,674
Other intangible assets		**7,535**	9,940
Investments in joint ventures		**2,014,336**	1,931,702
Investments in associates		**2,854,124**	1,796,827
Deferred tax assets		**1,831,280**	1,463,999
Total non-current assets		**16,611,018**	14,754,924
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**1,127,280**	862,161
Properties under development		**69,522,780**	63,588,003
Completed properties held for sale		**8,794,614**	11,433,470
Trade receivables	*11*	**70,628**	34,151
Due from related companies		**4,141,521**	7,686,366
Prepaid land lease payments		**3,801,205**	754,184
Prepayments, other receivables and other assets		**19,856,076**	12,755,716
Tax recoverable		**1,211,041**	1,160,983
Restricted cash		**4,574,941**	4,866,036
Pledged deposits		**489,646**	963,560
Cash and cash equivalents		**25,072,296**	22,538,953
Total current assets		**138,662,028**	126,643,583
CURRENT LIABILITIES			
Trade and bills payables	*12*	**9,563,832**	8,212,543
Other payables and accruals	*13*	**7,185,215**	5,449,969
Contract liabilities		**46,282,211**	47,149,486
Due to related companies		**4,152,106**	3,332,983
Interest-bearing bank loans and other borrowings		**19,668,207**	21,629,210
Senior notes		**4,078,591**	1,094,198
Corporate bonds		**1,155,858**	1,115,788
Tax payable		**2,332,384**	2,297,672
Total current liabilities		**94,418,404**	90,281,849
NET CURRENT ASSETS		**44,243,624**	36,361,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,854,642**	51,116,658

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
As at 30 June 2019

	Notes	**30 June 2019** ***RMB'000*** ***(Unaudited)***	31 December 2018 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**16,907,014**	16,541,379
Other payables and accruals	*13*	**3,390,421**	3,285,661
Senior notes		**8,276,289**	4,076,627
Corporate bonds		**2,443,128**	2,034,399
Deferred tax liabilities		**782,473**	699,591
Total non-current liabilities		**31,799,325**	26,637,657
Net Assets		**29,055,317**	24,479,001
EQUITY			
Equity attributable to owners of the parent			
Share capital		**265**	265
Reserves		**13,941,863**	13,528,703
		13,942,128	13,528,968
Perpetual capital securities		**4,486,893**	3,008,224
Non-controlling interests		**10,626,296**	7,941,809
Total Equity		**29,055,317**	24,479,001

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 27 Hospital Road, 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 2019, the Group is 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 2019 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 2018.

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 2018, except for the adoption of new and revised standards effective as of 1 January 2019.

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

Other than as explained below regarding the impact of IFRS 16 Leases, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16 Leases

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

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

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

(a) **Adoption of IFRS 16 Leases (Continued)**

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

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

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the interim condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the interim condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

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

(a) **Adoption of IFRS 16 Leases (Continued)**

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

	Increase/ (decrease) ***RMB'000*** **(Unaudited)**
Assets	
Increase in other right-of-use assets	375,785
Decrease in property, plant and equipment	(273,993)
Increase in total assets	101,792
Liabilities	
Increase in lease liabilities	101,792
Increase in total liabilities	101,792

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

	RMB'000 **(Unaudited)**
Operating lease commitments as at 31 December 2018	**113,901**
Weighted average incremental borrowing rate as at 1 January 2019	**6%**
Discounted operating lease commitments at 1 January 2019	**103,338**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	**(1,546)**
Lease liabilities as at 1 January 2019	**101,792**

Summary of new accounting policies

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

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

(a) Adoption of IFRS 16 Leases (Continued)

Right-of-use assets

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

Lease liabilities

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

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

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

(a) Adoption of IFRS 16 Leases (Continued)

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

The carrying amounts of the Group's other right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Other right-of-use assets Land and buildings *RMB'000*	**Lease liabilities** *RMB'000*
As at 1 January 2019	375,785	101,792
Additions	23,233	23,233
Depreciation charge	(29,936)	—
Interest expense	—	3,149
Payments	—	(26,752)
As at 30 June 2019	369,082	101,422

(b) Amendments to IAS 28

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

(c) IFRIC Interpretation 23

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

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, while no single location's revenue, net profit or total assets exceeds 10% of the Group's combined revenue, net profit or total assets. 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, and thus all locations were aggregated as one reportable operating segment.

Geographical information

No 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 2019 and 2018.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers		
Sale of properties	**13,533,564**	12,224,314
Property management service income	**41,418**	40,262
Management service income	**17,452**	3,195
Revenue from other sources		
Rental income	**55,985**	46,875
	13,648,419	12,314,646

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Revenue from sale of properties:		
Recognised at a point in time	**13,533,564**	12,224,314
Revenue from property management services:		
Recognised over time	**41,418**	40,262
Revenue from management service income:		
Recognised over time	**17,452**	3,195
	13,592,434	12,267,771

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	**134,419**	116,540
Forfeiture of deposits	**7,596**	5,092
Government grants	**6,527**	451
Exchange gain	**3,070**	18,480
Disposal of subsidiaries	**1,388**	5,270
Gain on disposal of items of property, plant and equipment	**39**	191
Net fair value gain from financial assets at fair value through profit or loss	**–**	27,594
Gain on bargain purchase	**–**	3,734
Others	**3,679**	2,081
	156,718	179,433

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings, corporate bonds, senior notes, proceeds from asset-backed securities and lease liabilities	**1,912,080**	1,721,065
Interest expense arising from revenue contracts	**646,980**	554,255
Total interest expense on financial liabilities not at fair value through profit or loss	**2,559,060**	2,275,320
Less: Interest capitalised	**2,351,410**	(2,083,867)
	207,650	191,453

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**10,908,707**	9,569,628
Impairment losses written off for completed properties held for sale (Note)	**(124,022)**	(110,427)
Impairment losses recognised for properties under development and completed properties held for sale	**61,883**	124,285
Impairment losses of financial assets, net	**158**	1,376
Depreciation of items of property, plant and equipment	**27,688**	14,394
Depreciation of other right-of-use assets	**29,936**	–
Amortisation of other intangible assets	**2,765**	1,863
Gains and losses on disposal of items of property, plant and equipment, net	**(10)**	(51)
Gain on disposal of subsidiaries	**1,388**	5,270
Auditors' remuneration	**2,400**	2,000
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**284,994**	218,445
Pension scheme contributions and social welfare	**44,075**	28,490

Note: They are included in cost of sales in the interim condensed consolidated statement of comprehensive income.

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 2019 and 2018.

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

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	**721,078**	671,902
LAT	**360,296**	490,937
Deferred tax	**(296,067)**	(251,374)
Total tax charge for the period	**785,307**	911,465

9. **DIVIDENDS**

The proposed 2018 final dividend of HK$0.15 (equivalent to approximately RMB 12.00 cents) per share, totalling HK$618,450,000 (equivalent to approximately RMB527,662,000), was approved by the Company's shareholders at the annual general meeting on 24 May 2019. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2019.

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB933,434,000(six months ended 30 June 2018: RMB840,364,000), and the weighted average number of ordinary shares of 4,123,000,000 (six months ended 30 June 2018: 4,014,983,425) shares in issue during the period.

11. **TRADE RECEIVABLES**

An aging 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 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Less than 1 year	**69,990**	33,432
Over 1 year	**638**	719
	70,628	34,151

12. **TRADE AND BILLS PAYABLES**

An aging 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 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Less than 1 year	**9,397,287**	8,115,173
Over 1 year	**166,545**	97,370
	9,563,832	8,212,543

13. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Deposits related to land use rights	**2,026,943**	1,992,577
Advances from non-controlling shareholders of subsidiaries	**3,059,290**	2,181,899
Retention deposits related to construction	**601,346**	377,638
Interest payable	**189,392**	119,067
Payroll and welfare payable	**92,170**	248,924
Deposits related to sales of properties	**103,719**	161,958
Business tax and surcharges	**236,646**	185,937
Maintenance fund	**72,266**	119,607
Proceeds from asset-backed securities (Note)	**3,344,621**	3,285,661
Dividend payable	**527,662**	–
Lease liabilities	**101,422**	–
Others	**220,159**	62,362
	10,575,636	8,735,630
Less: Current portion	**(7,185,215)**	(5,449,969)
Non-current portion	**3,390,421**	3,285,661

Note: The balance represented proceeds received from a special purpose entity ("SPE") set up by a financial institution in the PRC for issuance of asset-backed securities, to which the Group has collateralised certain future trade receivables for the remaining receipts from sales of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sale proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE.

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 2019.

RESULTS

For the six months ended 30 June 2019, the Group's revenue increased by 10.8% year-on-year to RMB13,648.4 million. The profit was RMB1,179.2 million, representing a year-on-year increase of 23.2%. Core profit was RMB1,151.1 million, representing a year-on-year increase of 33.4%. Core profit attributable to owners of the parent was RMB905.3 million, representing a year-on-year increase of 21.3%. The board of directors has resolved not to distribute interim dividends.

BUSINESS REVIEW

During the first half of 2019, the credit policy towards the property sector was relatively relaxed, which unleashed the housing demands and drove the transaction volume back to a healthy level, with mild recoveries seen in some cities. However, the central government reiterated several times that "houses are built for living in, not for speculation" and "specific policy for individual city". Under the long-term goals of "stabilizing land and housing prices while managing market expectations", local governments reacted spontaneously by adjusting tightening policies in response to market changes. Since the second quarter of the year, the regulators have further tightened the restrictions on property sale, property purchase and policies on land auction. Meanwhile, the property developers faced a tightened credit environment, contributing to a decline in sector performance that reversed an earlier uptrend. The property sales growth of developers have slowed down in general. Besides, large property developers continued to benefit from a more concentrated market resulting from the on-going industry consolidation and segmentation.

Year 2019 marks the first year of the Group's "New Three-Year Strategy". Riding on the achievement of RMB100 billion in sales in 2018, the Group strives for a steady progress and take "high quality growth" as our first priority, focusing on sound financial position, business scale and profitability. In the first half of 2019, the Group recorded accumulated contracted sales of RMB58.6 billion, accumulated contracted gross floor areas ("GFA") of 3,807,522 sq.m., with contracted average selling price (**"ASP"**) of RMB15,392 per sq.m. In terms of land acquisition, the Group insisted on the strategy of regional penetration, focus on core second-tier cities, laying a solid foundation for the continuous growth in the future. During the first half of the year, the Group acquired 22 parcels of land, with the estimated GFA of approximately 2.9 million sq. m., in which over 90% are located at promising second-tier cities. Coping with the changing internal and external environments, the Group is pressing ahead with an organizational management upgrade. Specifically, structural improvement and standard procedures for authorization have been taken forward in line with the guideline of "optimization of headquarter and enhancement of regional companies". Leveraging on the efforts to reshape our organizational structure and to introduce management innovations, the Group has embarked on a journey of sustainable and high quality growth.

OPTIMIZATION OF FINANCIAL STRUCTURE AND EXPANSION OF FINANCING CHANNELS

Solid financial position and diversified sources of financing channels allowed the Group to achieve a sustainable and high quality growth despite the prevalent tightening credit environment in the industry. Since the beginning of this year, the Group has successfully raised over RMB13 billion through issuance of senior notes, senior perpetual capital securities, syndicated loans, special bonds for long-term rental apartments, asset-backed securities, asset-backed notes and share placement. The Group's debt structure was further diversified and the proportion of short-term debt has decreased through continuous debt swaps during the first half of the year. As at 30 June 2019, the Group's net debt-to-equity ratio (adjusted after taking into consideration that the Group completed its placing and subscription of shares in July 2019) was 70.8%, remaining at a healthy level.

AWARDS AND RECOGNITIONS

It has been only a year since the Company went listing, however, the investment value of the Company was well recognised by the public for its prudent image and sound business results. During the period, the Group was ranked 17th in "China's Top 200 Real Estate Enterprises in terms of Comprehensive Strength" and was honored as one of the "Top 10 Real Estate Companies Listed in Hong Kong with the Greatest Comprehensive Strength".

In capital markets, the Group has received research coverages and positive commentaries by various well-known domestic and overseas investment banks such as BNP Paribas, CCB International, Deutsche Bank, Haitong International, Huatai International, Industrial Securities, JP Morgan Chase, Northeast Securities, Soochow Securities, Southwest Securities and UOB Kay Hian.

The Group's sound financial position and comprehensive strength are also highly recognised by credit rating agencies. During the first half of the year, Moody's upgraded the Company's credit rating to B1 with a stable outlook; Standard & Poor's upgraded the Company's rating outlook to B (positive). In terms of domestic credit rating, China Chengxin Securities Rating Co., Ltd., a well-known domestic credit rating agency, raised the corporate credit rating of Zhenro Property Holdings Company Limited, a wholly-owned subsidiary of the Company, to the highest AAA rating with a "stable" outlook.

OUTLOOK

Looking forward to the second half of the year, the government policy will stick to the guideline of "stabilizing land and housing prices while managing market expectations". A long-term mechanism will be established and refined, the principle of "specific policy for individual city" will be abided by and the central theme of "applying both tightening and relaxing measures to address different issues" will remain. Under the current circumstances, a steady pace of development in the short-term in the property industry will prevail. Facing the unfolding changes occurring in the industry, the Group will be cautious as well as proactively seize development opportunities in the new business environment.

The Group will strengthen its capabilities for risk management, invest prudently and keep our business focus, stress on striking a balance among sound financial position, business scale and profitability, emphasize high turnover and rapid sell-through, and adhere to the strategy of strong operation, investment control and leverage control. Meanwhile, the Group is committed to maintaining its industry leading position in terms of comprehensive strength by continuously improving its core competencies, including product competitiveness, service quality, operational capabilities, cost management, resource integration and asset management.

As at 30 June 2019, the Group had a total land bank with GFA of 26.3 million sq.m. in 29 cities across China, with an average land cost of RMB4,624 per sq.m. Over 70% of the land bank is located in first- and second-tier cities. The Group's adequate and high quality saleable resources are expected to facilitate the Group in accomplishing the contracted sales target of RMB130 billion in 2019.

Regarding our principal business of residential property development, we will consolidate our market position as the "Home Upgrade Master" through delivering quality workmanship as well as paying high respect to customers. The Group will constantly upgrade the three residential product lines under the brand names of "Zhenro Mansion", "The Pinnacle" and "The Habitat" in order to cope with the structural change in the housing demand in China.

In terms of investment, it is expected that overall land price is expected to move towards a more reasonable level amid the continuation of tightening policies and liquidity. The Group will stick to the principle of prudent investment, pay close attention to land prices and policy changes, deepen the development in the six core metropolitan areas, focus on the major cities and valuable sectors, and actively explore alternative ways of land acquisition and project collaboration.

The Group will continue to strengthen its cash flow management and maintain sufficient liquidity, so as to respond to any possible market fluctuations. Adhering to the company motto of "integrity, excellent quality and responsibility", the Group will achieve a better performance.

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, and all employees for their dedication and hard work. We will continue to uphold our core value of "prosperity from integrity" and achieve a sustainable and high quality growth, to bring our shareholders and investors economic returns and develop ourselves into a respectable, sustainable and competitive enterprise.

Zhenro Properties Group Limited
HUANG Xianzhi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June 2019	2018	Year-over-Year Change
Contracted sales (1)			
Contracted sales (RMB million)	58,607	58,129	0.8%
Contracted GFA sold (sq.m.)	3,807,522	3,384,534	12.5%
Contracted ASP (RMB/sq.m.)	15,392	17,175	-10.4%
Selected financial information (RMB million)			
Revenue	13,648	12,315	10.8%
Cost of sales	10,875	9,600	13.3%
Gross profit	2,773	2,715	2.2%
Profit before income tax	1,965	1,869	5.1%
Profit for the period	1,179	957	23.2%
Attributable to:			
Owners of the parent	933	840	11.1%
Non-controlling interest	246	117	110.4%
Core profit (2)	1,151	863	33.4%
Core profit attributable to Owners of the parent	905	746	21.3%

	As of 30 June 2019	As of 31 December 2018	Year-over-Year Change
Total assets (RMB million)	155,273	141,399	9.8%
Total liabilities (RMB million)	126,218	116,920	7.9%
Total equity (RMB million)	29,055	24,479	18.7%
Equity attributable to owners of the Company (RMB million)	13,942	13,529	3.1%
Current ratio (3)	1.5	1.4	
Net gearing ratio (adjusted)(4)	70.8%	74.0%	

Notes:

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

(2) Defined as net profit excludes changes in fair values of investment properties and financial assets and the relevant deferred taxes.

(3) Current ratio equals to current assets divided by current liabilities as of the end of the period.

(4) Net debt-to-equity ratio equals to total borrowings less cash and bank balances divided by total equity as of the end of the period and multiplied by 100. The net debt-to-equity ratio was adjusted after taking into consideration that the Group completed its placing and subscription of shares in July 2019.

PROPERTY DEVELOPMENT

Contracted Sales

For the six months ended 30 June 2019, the Group recorded contracted sales of RMB58,606.6 million, representing an increase of approximately 0.8% from RMB58,129.4 million for the six months ended 30 June 2018, which was primarily due to the increase in salable GFA accumulated by the Group in first- and second-tier cities in the past several years by executing the Group's development strategies.

For the six months ended 30 June 2019, total contracted GFA sold amounted to approximately 3.8 million sq.m., representing an increase of approximately 12.5% from approximately 3.4 million sq.m. for the six months ended 30 June 2018. ASP for the six months ended 30 June 2019 was approximately RMB15,392 per sq.m., compared with RMB17,175 per sq.m. for the six months ended 30 June 2018. The decrease was primarily due to the increase in the proportion of GFA with a relatively lower ASP among total contracted GFA in 2019.

Contracted sales from Yangtze River Delta Region, Western Taiwan Straits Region, Central China Region, Bohai Rim Region and Western China Region contributed to approximately 55.7%, 17.9%, 11.6%, 10.9% and 3.9%, respectively, of the Group's total contracted sales in the first half of 2019.

The following table sets out the geographic breakdown of the Group's contracted sales during first half of 2019.

	Contracted GFA Sold	**Contracted Sales**	**Contracted ASP**	**% of Contracted Sales**
	sq.m.	*RMB'000*	*RMB/sq.m.*	*%*
Yangtze River Delta Region	1,816,206	32,646,104	17,975	55.7%
Western Taiwan Straits Region	868,968	10,516,189	12,102	17.9%
Central China Region	595,051	6,811,838	11,447	11.6%
Bohai Rim Region	357,017	6,371,000	17,845	10.9%
Western China Region	170,280	2,261,423	13,281	3.9%
Total	3,807,522	58,606,554	15,392	100.0%

Advances from customers amounted to approximately RMB46,282.2 million as of 30 June 2019, representing a decrease of 1.8% from approximately RMB47,149.5 million as of 31 December 2018. Such advances from customers represents the proceeds received from customers in connection with our pre-sale of properties, which formed a solid basis for the Group's future growth in recognized revenue.

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 10.7% from RMB12,224.3 million for the six months ended 30 June 2018 to RMB13,533.6 million for the six months ended 30 June 2019, accounting for 99.2% of the Group's total revenue. The Group's recognized ASP from sales of properties was approximately RMB16,821 per sq.m. in the six months ended 30 June 2019, representing an 7.7% increase from RMB15,625 per sq.m. in the six months ended 30 June 2018, primarily due to the Group's further penetration in Yangtze River Delta Region and Bohai Rim Region, where prevailing market prices of properties are relatively higher.

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 continuing expansion.

During the six months ended 30 June 2019, the properties delivered by the Group included Nanjing Zhenro Royal Fame (南京正榮•潤峰), Hefei City 1907(合肥•都會1907) and others. 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.*
For the six months ended 30 June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Yangtze River Delta Region	6,446,648	9,384,906	47.6	76.8	307,234	458,116	20,983	20,486
Western Taiwan Straits Region	3,977,852	2,180,619	29.4	17.8	341,785	215,215	11,638	10,132
Bohai Rim Region	2,275,950	93,434	16.8	0.8	93,198	3,994	24,420	23,392
Central China Region	833,114	539,544	6.2	4.4	62,353	102,927	13,361	5,242
Western China Region	–	25,811	–	0.2	–	2,097	–	12,307
Total	13,533,564	12,224,314	100.0	100.0	804,570	782,349	16,821	15,625

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 of 30 June 2019, the Group had completed properties held for sale of RMB8,794.6 million, representing a 23.1% decrease from RMB11,433.5 million as of 31 December 2018. The decrease was primarily due to the delivery of the completed properties sold and the revenue recognised during first half of 2019. 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 of 30 June 2019, the Group had properties under development of RMB69,522.8 million, representing an 9.3% increase from RMB63,588.0 million as of 31 December 2018. The increase was primarily due to an increase in the number of projects developed by the Group during first half of 2019.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the six months ended 30 June 2019 was approximately RMB56.0 million, representing an increase of 19.4% from the six months ended 30 June 2018. The increase was primarily due to rental price raised in Putian Fortune Center.

Investment Properties

As of 30 June 2019, the Group had 11 investment properties with a total GFA of approximately 765,689 sq.m. Out of such investment properties portfolio of the Group, 6 investment properties with a total GFA of approximately 463,713 sq.m. had commenced leasing.

LAND BANK

During the first half of 2019, the Group continued deep ploughing in the extended cities. It acquired a total of 22 new land parcels with a total site area of approximately 1.1 million sq.m., an aggregate estimated GFA of approximately 2.9 million sq.m., a total contractual land premium of approximately RMB18,168.5 million and an average cost of approximately RMB6,311 per sq.m.. The following table sets forth details of the Group's newly acquired land parcels during the six months ended 30 June 2019.

PROPERTIES DEVELOPED BY THE GROUP AND ITS SUBSIDIARIES

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)
			sq.m	*sq.m*	*RMB million*	*RMB/sq.m.*
Yangtze River Delta Region						
Nanjing	Nanjing Longtan Parcel 09	Residential/retail	84,929	231,655	1,440	6,216
Nanjing	Nanjing Jiangbei Parcel 2018G08	Residential	36,292	84,253	1,450	17,210
Hefei	Changfeng Parcel No.7	Residential/retail	50,857	128,873	717	5,564
Hefei	Changfeng Parcel No.8	Residential/retail	30,488	76,882	430	5,591
Hefei	Changfeng Parcel No.10	Residential/retail	43,324	113,727	611	5,371
Hefei	Fexi Parcel NO. 2019-5	Residential/retail	58,464	156,443	1,114	7,119
Central China Region						
Xiangyang	Zhenro Yue River Mansion	Residential/retail	20,142	82,327	348	4,227
Wuhan	Panlong road Parcel 73	Residential/retail	49,251	205,698	922	4,483
Western China Region						
Chengdu	Chengdu Xindu Parcel 31	Residential/retail	21,205	59,649	322	5,404
Chongqing	Chongqing Shuitu Parcel	Residential/retail	88,177	132,266	820	6,200
Xi'an	Zhenro Pinnacle Phase 1	Residential/retail	36,041	143,125	724	5,059
Xi'an	Zhenro Pinnacle Phase 2	Residential/retail	75,748	232,990	1,070	4,592
Xi'an	Zhenro Daxing Mansion	Residential/retail	15,586	60,950	213	3,496
Bohai Rim Region						
Tianjin	Xiqing Parcel 09	Residential/retail	137,767	257,207	2,233	8,682
Tianjin	Beichen Parcel 053	Residential/retail	34,244	98,288	730	7,427
Western Taiwan Straits Region						
Fuzhou	Zhenro Yue Mountain Mansion	Residential/retail	61,510	227,574	1,893	8,318
Fuzhou	Mawei Qingzhou Parcel A	Residential/retail	33,436	125,058	747	5,973
Putian	Putian Tangxia Road	Residential/retail	29,559	80,819	482	5,958
Nanchang	Zhenro Yue Lan Bay Phase 1	Residential/retail	55,635	162,358	945	5,822
Nanchang	Wanli Parcel 34	Residential/retail	22,841	45,682	210	4,605

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

City	Land Parcel/Project Name	Land Use	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.*	
Bohai Rim Region							
Tianjin	Xiqing Zhongbei Parcel	Residential/retail	38,670	77,672	577	7,429	33.0%
Western Taiwan Straits Region							
Ganzhou	Zhenro Yuerong Mansion	Residential/retail	32,740	95,159	170	1,789	50.0%

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 10.8% from RMB12,314.6 million for the six months ended 30 June 2018 to RMB13,648.4 million for the six months ended 30 June 2019. Out of the Group's total recognized revenue for the six months ended 30 June 2019, (i) sales of properties increased by approximately 10.7% to RMB13,533.6 million compared to the same period in 2018, (ii) property leasing increased by approximately 19.4% to RMB56.0 million compared to the same period in 2018, and (iii) provision of commercial property management services increased by approximately 2.9% to RMB41.4 million compared to the same period in 2018. 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 2019		Six months ended 30 June 2018		
	Revenue	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Year- over-Year Change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Sales of properties	13,533,564	99.2	12,224,314	99.3	10.7
Rental income	55,985	0.4	46,875	0.4	19.4
Property management income	41,418	0.3	40,262	0.3	2.9
Management service income (1)	17,452	0.1	3,195	0.0	446.2
Total	13,648,419	100.0	12,314,646	100.0	10.8

Note:

(1) Primarily includes revenue generated from provision of design consultation services to a joint venture and an associate.

Cost of Sales

The Group's cost of sales primarily represents the costs it incurs directly for the property development activities as well as its 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 13.3% from RMB9,600.2 million for the six months ended 30 June 2018 to RMB10,874.7 million for the six months ended 30 June 2019, primarily attributable to the increase in the number of properties completed and delivered by the Group during the six months ended 30 June 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 2.2% from RMB2,714.4 million for the six months ended 30 June 2018 to RMB2,773.7 million, for the six months ended 30 June 2019.

Gross profit margin was 20.3% for the six months ended 30 June 2019, decreased from 22.0% for the six months ended 30 June 2018, primarily due to the attributable to the decrease in average gross profit margin.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation 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 entered 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 decreased by approximately 12.7% from RMB179.4 million for the six months ended 30 June 2018 to RMB156.7 million for the six months ended 30 June 2019, primarily due to a decrease in the net fair value gain from financial assets at fair value through profit or loss.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by approximately 10.2% from RMB322.0 million for the six months ended 30 June 2018 to RMB354.8 million for the six months ended 30 June 2019, primarily due to (i) the strengthened selling and marketing efforts to promote 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 the first half of 2019.

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 2.7% from RMB509.7 million for the six months ended 30 June 2018 to RMB523.6 million for the six months ended 30 June 2019, 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 411.1% from RMB14.5 million for the six months ended 30 June 2018 to RMB74.2 million for the six months ended 30 June 2019, primarily due to an increase in net fair value loss from financial assets at fair value through profit or loss.

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 increased by approximately 25.7% from RMB98.0 million for the six months ended 30 June 2018 to RMB123.2 million for the six months ended 30 June 2019.

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 8.5% from RMB191.5 million for the six months ended 30 June 2018 to RMB207.7 million for the six months ended 30 June 2019, primarily due to an increase in the scale of total borrowings in the six months ended 30 June 2019.

Share of Profit of Joint Ventures and Share of Losses of Associated Companies

The Group's share of profit of joint ventures was RMB135.5 million for the six months ended 30 June 2019, compared with the share of losses of RMB27.3 million for the six months ended 30 June 2018, primarily due to the continuous improvement of the joint ventures' profitability.

The Group's share of losses of associated companies was RMB64.1 million for the six months ended 30 June 2019, increased by 12.8% from RMB56.9 million for the six months ended 30 June 2018, primarily due to an increase in the Group's relevant expenses resulting from the increased property projects held by its 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 13.8% from RMB911.5 million for the six months ended 30 June 2018 to RMB785.3 million for the six months ended 30 June 2019, primarily due to a decrease in the Group's LAT. The effective corporate income tax rate was 26.5% for the six months ended 30 June 2019, compared with 30.5% for the six months ended 30 June 2018.

Profit for the Period

As a result of the foregoing, the Group's profit for the period increased by approximately 23.2% from RMB957.2 million for the six months ended 30 June 2018 to RMB1,179.2 million, for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the IPO 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 of 30 June 2019, the Group had cash and bank balances of approximately RMB30,136.9 million (31 December 2018: RMB28,368.5 million), pledged deposits of approximately RMB489.6 million (31 December 2018: RMB963.6 million) and restricted cash of approximately RMB4,574.9 million (31 December 2018: RMB4,866.0 million)

Indebtedness

As of 30 June 2019, the Group has total outstanding bank and other borrowings of RMB36,575.2 million, compared with RMB38,170.6 million as of 31 December 2018. As of 30 June 2019, the Group also had onshore corporate bond and senior notes with carrying amounts of approximately RMB15,953.9 million, compared with RMB8,321.0 million as of 31 December 2018. The Group's borrowings are mainly denominated in Renminbi and US dollars.

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

	As of 30 June 2019 *RMB'000*	**As of 31 December 2018** *RMB'000*
Current borrowings:		
Bank borrowings – secured	393,830	80,000
Other borrowings – secured	2,975,958	5,292,063
Other borrowings – unsecured	250,000	15,900
Plus: current portion of non-current borrowings		
Bank borrowings – secured	9,158,713	8,379,839
Bank borrowings – unsecured	150,000	832,643
Other borrowings – secured	6,580,134	5,185,600
Other borrowings – unsecured	159,572	1,843,165
Senior notes and Corporate bonds	5,234,449	2,209,986
Total current borrowings	24,902,656	23,839,196
Non-current borrowings:		
Bank borrowings – secured	11,113,138	11,655,746
Bank borrowings – unsecured	300,000	583,896
Other borrowings – secured	5,379,176	4,066,849
Other borrowings – unsecured	114,700	234,888
Senior notes and Corporate bonds	10,719,417	6,111,026
Total non-current borrowings	27,626,431	22,652,405
Total	52,529,087	46,491,601

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

	As of 30 June 2019 *RMB'000*	**As of 31 December 2018** *RMB'000*
Repayable within one year	24,902,656	23,839,196
Repayable in the second year	12,744,094	13,309,982
Repayable within two to five years	14,342,337	8,809,949
Repayable after five years	540,000	532,474
Total	52,529,087	46,491,601

Additionally, as of 30 June 2019, the Group issued varieties of corporate bond and unsecured senior notes. Please refer to "Bond Offerings And Repurchase" below for more details.

Borrowing Costs

The Group's weighted average effective interest rates on bank and other borrowings were 7.6% for the six months ended 30 June 2019, compared with 7.8% for the year ended 31 December 2018. The decrease was primarily due to the Group's effective measures to optimize its debt structure.

Charge on Assets

As at 30 June 2019, the Group's asset portfolio which includes investment properties with carrying value of RMB4,044.5 million (31 December 2018: RMB4,005.1 million), prepaid land lease payments with carrying value of RMB1,161.4 million (31 December 2018: RMB344.0 million), properties under development with carrying value of RMB47,794.1 million (31 December 2018: RMB48,508.9 million), completed properties held for sale with carrying value of RMB912.1 million (31 December 2018: RMB1,503.5 million), property, plant and equipment with carrying value of RMB250.7 million (31 December 2018: RMB515.7 million), other right-of-use assets with carrying value of RMB267.5 million , financial assets at fair value through profit or loss with carrying value of RMB1,112.4 million (31 December 2018: RMB743.1 million), investments in joint ventures with carrying value of zero (31 December 2018: RMB54.6 million) and restricted cash amounting to RMB107.0 million (31 December 2018: RMB298.0 million) were pledged as security for the Group's secured borrowings.

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 of 30 June 2019, compared with 1.4 as of 31 December 2018.

The Group's adjusted net gearing ratio decreased from 74.0% as of 31 December 2018 to 70.8% as of 30 June 2019 (adjusted after taking into consideration that the Group completed its placing and subscription shares in July 2019), primarily due to the Group's continuous efforts to manage its financial leverage to achieve sustainable growth.

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 of 30 June 2019, 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 RMB32,023.6 million, compared with RMB32,844.4 million as of 31 December 2018.

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 its financial condition and results of operations.

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 our business, financial condition or operating results.

Commitments

As of 30 June 2019, the Group's property development expenditures it had contracted but yet provided for was RMB18,288.5 million, compared with RMB13,396.1 million as of 31 December 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of 30 June 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

BOND OFFERINGS AND REPURCHASE

The Group continuously looks for financing opportunities to support its business development. These opportunities include the raising of funds through asset-backed securities programs, corporate bonds and other debt offerings.

In January 2019, the Group issued senior notes at a coupon rate of 8.6% per annum due 2020 with an aggregate principal amount of US$200.0 million.

In January 2019, the Group issued additional senior notes at a coupon rate of 10.5% per annum due 2020 with an aggregate principal amount of US$150.0 million.

In February 2019, the Group issued senior notes at a coupon rate of 9.8% per annum due August 2021 with an aggregate principal amount of US$230.0 million

In February 2019, the Group repurchased the entire outstanding principal amount of the senior notes at a coupon rate of 8.5% per annum issued in 2018 and due 2019. In April 2019, the Group completed cancellation of the senior notes.

In March 2019, the Group issued senior notes at a coupon rate of 9.15% per annum due March 2022 with an aggregate principal amount of US$200.0 million.

In April 2019, the Group issued senior notes at a coupon rate of 8.65% per annum due April 2023 with an aggregate principal amount of US$420.0 million.

In June 2019, the Group issued a three-year corporate bond with a principal amount of RMB350.0 million ("Zhenro Bond III"), which was listed on the Shanghai Stock Exchange. Zhenro Bond III is denominated in RMB and bear interest at a rate of 6.8% per annum.

In addition, In June 2019, the Group issued senior perpetual capital securities (the "Senior Perpetual Capital Securities") with the principal amount of US$200.0 million. The Senior Perpetual Capital Securities have no fixed maturity date and are redeemable on or after 25 January 2022 or if such day is not a business day, the next following business day ("First Reset Date") at the Company's option at the principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instruments is (i) 10.25% per annum from date of issue to, but excluding, the First Reset Date; and (ii) in respect of the periods (A) from, and including, the First Reset Date to, but excluding, the Reset Date (being each of the First Reset Date and each day falling every three calendar years after the First Reset Date) immediately after the First Reset Date and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Treasury Rate (as defined in the terms and conditions of the Senior Perpetual Capital Securities) with respect to the relevant Reset Date plus the initial spread of 8.414% plus the step-up margin of 5% per annum, then increase by 5% per annum thereafter. The Senior Perpetual Capital Securities are classified as equity instruments and presented as a part of equity in the unaudited interim condensed consolidated statement of financial position.

The Group intends to use the proceeds from these bond offerings to repay external borrowings and may also consider other debt offering plans in the near future.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended 30 June 2019.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 June 2019, 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 of 30 June 2019, the Group had a total of 2,014 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It 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

Other than the following mentioned matters, no material events were undertaken by the Group subsequent to 30 June 2019 and up to the date of this announcement.

On 19 July 2019, the Company, RoYue Limited ("RoYue"), a controlling shareholder of the Company and CCB International Capital Limited (the "Placing Agent") entered into a placing and subscription agreement ("Agreement") pursuant to which (i) RoYue agreed to appoint the Placing Agent and the Placing Agent agreed to act as agent of RoYue and to use its best efforts to procure purchasers for up to 244,756,000 existing shares of the Company at HK$4.95 per placing share; and (ii) RoYue agreed to subscribe for up to 244,756,000 new shares of the Company ("Subscription Shares") at HK$4.95 per Subscription Share. Such 244,756,000 Subscription Shares have an aggregate nominal value of US$2,447.56 based on the par value of US$0.00001 per share and a market value of HK$1,236,017,800 based on the closing price of HK$5.05 per share as quoted on the Stock Exchange on the last trading day prior to the signing of the Agreement. The net price for the subscription is approximately HK$4.90 per Subscription Share.

The completion of the placing of 244,756,000 existing shares at HK$4.95 per placing share to no less than six independent placees and the subscription of a total of 244,756,000 new shares of the Company at HK$4.95 per Subscription Share took place on 24 July 2019 and 30 July 2019, respectively. The Company received total net proceeds from the subscription of approximately HK$1,199,300,000 and intends to use the net proceeds for possible investments in the future when opportunities arise and as general working capital of the Group. Details can be referred to the Company's announcements dated 21 July 2019 and 30 July 2019.

In August 2019, the Group issued additional senior notes of US$110.0 million through public offering. The additional senior notes will bear interest at a rate of 9.15% per annum due on 8 March 2022 and will be consolidated and form a single series with the 9.15% senior notes due 2022 in the aggregate principal amount of USD200.0 million issued on 8 March 2019. Details can be referred to the Company's announcements dated 13 August 2019 and 19 August 2019.

DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES

Reference is made to the announcement made by the Company on 5 July 2019.

In July 2019, pursuant to a 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, dual-currency term loan facilities in the amount of HK$234,000,000 and US$90,000,000 (totaling approximately US$120,000,000) will be made available to the Company for a term of 36 months from the date of the facility agreement. Details can be referred to the Company's announcement dated 5 July 2019.

As provided in the 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, 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 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 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.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Group completed its IPO and was successfully listed on the Main Board of the Stock Exchange on 16 January 2018. Net proceeds from the IPO (including the exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the Offering which the Company received amounted to approximately HK$4,392.3 million.

As at 30 June 2019, in a manner consistent with the proposed allocations in the prospectus, the Group utilized the proceeds from IPO, of which approximately RMB902.1 million was used to repay borrowings falling due and approximately RMB377.5 million was allocated to project companies as general working capital. Among the remaining proceeds used for construction and development of property projects, RMB974.6 million was paid, while the remaining will be paid year by year according to the progress of construction in the following years.

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. So far as the Directors are aware, the Company has complied with the Code during the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the reporting period, 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 during the six months ended 30 June 2019.

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

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 2019.

CHANGES IN MEMBER OF BOARD OF DIRECTOR'S AND CHIEF EXECUTIVE'S BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

On 6 June 2019, (i) Mr. LIN Hua has been appointed as an independent non-executive Director and a member of both the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company; and (ii) Mr. SHEN Guoquan has resigned as an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee, with effect from 6 June 2019.

Save as disclosed above, there is no other change in Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2018 annual report.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, our independent non-executive Directors, and Mr. OU Guowei, non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is our 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 our Company; (ii) reviewing the accounting policies and financial positions of our Company; (iii) reviewing and supervising the internal audit functions and internal control structure of our Company; and (iv) reviewing and overseeing the risk management of our Company.

The Company's unaudited condensed consolidated interim results and interim report for the six months ended 30 June 2019 were reviewed by the Audit Committee before recommendation 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 dispatched 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

Hong Kong, 25 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Huang Xianzhi, Mr. Wang Benlong and Mr. Chan Wai Kin, the non-executive directors of the Company are Mr. Ou Guoqiang and 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.