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 and Debt Stock Code: 4596, 40572, 40516, 40375, 40715, 40116, 40225, 40250)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

- For the six months ended 30 June 2023, the Group was committed to fulfilling its delivery responsibilities and had successfully completed the delivery of over 20,900 new housing units; revenue increased by 43.8% to RMB18,501.0 million as compared with the corresponding period in 2022; and the loss attributable to owners of the parent narrowed down by 43.9% to RMB1,464.3 million as compared with the corresponding period in 2022.
- For the six months ended 30 June 2023, the Group, together with its joint ventures and associated companies, recorded contracted sales of RMB9,681.0 million.
- As at 30 June 2023, contract liabilities (being sales proceeds received in advance) was RMB63,173.6 million.
- As at 30 June 2023, the Group, together with its joint ventures and associated companies, had a land bank with aggregate gross floor area of 16.6 million sq.m..
- The Company has been actively discussing with the AHG regarding the key terms of the proposal on its Offshore Holistic Liability Management Solutions, and is fully committed to working towards a consensus on these key terms with the AHG as soon as practicable.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhenro Properties Group Limited (the "**Company**") hereby announces 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**") together with the comparative figures for the corresponding period in 2022 as follows. The unaudited interim condensed consolidated results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	5	**18,500,994**	12,868,194
Cost of sales		**(17,166,780)**	(11,578,780)
Gross profit		**1,334,214**	1,289,414
Other income and gains	5	**52,977**	206,432
Selling and distribution expenses		**(432,415)**	(484,413)
Administrative expenses		**(352,889)**	(427,259)
Impairment losses on financial assets, net		**(216,222)**	(697,550)
Other expenses	5	**(723,136)**	(1,147,045)
Fair value losses on investment properties		**(121,183)**	(266,241)
Fair value losses from financial assets at fair value through profit or loss		**(12,117)**	(113,674)
Finance costs	6	**(673,390)**	(384,565)
Share of profits and losses of:			
Joint ventures		**(25,309)**	(23,480)
Associates		**(4,458)**	159,989
LOSS BEFORE TAX	7	**(1,173,928)**	(1,888,392)
Income tax expense	8	**(410,779)**	(364,400)
LOSS FOR THE PERIOD		**(1,584,707)**	(2,252,792)
Attributable to:			
Owners of the parent		**(1,464,332)**	(2,611,071)
Non-controlling interests		**(120,375)**	358,279
		(1,584,707)	(2,252,792)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic and diluted			
– For loss for the period	10	**RMB(0.34)**	RMB(0.60)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(1,584,707)**	(2,252,792)
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	**(666,601)**	(507,044)
Exchange differences reclassified to profit or loss on dissolution of subsidiaries	**148,347**	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	**(518,254)**	(507,044)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(518,254)**	(507,044)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(2,102,961)**	(2,759,836)
Attributable to:		
Owners of the parent	**(1,982,586)**	(3,118,115)
Non-controlling interests	**(120,375)**	358,279
	(2,102,961)	(2,759,836)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,291,633**	1,269,775
Investment properties		**8,521,400**	8,627,400
Right-of-use assets		**255,779**	278,535
Other intangible assets		**37**	48
Investments in joint ventures		**2,182,561**	2,207,870
Investments in associates		**6,614,204**	7,598,662
Deferred tax assets		**790,828**	971,749
Total non-current assets		**19,656,442**	20,954,039
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**279,691**	282,473
Properties under development		**98,643,078**	113,364,362
Completed properties held for sale		**11,857,381**	9,904,155
Trade receivables	*11*	**731,533**	747,858
Due from related companies		**11,005,482**	11,528,983
Prepayments, other receivables and other assets		**23,698,463**	26,333,040
Tax recoverable		**2,155,605**	2,101,667
Cash and bank balances		**7,922,215**	9,249,715
Total current assets		**156,293,448**	173,512,253
CURRENT LIABILITIES			
Trade and bills payables	*12*	**14,790,293**	15,604,977
Other payables and accruals		**11,373,713**	11,589,405
Contract liabilities		**63,173,568**	76,723,225
Due to related companies		**5,391,973**	6,129,358
Interest-bearing bank loans and other borrowings		**27,274,816**	25,701,080
Senior notes		**24,512,052**	23,859,544
Corporate bonds		**4,830,368**	4,695,387
Perpetual capital securities		**1,377,732**	1,311,845
Tax payable		**4,628,384**	4,708,084
Lease liabilities		**18,962**	29,290
Total current liabilities		**157,371,861**	170,352,195

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2023

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NET CURRENT (LIABILITIES)/ASSETS	**(1,078,413)**	3,160,058
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,578,029**	24,114,097
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**2,658,496**	5,182,517
Other payables and accruals	**318,089**	942,383
Lease liabilities	**14,680**	12,833
Deferred tax liabilities	**478,106**	496,707
Total non-current liabilities	**3,469,371**	6,634,440
Net assets	**15,108,658**	17,479,657
EQUITY		
Equity attributable to owners of the parent		
Share capital	**282**	282
Reserves	**2,758,428**	4,758,652
	2,758,710	4,758,934
Non-controlling interests		
Other non-controlling interests	**12,349,948**	12,720,723
Total equity	**15,108,658**	17,479,657

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2023, the Group was principally engaged in property development and property leasing.

2. 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 current liabilities exceeded its current assets by RMB1,078,413,000. For the six months ended 30 June 2023, the Group recorded a net loss of RMB1,584,707,000. As at 30 June 2023, (i) the Group's total bank and other borrowings, senior notes, corporate bonds, perpetual capital securities and asset-backed securities amounted to RMB62,936,298,000, out of which RMB59,959,713,000 will be due for repayment within the next twelve months or on demand, while its cash and cash equivalents amounted to RMB3,088,484,000; (ii) the Group had not repaid an aggregate amount of principal and interest of RMB10,713,514,000 for certain senior notes and an aggregate amount of interest of RMB1,558,415,000 for certain senior notes according to their scheduled repayment dates, triggering events of default for certain senior notes amounting to RMB15,172,399,000; (iii) an aggregate amount of principal of RMB5,828,694,000 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 amounting to RMB8,896,533,000 becoming repayable on demand; (iv) the Group failed to repay the principal and interest amounting to RMB1,155,171,000 for a corporate bond due in November 2022; and (v) the Group failed to repay the principal and interest amounting to RMB1,525,861,000 for the perpetual capital securities.

The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

(a) The Group has appointed financial advisers to assist it with a holistic restructuring of its offshore indebtedness, in order to achieve a more stable capital structure, resolve its liquidity issue and stabilise the Group's operations, taking into account the interest of all its stakeholders;

(b) The Group has been actively negotiating with several banks and financial institutions on the extension for repayments of certain borrowings. The Group may be able to extend the payment schedule for certain interest-bearing bank and other borrowings. Nevertheless, the confirmation of such extension is subject to the final approval from the banks;

2. BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

(c) The Group has been actively negotiating with several financial institutions to obtain new loans at a reasonable cost for ensuring delivery of its property projects under development;

(d) The Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;

(e) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties;

(f) The Group has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(g) The Group will continue to seek suitable opportunities to dispose its equity interests in certain project development companies in order to generate additional cash inflows.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the following twelve months from 30 June 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the unaudited interim condensed consolidated financial information of the Group for the period ended 30 June 2023 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operation cash flows through the following:

(a) successfully completing the holistic restructuring of its offshore indebtedness;

(b) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings;

(c) successfully securing project development loans for qualified project development in a timely manner;

(d) successfully obtaining additional new sources of financing as and when needed;

(e) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties;

(f) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(g) successfully disposing of the Group's equity interests in certain project development companies when suitable.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which 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 unaudited interim condensed consolidated financial information.

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 2022, except for the adoption of the following new and revised standards 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	*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 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.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no material 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 2023 and 2022.

5. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers	**18,459,069**	12,813,625
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**41,925**	54,569
	18,500,994	12,868,194

5. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES (Continued)

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	**18,441,853**	12,774,282
Sale of goods	**–**	8,995
Management consulting services	**17,216**	30,348
Total revenue from contracts with customers	**18,459,069**	12,813,625
Timing of revenue recognition		
Properties transferred at a point in time	**18,441,853**	12,783,277
Services transferred over time	**17,216**	30,348
Total revenue from contracts with customers	**18,459,069**	12,813,625

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**35,980**	85,990
Others	**3,301**	4,336
	39,281	90,326
Gains		
Government grants	**7,046**	2,086
Forfeiture of deposits	**3,737**	6,642
Gain on disposal of items of property, plant and equipment	**2,913**	825
Gain on disposal of subsidiaries	**–**	42,727
Gain on disposal of joint ventures	**–**	16,451
Gain on repurchase of senior notes	**–**	47,375
	13,696	116,106
	52,977	206,432

5. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES (Continued)

An analysis of other expenses is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange loss, net	**215,041**	243,876
Impairment losses recognised for properties under development and completed properties held for sale	**177,986**	881,978
Losses on dissolution of subsidiaries	**168,693**	–
Losses on disposal of subsidiaries	**139,080**	–
Net loss on disposal of financial assets at fair value through profit or loss	**2,019**	11,406
Losses on disposal of items of property, plant and equipment	**363**	114
Donations	**–**	2,800
Others	**19,954**	6,871
	723,136	1,147,045

6. FINANCE COSTS

An analysis of finance cost is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	**2,333,566**	2,516,545
Interest expense arising from revenue contracts	**428,180**	467,364
Interest on lease liabilities	**2,236**	3,248
Total interest expense on financial liabilities not at fair value through profit or loss	**2,763,982**	2,987,157
Less: Interest capitalised	**2,090,592**	2,602,592
	673,390	384,565

7. LOSS BEFORE TAX

The Group's loss 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	**17,031,921**	11,558,003
Impairment losses recognised for properties under development and completed properties held for sale	**177,986**	881,978
Impairment losses of financial assets, net	**216,222**	697,550
Depreciation of items of property, plant and equipment	**23,590**	20,473
Depreciation of right-of-use assets	**15,759**	21,853
Amortisation of other intangible assets	**11**	109
Gain on disposal of items of property, plant and equipment, net	**(2,550)**	(711)
Losses on disposal of financial assets at fair value through profits or loss, net	**2,019**	11,406
Losses/(gains) on disposal of subsidiaries, net	**139,080**	(42,727)
Gain on disposal of joint ventures	**–**	(16,451)
Fair value losses on investment properties	**121,183**	266,241
Fair value losses from financial assets at fair value through profit or loss	**12,117**	113,674
Foreign exchange loss, net	**215,041**	243,876
Losses on dissolution of subsidiaries	**168,693**	–
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**236,047**	292,788
Pension scheme contributions and social welfare	**40,497**	50,681

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 were not liable for income tax as they did not have any assessable income arising in Hong Kong for the six months ended 30 June 2023 and 2022.

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

8. INCOME TAX (Continued)

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	**204,148**	110,134
LAT	**44,311**	51,031
Deferred tax	**162,320**	203,235
Total tax charge for the period	**410,779**	364,400

9. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss or profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 4,367,756,000 (six months ended 30 June 2022: 4,367,756,000) shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the reporting periods.

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	**(1,464,332)**	(2,611,071)
Shares		
Weighted average number of ordinary shares in issue during the period	**4,367,756,000**	4,367,756,000
Loss per share		
Basic and diluted	**RMB(0.34)**	RMB(0.60)

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**119,943**	291,556
Over 1 year	**611,590**	456,302
	731,533	747,858

12. TRADE AND BILLS PAYABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**12,832,248**	14,632,614
Over 1 year	**1,958,045**	972,363
	14,790,293	15,604,977

The trade payables are unsecured and are normally settled based on the progress of construction. As at 30 June 2023, commercial acceptance bills of approximately RMB1,408,859,000 (31 December 2022: RMB1,364,855,000) issued by the Company's subsidiaries were overdue and unpaid.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present to you the results and business review of the Group for the Period and its outlook for the second half of 2023.

RESULTS

As compared with the corresponding period in 2022, during the Period, the revenue of the Group increased by 43.8% to RMB18,501.0 million; the loss narrowed down by 29.7% to RMB1,584.7 million and the loss attributable to owners of the parent narrowed down by 43.9% to RMB1,464.3 million.

MARKET AND BUSINESS REVIEW

During the first half of 2023, the real estate industry continued to face significant difficulties and challenges. Overall sales of real estate enterprises continued to decline, compounded by a severe financing environment that exacerbated operational and finance pressures on them. During the Period, the Group, together with its joint ventures and associated companies, achieved a contract sales of RMB9,681.0 million.

In response to the highly complex and uncertain external environment, the Group proactively addressed these challenges while upholding its commitment to "Ensuring Delivery, Improving Quality and Preserving Asset Value". With the collective efforts of all dedicated employees, the Group had successfully completed the delivery of over 20,900 new housing units during the Period. Among them, Changsha Riverside Zhenro Pinnacle, as a government-recommended exemplary project for delivery, has gained attention in the reporting of China Central Television. Furthermore, the "Quality Construction +100" campaign was launched, which exemplifies our dedication to "quality delivery". The Group's customer satisfaction score, as per the China Real Estate Customer Satisfaction Research Report published by China Index Academy in April 2023, increased from 79.9 in 2022 to 86.5 in 2023, surpassing the industry average of 72.3 and highlighting the trust and recognition of the Group's products by customers.

Meanwhile, the Group continued to implement a range of liquidity management and cost control measures, including advancing the holistic management solutions for its offshore indebtedness (the "**Offshore Holistic Liability Management Solutions**"), seeking extensions and waivers regarding its financing, asset disposals, accelerating cash collection and fund consolidation, streamlining organizational structure, and reducing various operational and administrative expenses to safeguard the interests of stakeholders.

OUTLOOK

While the real estate market is currently undergoing a deep adjustment phase, the Group remains prepared to overcome challenges, ensure the smooth operation of business activities, and facilitate successful project deliveries in the second half of 2023. The Group will continue to prioritize liability management, cost control, asset value enhancement, optimization of asset portfolio and strengthening of team collaboration to create more value.

As cities gradually optimize their real estate regulation policies, including support for both first-time and improved home buyers from multiple aspects of lending, demand and supply, it is expected that there will be a gradual restoration of market confidence. This, in turn, will contribute to a more stable and healthy long-term development of the real estate market. By seizing the opportunities presented by adjustments in real estate policies, the Group aims to mitigate risks, identify new opportunities and realize its long-term vision for sustainable development.

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. The Company will continue to uphold its core value of "prosperity from integrity" and achieve stable and sustainable development while bringing value to shareholders, investors and other stakeholders of the Company.

Zhenro Properties Group Limited
LIU Weiliang
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted Sales

During the Period, the Group, together with its joint ventures and associated companies, recorded contracted sales of RMB9,681.0 million, representing a decrease of 54.6% to that of the six months ended 30 June 2022; total contracted gross floor area ("**GFA**") sold amounted to 658,233 sq.m., representing a decrease of 49.5% to that of the six months ended 30 June 2022. Contracted average selling price ("**ASP**") for the six months ended 30 June 2023 was RMB14,700 per sq.m., whilst that for the six months ended 30 June 2022 was RMB16,343 per sq.m..

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by 44.4% from RMB12,774.3 million for the six months ended 30 June 2022 to RMB18,441.9 million for the Period, primarily due to an increase in GFA being delivered and an increase in the recognized ASP. During the Period, the Group's recognized ASP from sales of properties was approximately RMB17,725 per sq.m., representing an increase of 32.7% from RMB13,360 per sq.m. for the six months ended 30 June 2022, primarily due to the higher selling prices in the cities where the properties were delivered during the Period. During the Period, the properties delivered by the Group included Wuhan Zhenro Pinnacle, Wuhan Guanggu Zhenro Mansion, Xiamen Zhongliang Zhenro Mansion, Foshan Jinmao Country Garden Zhenro Mansion, Suzhou Poly Zhenro Oriental Mansion, Chuzhou Zhenro Splendid Mansion, Zhangjiagang Tangsong Cloud Garden and others.

Completed Properties Held for Sale

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

As at 30 June 2023, the Group had completed properties held for sale of RMB11,857.4 million, representing an increase of 19.7% from RMB9,904.2 million as at 31 December 2022. The increase was primarily due to an increase in GFA for completed properties. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

Properties Under Development

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

As at 30 June 2023, the Group had properties under development of RMB98,643.1 million, representing a decrease of 13.0% from RMB113,364.4 million as at 31 December 2022. The decrease was primarily due to an increase in completed properties and a decrease in the number of projects developed by the Group in the first half of 2023.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the six months ended 30 June 2023 was approximately RMB41.9 million, representing a decrease of 23.2% from RMB54.6 million for the six months ended 30 June 2022. Rental income fell due to the poor overall market conditions during the Period.

Investment Properties

As at 30 June 2023, the Group had 11 investment properties with a total GFA of 684,476 sq.m. Out of the investment properties portfolio of the Group, 8 investment properties with a total GFA of 429,429 sq.m. had commenced leasing.

LAND BANK

During the Period, the Group did not replenish any land parcel. As at 30 June 2023, the Group, together with its joint ventures and associated companies, had a land bank with an aggregate GFA of 16.6 million sq.m..

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 43.8% from RMB12,868.2 million for the six months ended 30 June 2022 to RMB18,501.0 million for the Period. The following table sets forth the Group's revenue for each of the components, the percentage of total revenue represented and the relevant changes for the periods indicated.

	Six months ended 30 June 2023		Six months ended 30 June 2022		
	Revenue	**% of total revenue**	Revenue	% of total revenue	Year-over-year change
	RMB'000	**%**	*RMB'000*	%	%
Sales of properties	**18,441,853**	**99.7**	12,774,282	99.3	44.4
Property lease	**41,925**	**0.2**	54,569	0.4	(23.2)
Management consulting services[1]	**17,216**	**0.1**	30,348	0.2	(43.3)
Sales of goods	**–**	**–**	8,995	0.1	N/A
Total	**18,500,994**	**100.0**	12,868,194	100.0	43.8

Note:

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

Cost of Sales

The Group's cost of sales primarily represents the costs directly incurred for the property development activities as well as leasing operations and management consulting services. 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 48.3% from RMB11,578.8 million for the six months ended 30 June 2022 to RMB17,166.8 million for the Period, primarily due to an increase in the revenue of the Group during the Period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 3.5% from RMB1,289.4 million for the six months ended 30 June 2022 to RMB1,334.2 million for the Period. Gross profit margin for the Period decreased by 2.8 percentage point to 7.2% from 10.0% for the six months ended 30 June 2022.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, government grants, 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 enter into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains decreased by 74.3% from RMB206.4 million for the six months ended 30 June 2022 to RMB53.0 million for the Period, primarily due to the decreases in interest income, gain on disposal of subsidiaries and joint ventures, and gain on repurchase of senior notes during the Period.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by 10.7% from RMB484.4 million for the six months ended 30 June 2022 to RMB432.4 million for the Period, primarily due to the enhanced control over selling and distribution expenses with the overall reduction of sales and marketing campaigns by the Group during the Period.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, stamp 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 decreased by 17.4% from RMB427.3 million for the six months ended 30 June 2022 to RMB352.9 million for the Period, primarily due to the fact that the Group streamlined its organizational structure and enhanced cost control over its administrative items during the Period.

Other Expenses and Impairment Losses on Financial Assets, Net

Other expenses decreased by 37.0% from RMB1,147.0 million for the six months ended 30 June 2022 to RMB723.1 million for the Period, which mainly included aggregate losses of RMB307.8 million as a result of disposal of certain subsidiaries and the reclassification of cumulative exchange differences from other comprehensive income to other loss due to dissolution of certain subsidiaries (for the six months ended 30 June 2022: Nil), foreign exchange loss, net, of RMB215.0 million (for the six months ended 30 June 2022: RMB243.9 million) and the impairment losses recognized for properties under development and completed properties held for sale of RMB178.0 million (for the six months ended 30 June 2022: RMB882.0 million). Impairment losses on financial assets, net, decreased by 69.0% from RMB697.6 million for the six months ended 30 June 2022 to RMB216.2 million for the Period.

Fair Value Losses on Investment Properties

The Group develops and holds certain commercial properties on a long- term basis for rental income or capital appreciation. Under the impact of the unfavourable macro market environment, there was a slight decrease in the fair value of investment properties as a result of the decline in demand for commercial property. For the Period, the Group recorded fair value losses on investment properties of RMB121.2 million, as compared with fair value losses on investment properties of RMB266.2 million for the six months ended 30 June 2022.

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 75.1% from RMB384.6 million for the six months ended 30 June 2022 to RMB673.4 million for the Period, primarily due to a lower capitalization rate for interest on borrowings for the Period.

Share of Losses of Joint Ventures and Associated Companies

The Group's share of losses of joint ventures was RMB25.3 million for the Period, compared with the share of losses of joint ventures of RMB23.5 million for the six months ended 30 June 2022, primarily due to a decline in profit for properties delivered by joint ventures.

The Group's share of losses of associated companies was RMB4.5 million for the Period, compared with the share of profits of associated companies of RMB160.0 million for the six months ended 30 June 2022, primarily due to a decrease in profit for properties delivered by associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and LAT payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses increased by 12.7% from RMB364.4 million for the six months ended 30 June 2022 to RMB410.8 million for the Period, primarily due to an increase in the Group's corporate income tax during the Period.

Loss for the Period

As a result of the foregoing, the Group's loss for the Period was RMB1,584.7 million, compared with a loss of RMB2,252.8 million for the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

Cash Positions

As at 30 June 2023, the Group had cash and bank balances of RMB7,922.2 million (31 December 2022: RMB9,249.7 million), which included cash and cash equivalents of RMB3,088.5 million (31 December 2022: RMB3,270.1 million), pledged deposits of RMB89.2 million (31 December 2022: RMB86.9 million) and restricted cash of RMB4,744.5 million (31 December 2022: RMB5,892.8 million).

Indebtedness

As at 30 June 2023, the Group had total outstanding bank and other borrowings of RMB29,933.3 million (31 December 2022: RMB30,883.6 million), corporate bond with carrying amounts of RMB4,830.4 million (31 December 2022: RMB4,695.4 million), senior notes with carrying amounts of RMB24,512.1 million (31 December 2022: RMB23,859.5 million) and senior perpetual capital securities (the "**PCS**") with carrying amounts of RMB1,377.7 million (31 December 2022: RMB1,311.8 million). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars.

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

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Current borrowings:		
Bank borrowings – secured	**171,637**	126,303
Bank borrowings – unsecured	**486,883**	379,536
Other borrowings – secured	**2,724,116**	2,715,432
Other borrowings – unsecured	**–**	109,696
Plus: current portion of non-current borrowings		
Bank borrowings – secured	**17,801,757**	16,448,535
Bank borrowings – unsecured	**1,372,226**	1,675,221
Other borrowings – secured	**4,718,197**	4,246,357
Senior notes and corporate bonds	**29,342,420**	28,554,931
The PCS	**1,377,732**	1,311,845
Total current borrowings	**57,994,968**	55,567,856
Non-current borrowings:		
Bank borrowings – secured	**2,202,935**	4,587,247
Other borrowings – secured	**455,561**	595,270
Total non-current borrowings	**2,658,496**	5,182,517
Total	**60,653,464**	60,750,373

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

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Repayable within one year or on demand	**57,994,968**	55,567,856
Repayable in the second year	**967,789**	1,486,947
Repayable within three to five years	**1,690,707**	3,589,570
Repayable more than five years	**–**	106,000
Total	**60,653,464**	60,750,373

Charge on Assets

As at 30 June 2023, the Group's asset portfolio which included property, plant and equipment with carrying value of RMB1,060.2 million (31 December 2022: RMB1,038.2 million), right-of-use assets with carrying value of RMB169.7 million (31 December 2022: RMB174.6 million), investment properties with carrying value of RMB6,102.2 million (31 December 2022: RMB6,156.8 million), properties under development with carrying value of RMB54,274.7 million (31 December 2022: RMB56,708.1 million), and completed properties held for sale with carrying value of RMB3,878.8 million (31 December 2022: RMB1,579.9 million) were pledged as security for the Group's secured borrowings.

FINANCIAL RISKS

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. The Group is also exposed to interest rate risk for changes in market interest rates would have an impact on the Group's bank and other borrowings. The Group currently does not use derivative financial instruments to hedge interest rate risk.

During the Period, pre-sale of properties by Chinese property developers continued to decrease and financing continued to be difficult, which have adversely impacted the Group's ability to obtain financing from the capital markets and other sources, and significantly curtailed the funding available to the Group to address its upcoming debt maturities. The Group has implemented a wide range of liquidity management and cost saving measures including without limitation, seeking extensions and waivers regarding its financings, seeking disposal of assets, accelerating sales and cash collection, streamlining corporate structure, as well as reducing non-core business operations and administrative expenses so long as such measures do not affect the Group's delivery efforts and normal operations. The Company has also commenced the Offshore Holistic Liability Management Solutions.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.0 as at 30 June 2023 (31 December 2022: 1.0). The Group's net gearing ratio (defined as total borrowings less cash and bank balances divided by total equity as at 30 June 2023) was 349.0% as at 30 June 2023 (31 December 2022: 294.6%).

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 bank will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As at 30 June 2023, 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 RMB32,865.9 million (31 December 2022: RMB40,128.8 million).

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

Other Financial Guarantees

As at 30 June 2023, the guarantees given to banks and other institutions in connection with borrowings made to the related companies and third parties by the Group were RMB3,693.4 million (31 December 2022: RMB4,464.4 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 as at the date of this announcement, no liabilities resulting from these proceedings will have a material adverse effect on business, financial condition or results of operations of the Group.

Commitments

As at 30 June 2023, the Group's capital commitment it had contracted but not yet provided for was RMB18,247.9 million (31 December 2022: RMB23,072.1 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above and the matters disclosed in the interim condensed consolidated financial statements and the notes thereto, 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.

NON-PAYMENT OF PRINCIPAL, INTEREST AND/OR DISTRIBUTION OF CERTAIN SENIOR NOTES AND THE PCS

References are made to the announcements of the Company dated 10 April 2022, 31 May 2022, 30 June 2022, 3 August 2022, 30 August 2022, 9 November 2022, 12 December 2022, 6 March 2023, 14 March 2023, 31 March 2023 and 5 May 2023.

As at 30 June 2023, the Company had not made payment of the outstanding principal and/or the accrued distribution and/or the accrued interest that were due for the securities as set out in the following table:

Description of Debt Securities	**Payment Status**
7.125% Senior Notes due June 2022 (the "**2021 RMB Notes**")	Did not make payment for outstanding principal of RMB10,020,000 and accrued interest that were due
5.98% Senior Notes due April 2022 (the "**April 2021 Notes**")	Did not make payment for outstanding principal of US$23,361,000 and accrued interest that were due
8.3% Senior Notes due September 2023 (the "**June 2020 Notes**")	Did not make payment for accrued interest that were due
8.35% Senior Notes due March 2024 (the "**May 2020 Notes**")	Did not make payment for accrued interest that were due
7.875% Senior Notes due April 2024 (the "**January 2020 Notes**")	Did not make payment for accrued interest that were due
7.1% Senior Notes due September 2024 (the "**June 2021 Notes**")	Did not make payment for accrued interest that were due

Description of Debt Securities	Payment Status
7.35% Senior Notes due February 2025 (the "**September 2020 Notes**")	Did not make payment for accrued interest that were due
9.15% Senior Notes due May 2023 (the "**November 2019 Notes**")	Did not make payment for outstanding principal of US$300,000,000 and accrued interest that were due
8.7% Senior Notes due August 2022 (the "**October 2019 Notes**")	Did not make payment for outstanding principal of US$29,777,000 and accrued interest that were due
6.63% Senior Notes due January 2026 (the "**January 2021 Notes**")	Did not make payment for accrued interest that were due
6.7% Senior Notes due August 2026 (the "**February 2021 Notes**")	Did not make payment for accrued interest that were due
6.5% Senior Notes due September 2022 (the "**September 2021 Notes**")	Did not make payment for outstanding principal of US$31,239,000 and accrued interest that were due
The PCS	Did not make payment for outstanding principal of US$200,000,000 and accrued distribution that were due
8.0% Senior Notes due March 2023 (the "**March 2022 Notes**")	Did not make payment for outstanding principal of US$728,623,000 and accrued interest that were due
8.0% Senior Notes due March 2023 (the "**March 2022 RMB Notes**")	Did not make payment for outstanding principal of RMB1,589,980,000 and accrued interest that were due

2021 RMB Notes, April 2021 Notes, October 2019 Notes and September 2021 Notes: Failure to pay the outstanding principal at maturity, and accrued interest upon expiration of the 30-day grace period, both constituted events of default under the 2021 RMB Notes, the April 2021 Notes, the October 2019 Notes and the September 2021 Notes. However, the non-payment under the respective senior notes has not triggered, and will not trigger, any cross-default under the terms of other senior notes and the PCS issued by the Company.

June 2020 Notes, May 2020 Notes, January 2020 Notes, June 2021 Notes, September 2020 Notes, November 2019 Notes, January 2021 Notes, February 2021 Notes, the PCS, March 2022 Notes and March 2022 RMB Notes: Failure to pay the outstanding principal at maturity, and accrued distribution and/or accrued interest upon expiration of the respective grace periods, both constituted events of default under the PCS and respective senior notes (as the case may be). If an event of default has occurred (such as 30-day grace period lapses) and is continuing, the trustee or holders of at least 25% in aggregate principal amount of the PCS and/or relevant senior notes then outstanding may, by written notice to the Company and to the trustee, declare the principal of, premium, if any, and accrued and unpaid distribution and/or interest on the relevant PCS and senior notes to be immediately due and payable (the "**Acceleration Notice**"). As at 30 June 2023 and up to the date of this announcement, the Company has not received any Acceleration Notice as a result of the non-payment under the respective PCS and/or senior notes.

THE OFFSHORE HOLISTIC LIABILITY MANAGEMENT SOLUTIONS

References are made to the announcements of the Company dated 30 August 2022, 9 November 2022, 12 December 2022, 6 March 2023, 14 March 2023, 31 March 2023, 5 May 2023 and 10 August 2023.

The Company is working diligently with its advisers to advance the Offshore Holistic Liability Management Solutions. As at the date of this announcement, the Company has assisted an ad hoc group of creditors comprising certain holders of the Company's offshore notes (the "**AHG**") to complete its due diligence review. The Company has been actively discussing with the AHG regarding the key terms of the proposal on its Offshore Holistic Liability Management Solutions, and is fully committed to working towards a consensus on these key terms with the AHG as soon as practicable.

DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Reference is made to the announcement of the Company dated 21 June 2023.

On 21 June 2023, Nanjing Zhengnai Real Estate Development Co., Ltd.* (南京正奈置業發展有限公司) ("**Nanjing Zhengnai**", a subsidiary of the Company), Hubei Changjiang Industrial Carrier Investment Development Co., Ltd.* (湖北長江產業載體投資開發有限公司) ("**Hubei Changjiang**"), Shanghai Yixia Enterprise Development Co., Ltd.* (上海翊夏企業發展有限公司), Nanjing Zhengqi Real Estate Development Co., Ltd.* (南京正琪置業發展有限公司) ("**Nanjing Zhengqi**"), Nanjing Changtou Zhengbang Real Estate Co., Ltd.* (南京長投正邦置業有限公司), Nanjing Changtou Zhengli Decoration Engineering Co., Ltd.* (南京長投正利裝飾工程有限公司) and Zhenro Properties Holdings Company Limited* (正榮地產控股有限公司, formerly known as 正榮地產控股股份有限公司) ("**Zhenro Properties Holdings**") entered into an agreement, pursuant to which Nanjing Zhengnai agreed to dispose of, and Hubei Changjiang agreed to purchase, the sale equity interest, representing 80% of the equity interest of Nanjing Zhengqi, and the benefit of the sale loan, representing the amount outstanding and owing by Nanjing Zhengqi to Nanjing Zhengnai, for a consideration of RMB75,000,000, which shall be paid by Hubei Changjiang to Nanjing Zhengnai in cash (the "**Nanjing Zhengqi Disposal**").

Completion of the Nanjing Zhengqi Disposal is expected to take place in the second half of 2023. Upon completion of the Nanjing Zhengqi Disposal, the Group no longer held any interest in Nanjing Zhengqi and Nanjing Zhengqi ceased to be accounted as a subsidiary of the Company.

For details regarding the Nanjing Zhengqi Disposal, please refer to the announcement of the Company dated 21 June 2023.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, joint ventures and associates by the Company during the Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Period, 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 650 employees (31 December 2022: 736 employees).

The Group recruits skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. The Group particularly values employees who demonstrate loyalty to their work and who values corporate culture, as well as those with relevant working experience. The Group's future development, to a considerable extent, depends on its ability to identify, hire, train and retain suitable employees, including management personnel, with relevant professional skills. Therefore, the Group has established systematic training programs for employees based on their positions and expertise.

The Group enters into labor contracts with all employees and offers employees competitive remuneration packages that include basic salaries, discretionary bonuses and performance-based payments. The Company has also adopted a share option scheme.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans. The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all employees in Hong Kong.

SUBSEQUENT EVENTS

No material events were undertaken by the Group subsequent to 30 June 2023 and up to the date of this announcement.

CHANGE IN CONSTITUTIONAL DOCUMENTS

A special resolution was passed at the annual general meeting of the Company held on 16 June 2023, which approved the amendment of the memorandum of association of the Company (the "**Memorandum**") and the articles of association of the Company (the "**Articles**") and the adoption of the amended and restated Memorandum and Articles with effect from 16 June 2023. Please refer to the circular of the Company dated 28 April 2023 and the poll results announcement of the Company dated 16 June 2023 for details.

The amended and restated Memorandum and Articles is available on the websites of the Company and the Hong Kong Stock Exchange.

CHANGE OF DIRECTORS, COMPOSITION OF BOARD COMMITTEES AND AUTHORIZED REPRESENTATIVE

Reference is made to the announcement of the Company dated 20 January 2023. The following changes took effect on 20 January 2023:

(1) Mr. LIU Weiliang, an executive Director, has been re-designated from the vice chairman of the Board to the chairman of the Board, and has been appointed as the chairman of the nomination committee, a member of the remuneration committee and an authorized representative of the Company for the purpose of Rule 3.05 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Hong Kong Stock Exchange; and

(2) Mr. Huang Xianzhi has resigned as the chairman of the Board, an executive Director, the chairman of the nomination committee, a member of the remuneration committee and an authorized representative of the Company for the purpose of Rule 3.05 of the Listing Rules, due to his plan to retire.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

References are made to the announcements of the Company dated 5 July 2019, 7 August 2020 and 29 September 2020.

In July 2019, pursuant to a facility agreement (the "**2019 Facility Agreement**") entered into between, among others, the Company as borrower, certain wholly-owned subsidiaries of the Company as 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 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) (the "**2019 Loan Facilities**", each a "**2019 Loan Facility**") were made available to the Company for a term of 36 months from the date of the 2019 Facility Agreement.

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

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

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

As at 30 June 2023 and as at the date of this announcement, the Company had not made payment of the outstanding principal and/or the accrued interest that were due for the 2019 Loan Facilities and the 2020 Loan Facilities, which constituted an event of default under the 2019 Loan Facilities and the 2020 Loan Facilities. In light of this, the Company has commenced the Offshore Holistic Liability Management Solutions, details of which are set out in the section headed "The Offshore Holistic Liability Management Solutions" above.

Save as disclosed in this announcement, as at 30 June 2023, the Directors are not aware of any circumstances that would trigger the disclosure requirement under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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 governance of the Company with reference to the principles and code provisions set out in Part 2 of Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") so as to maintain a high standard of corporate governance practices of the Company. So far as the Directors are aware, during the Period, the Company has complied with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Model Code during the Period.

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

Saved as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the Period.

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

Subsequent to the date of the 2022 annual report of the Company, being 31 March 2023, and up to the date of this announcement, the changes in Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

(1) Mr. LIU Weiliang, an executive Director, has been appointed as the president of Zhenro Group Co., Ltd. (正榮集團有限公司) (formerly known as Fujian Zhenro Group Co., Ltd. (福建正榮集團有限公司);

(2) Mr. LIU Weliang and Mr. LI Yang, being executive Directors, and Mr. OU Guowei, a non-executive Director, ceased to serve as directors of Zhenro Properties Holdings; and

(3) Dr. LOKE Yu (alias LOKE Hoi Lam), an independent non-executive Director, retired as independent non-executive director of Tianjin Development Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00882.HK).

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (for the six months ended 30 June 2022: Nil).

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, being independent non-executive Directors, and Mr. OU Guowei, a non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is an independent non-executive Director possessing the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies and financial positions of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

The Company's unaudited condensed consolidated interim results and interim report for the six months ended 30 June 2023 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 HONG KONG STOCK EXCHANGE AND THE COMPANY

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

By order of the Board
Zhenro Properties Group Limited
LIU Weiliang
Chairman of the Board

Shanghai, PRC, 25 August 2023

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

* *For identification purposes only*