

Zhongliang Holdings 2020 Interim Results

August 2020



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中梁控股集团
ZHONGLIANG HOLDINGS GROUP

股份代号
2772.HK

01

Results Overview

2020 Interim Results Overview: Achieved Target Amid Challenges

Sales rebound in May-June ; Sustained Top 20 Ranking in 1H

- Q1 contracted sales was impacted by COVID-19. but May and June rebounded strongly
- 1H contracted sales +6% to RMB67.7bn²
- First 7 months contracted sales +6% to RMB79.6bn²
- Contracted ASP increased to RMB 12,500/ sq.m, due to strategies of shifting to T2 & strong T3 cities



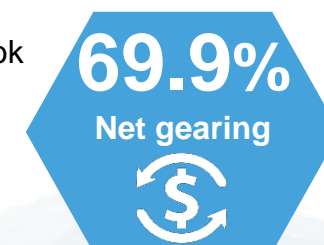
Steady profit growth with abundant saleable resources

- Delivery under pressure, 1H revenue still +16% to RMB23.8bn
- Core net profit attributable to owners +6% to RMB1.3bn
- Presold but not yet delivered sales reached RMB270.0bn (subsidiaries accounted for over RMB180.0bn)³



Improving financing structure with lower interest costs

- Abundant liquidity in 1H, actively expanding financing channels
- Signed offshore bilateral loan from Hang Seng bank; obtained aggregate onshore bank quota of RMB50.0bn
- Net gearing ratio at 69.9% while weighted average financing costs lowered to 8.9%
- B1 by Moody's; B+ by S&P and Fitch, and BB by Lianhe Global ; AA+ by United Credit , all with Stable outlook



Note 1: Ranked by China Real Estate Association, E-house China R&D institute (CRIC) and China Real Estate Appraisal Center

Note 2: Contracted sales included joint ventures and associated companies

Note 3: As of 30 June 2020

2020 Interim Results Overview: Achieved target amid challenges

Upgrading land bank with T2/3 cities accounted for 90%

- Total land bank of approx. 63.0 million sq.m¹ with average land cost of RMB 4,300 psm
- Total saleable resources of approx. RMB460.0 bn^{1,2}
- T2 and T3 cities accounted for 91%, T4 cities accounted for 9%³
- 504 projects covering 23 provinces and municipalities in 149 cities
- Approx. 45% in YRD while 34% and 10% respectively in Midwest and West Taiwan Straits

63m sqm
Total landbank



New land acquisitions with 64% investment in T2 cities

- Added 56 projects in 1H, aggregate land consideration amounted to RMB39.4 bn (appro.60% attributable interest)
- Average land cost was RMB5,300 per sq.m for newly acquired lands
- T2 cities accounted for 64%, T3 cities accounted for 27%, totally 91%

64%
T2 cities



Stable dividend policy and adhere to create shareholders' return

- Interim Dividend of HK16.3 cents (equivalent to RMB14.6 cents) per share, up 7% YoY
- Dividend payout ratio at 40% of the net core profit attributable to owners

40%
Dividend payout



Note1: Included joint ventures and associated companies

Note2: Deducted presold but not yet delivered land bank

Note3: Based on expected saleable values

02

Operating Performance

Contracted Sales Sustained Growth Amid COVID-19

1H 2020 Contracted Sales¹

RMB67.7b

+6%YoY

Achieved contracted sales of over
RMB 100bn for each of
3 consecutive years

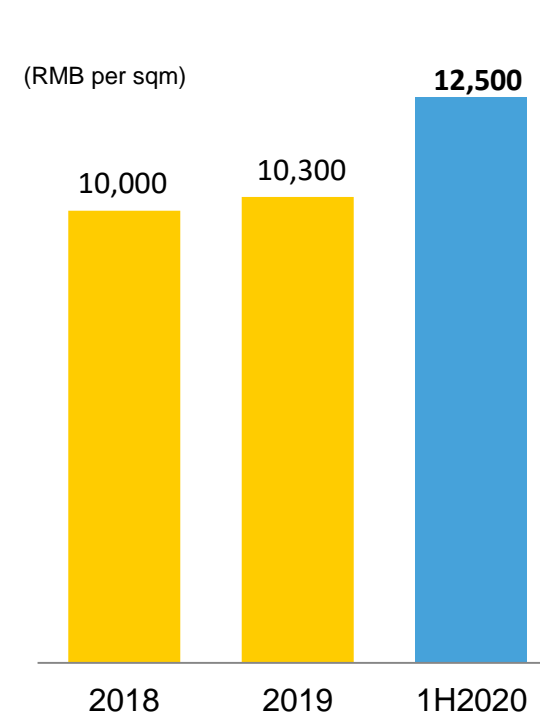
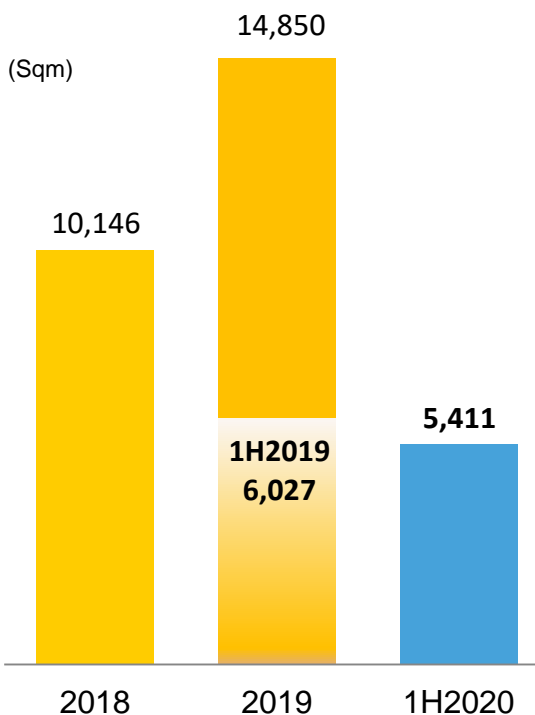
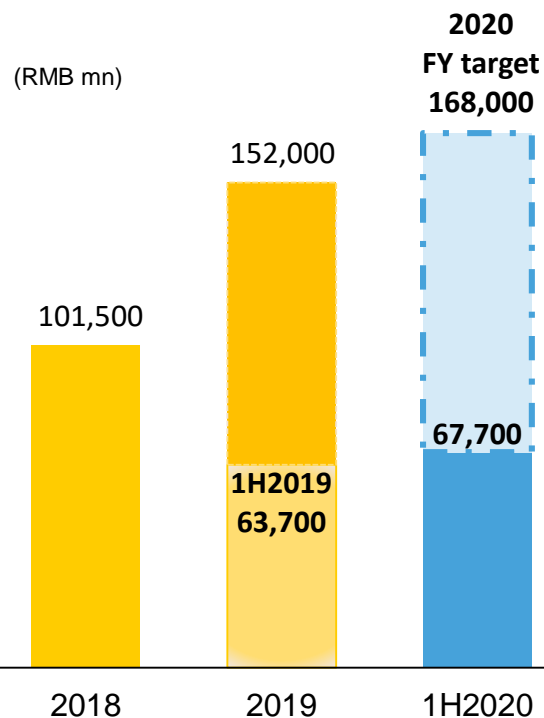
1H 2020 Contracted GFA¹

5.4m sqm

1H 2020 Contracted ASP

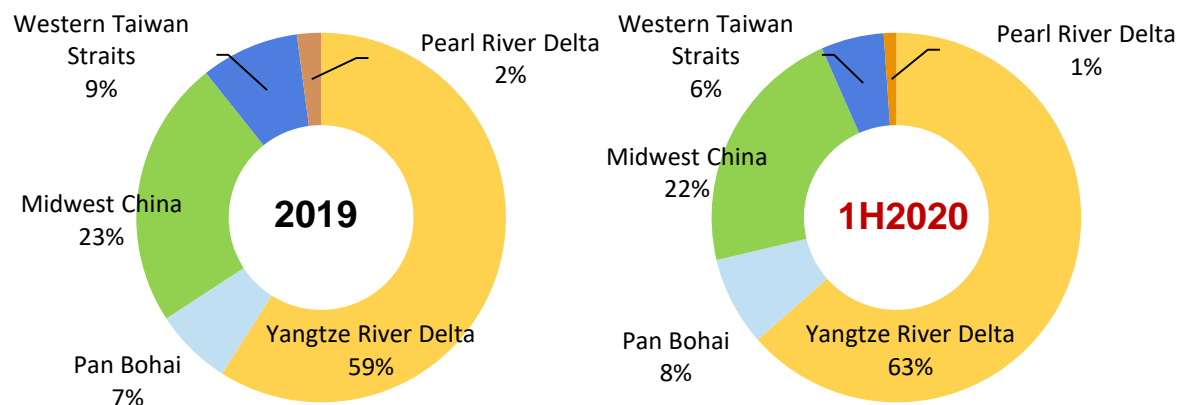
RMB12,500/ sqm

Due to shifting to higher-tier cities



Diversified Sales and Upgraded to Higher-tier Cities

By Region: Emphasis on Yangtze River Delta



Operational Indicators for the first 7Ms



47%
 Of 2020 sales target



21%
 ASP YoY growth

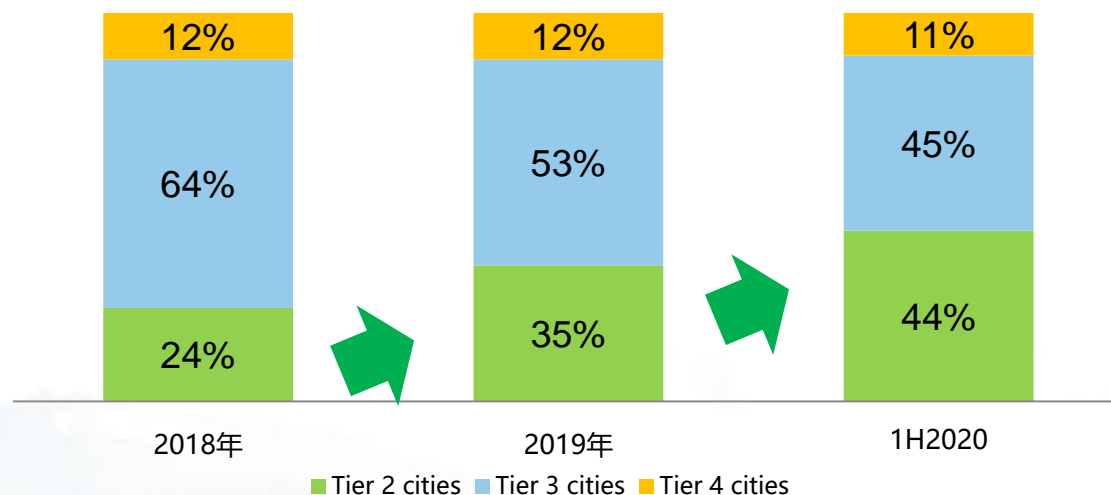


90%
 Cash collection rate

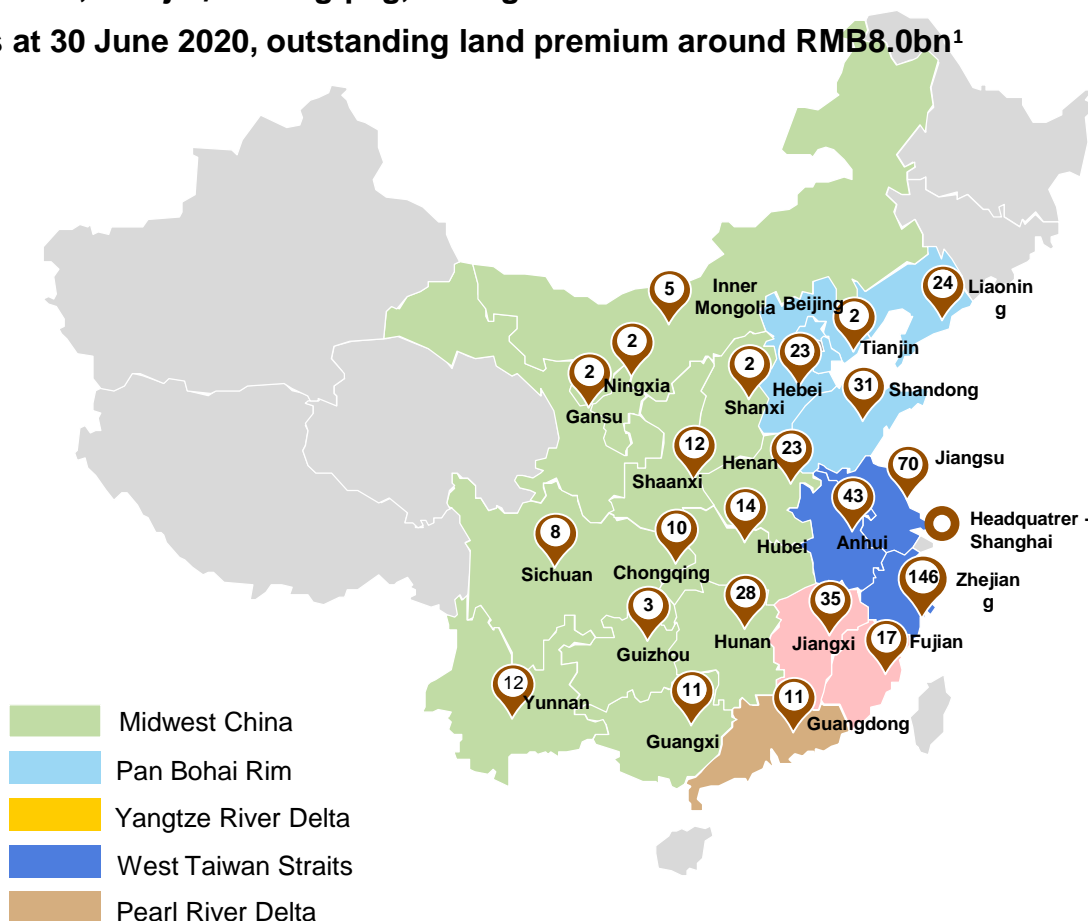


70%
 Sell-through rate

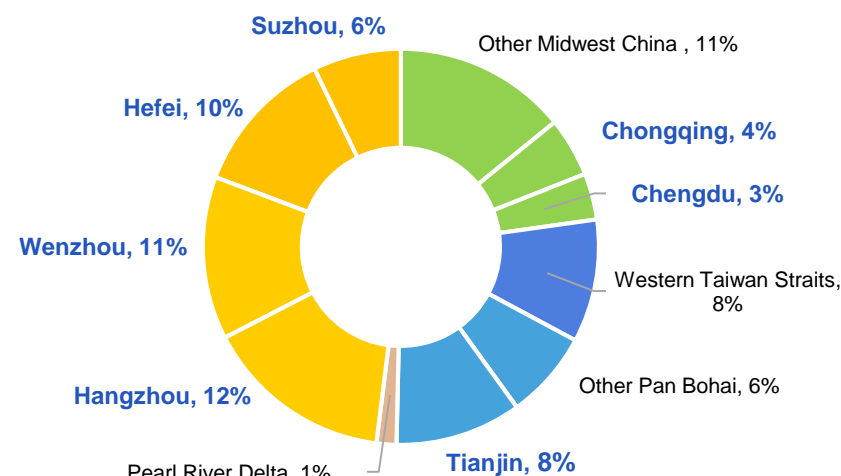
By City-tier: Upgrading to T2 and strong T3 cities



- Strategic nationwide coverage with regional & city-tier rotation in response to different economies and policies
- Mostly small to medium sized projects to diversify risks; projects with total GFA under 200k accounted for 80%
- Leading cities for land acquisition in 1H³: Hangzhou, Wenzhou, Hefei, Suzhou, Tianjin, Chongqing, Chengdu
- As at 30 June 2020, outstanding land premium around RMB8.0bn¹



New Land Acquisitions in 1H2020¹



Total land cost
RMB39.4bn

Average land cost
5,300/sq.m

Tier-2 & tier-3 cities
91%

Attributable interest
>60%

Newly added Saleable Resources
RMB107bn

GFA
7.5m sq.m

Tier-2 cities
64%

Yangtze River Delta
56%

Note1: Aggregate amount included joint ventures and associated companies

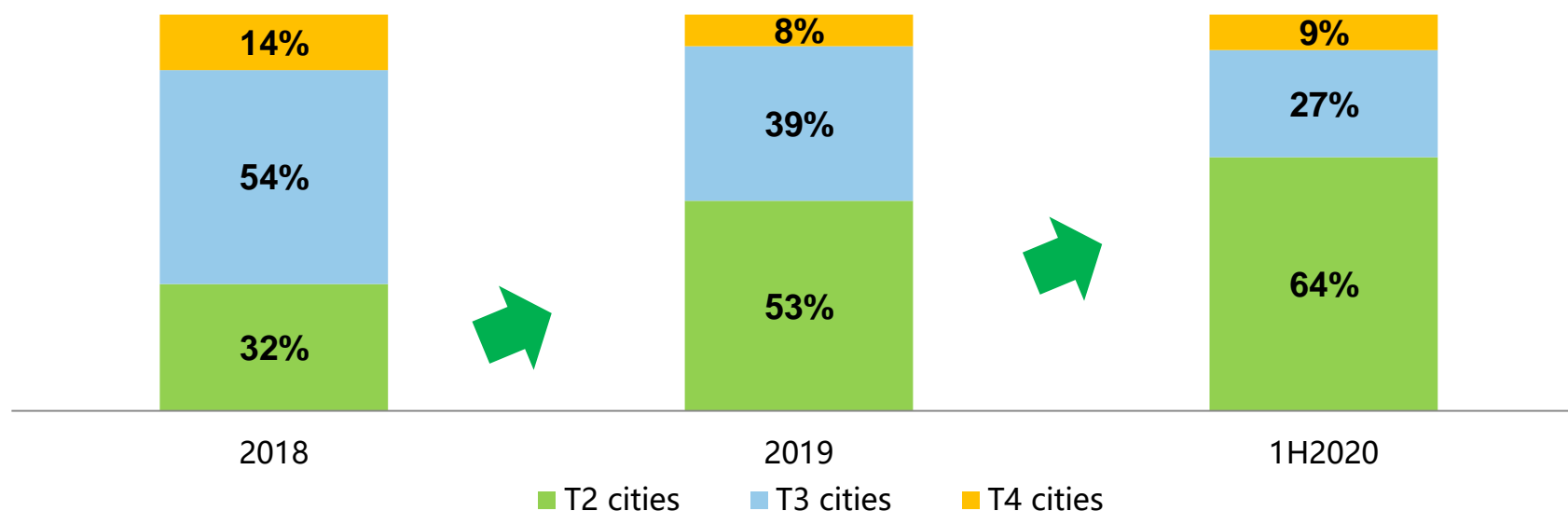
Note2: Number of projects on map was as of 30 June 2020

Note3: Ranked by aggregate acquisition value

Note4: Attributable land premium as of 30 June 2020

Breakdown of Land Premium of New Land Acquisitions (by City-tier)

Driven by market fundamentals, increased exposure of **T2** & **strong T3** cities



Rotated into T3 & T4 cities in 2016-18, seized opportunities from shantytown policy

Responded quickly to market slowdown, shifted back to T2 and strong T3 since 2H 2018

T2 cities land acquisitions proportion increased to 64% in 1H 2020



01 Focus on the Yangtze River Delta

YRD in top priority, following by middle reaches of Yangtze River, Chengdu and Chongqing

Midwest, Pan Bohai 02

Midwest administrative centers, provincial capitals and T2 cities



03 Focus on T2 and strong T3 cities

Cities with solid fundamentals, large market capacity

Cautious investment in T4 cities

Cities with good supply / demand landscape, user-driven market

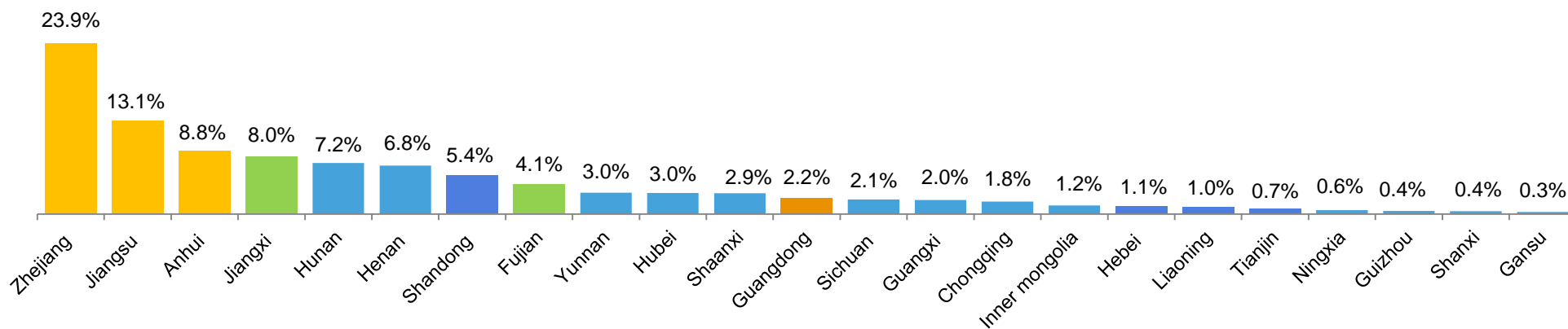
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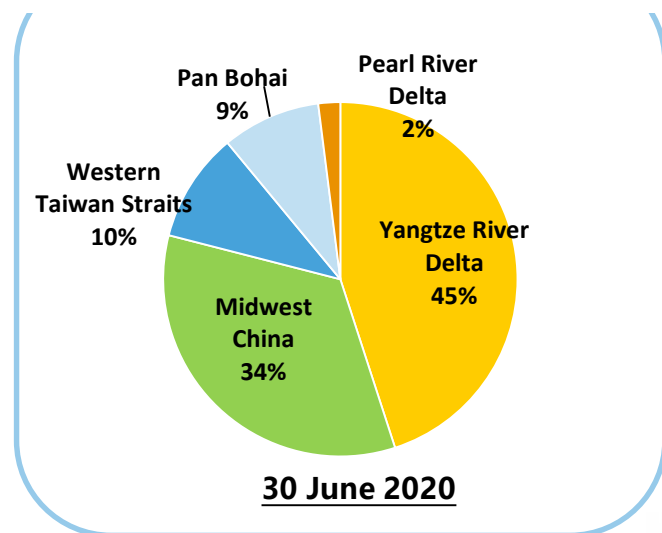
Full-Structured Land bank with Nationwide Coverage

- As of 30 June 2020, total land bank of **63.0mn sq.m¹**
- 504 projects covering 23 provinces/municipalities in 149 cities
- Average cost of land bank: **RMB 4,300/m²**

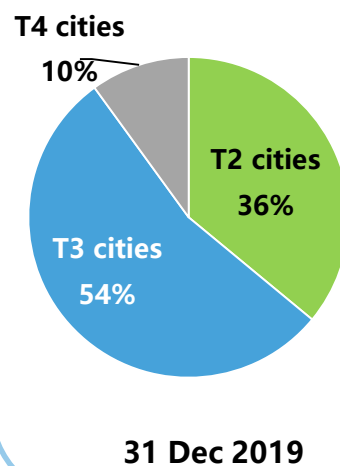
Land Bank by Province (sqm)



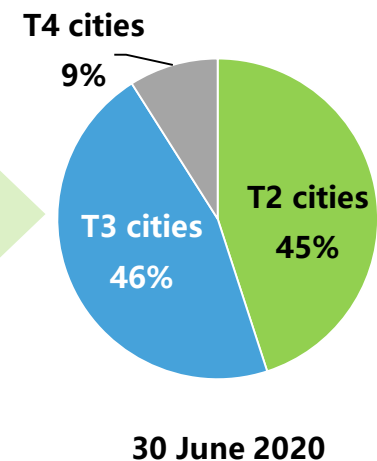
Focus on YRD & Midwest China 78%²



T2&T3 cities accounted for 90%³



Higher emphasis on T2/T3 cities



Note1: Aggregate amount included resold but not delivered GFA of 23.0m sqm with corresponding saleable value of RMB270.0bn

Note2: Total land bank by region in terms of area as of 30 June 2020

Note3: Total land bank by saleable values in terms of saleable values as of 30 June 2020

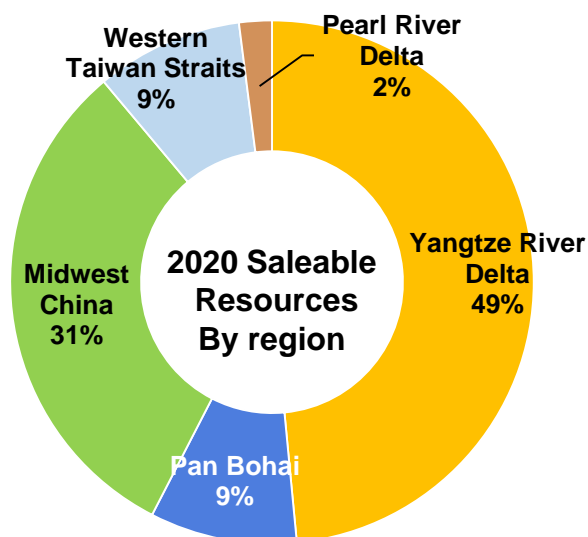
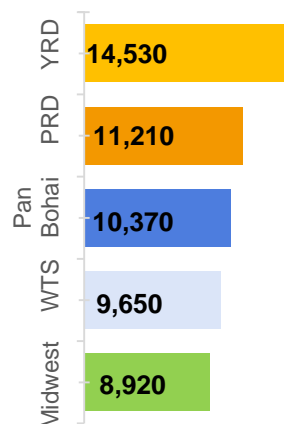
Saleable Resources in 2020

As of 30 June 2020, unsold saleable resources over **RMB 460.0bn^{1,2}**; unbook contacted sales over **RMB270.0bn¹**

2H2020 saleable resources of **RMB160.0bn¹**; expected average ASP of **RMB13,000-14,000/sqm¹**

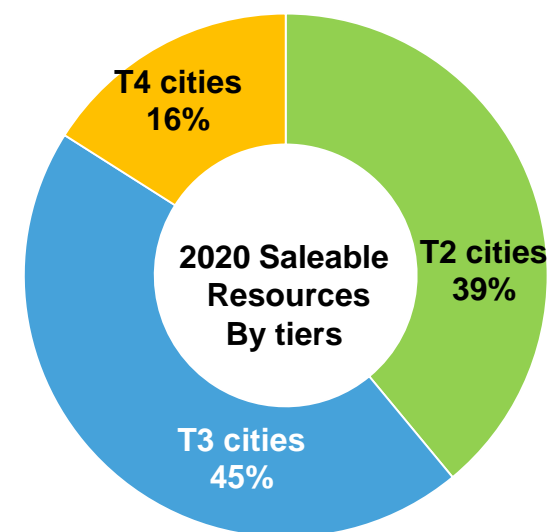
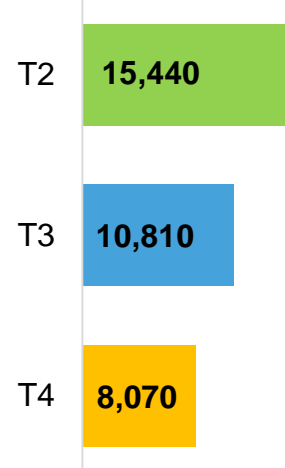
Expected ASP

RMB/sqm



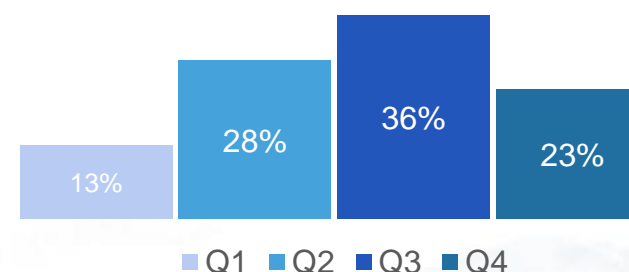
Expected ASP

RMB/sqm



Operation indicator ¹			
(0000sqm)	2019 Completed	1H2020 Completed	2020 Planning
GFA under construction	4,350	4,820	5,500
New construction	2,000	900	2,150
Completed floor area	850	430	1,000

2020 Saleable Resources Distribution



Note 1: Gross amount which includes joint ventures and associated companies but not yet included newly added projects in 1H2020

Note 2: Deducted unbooked contracted sales

Enhancing Branding and Product Offerings

Upgraded product series to 'Star and Sea', 'Mansion', and 'Metropolis' to meet housing needs in the new era



Star and Sea

- Target : first time home buyer
- Positioning: located in a new development area, stylish and functional design



Mansion

- Target : first time upgraders
- Product positioning: located at the core of the region, creating a quality life



Metropolis

- Target : recurrent upgraders
- Positioning: located in the core of the city, with scarce landscape sceneries

Awards and Recognitions



西安·中梁壹号院



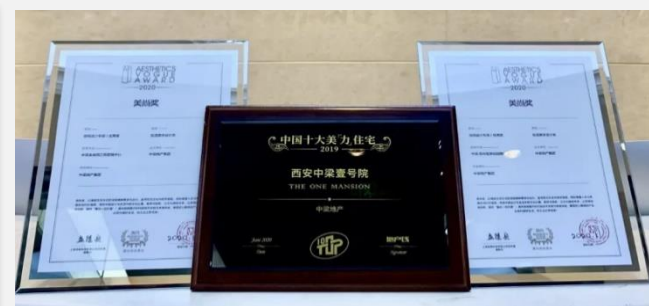
南昌·弘阳中梁时光天樾



苏州·中梁宽泰铂园



潍坊·中梁颐和雅筑



年度最佳售楼空间
 成都·中梁雲玺臺

年度最佳售楼空间
 贵阳·中梁壹号院

空间设计专项奖
 中梁金地西江悦营销中心

中国十大美力住宅
 西安·中梁壹号院

人文气质豪宅奖
 西安·中梁壹号院



**Completion of
regional organisational
reorganization**

**Effective cost savings in
SG&A and tax expenses**

Deepening regional markets

**Committed to becoming China's
leading Comprehensive
Real Estate Developer**

Green management



275 green
 building¹ projects
 commenced in 2019



44.46m sqm
 total GFA of green
 buildings¹ in 2019



Ecological Development:
 green operations to
 minimise the impact of
 business operation on the
 environment

Community



- Award for **Combating COVID-19** from Real Estate Association of Hubei Province

Sustainability



- **First ESG report**
- Promote the concept of green office

Charities



- **Zhongliang Book Reading Project** to build libraries for schools in the rural areas
- **Zhongliang Charity Foundation**

Note1 : Our green building refers to buildings obtained green certifications including "Green Building Evaluation Label" Level one/two and "Leadership in Energy and Environmental Design" (LEED)



中梁控股集团
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03

Financial
Performance

Profit & Loss Statement Summary

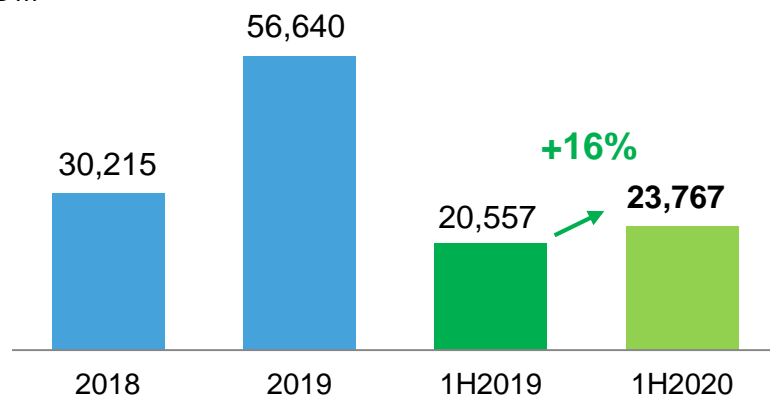
	1H 2020 (RMB M)	1H 2019 (RMB M)	YoY changes	FY 2019 (RMB M)
Recognised Revenue	23,767	20,557	+15.6%	56,640
Gross profit	5,362	5,035	+6.5%	13,182
Gross profit margin	22.6%	24.5%	-1.9ppt	23.2%
SG&A	(2,128)	(2,063)	+3.2%	(4,580)
Finance costs	(196)	(251)	-21.7%	(467)
Share of profits and losses of JV and asso	480	214	+124.3%	1,235
EBITDA	5,063	4,097	+23.6%	12,110
EBITDA margin	21.3%	19.9%	+1.4ppt	21.4%
Income tax	(1,427)	(1,295)	+10.2%	(3,642)
Core net profit (before MI)	2,302	1,917	+20.0%	6,302
Core net profit margin (before MI)	9.7%	9.3%	+0.4ppt	11.1%
Core net profit attributable to owners of the Company	1,308	1,232	+6.0%	3,901
Core net profit margin	5.5%	6.0%	-0.5ppt	6.9%
Core earnings per share (basic) (RMB cents)	37	41	-9.8%	119

- Core net profit attributable to the owners of the Company refers to net profit excluding changes in fair value of investment properties and financial assets at fair value through profits and losses and listing expenses and other non-recurring expenses, net of deferred tax.
- EBITDA consists of profit from operating activities before fair value gains / losses, interest expenses (including capitalised interest), income tax expenses, depreciation and amortisation expenses, net exchange loss and other non-current items (e.g. listing expenses). EBITDA is not a standard measure under IFRS

Revenue Breakdown

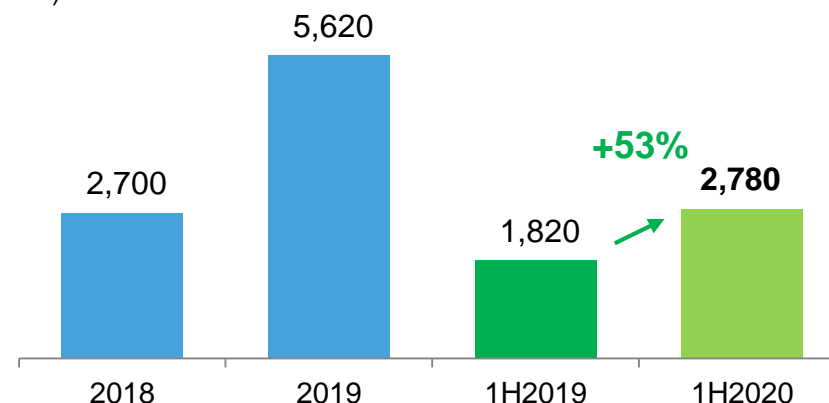
Recognised Revenue

RMB'm

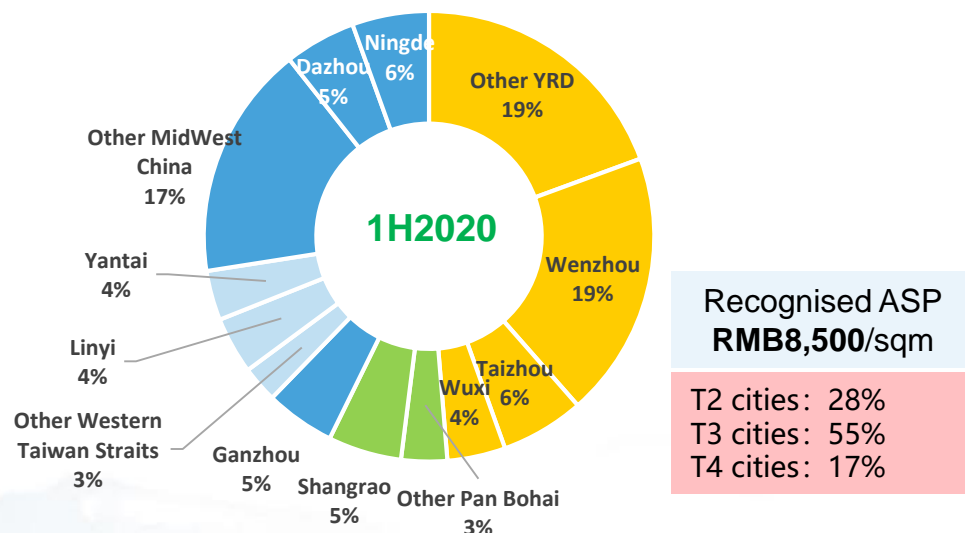


Recognised GFA

(sqm'm)

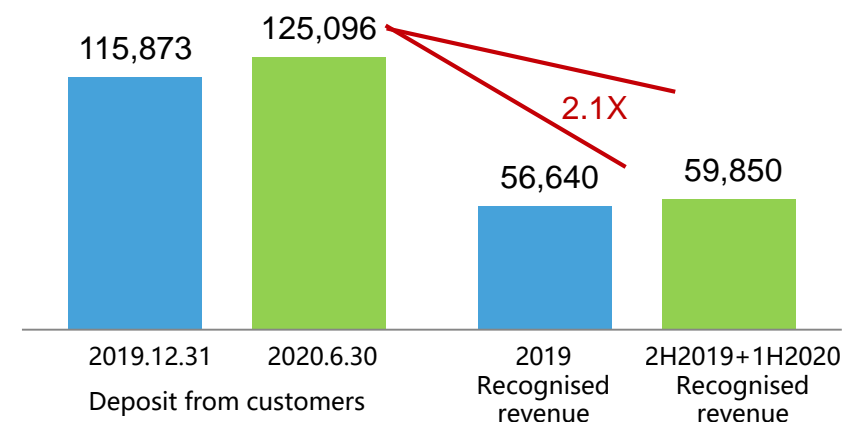


1H2020 Recognised Revenue By Major City and City-Tier



Customers Deposits (Contract Liabilities)¹ vs Recognized Revenue

RMB'm

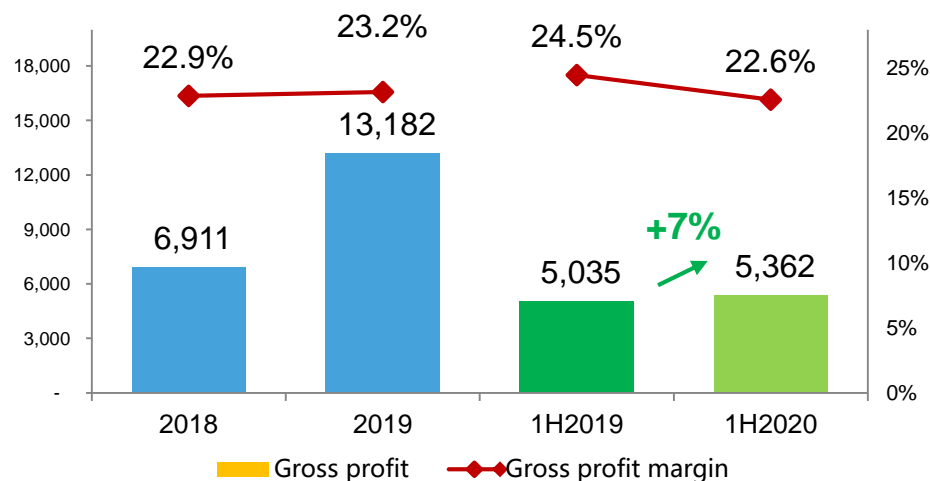


Note 1: Contracts liabilities represents deposits received from customers

Sustained Growth in Revenue and Profits

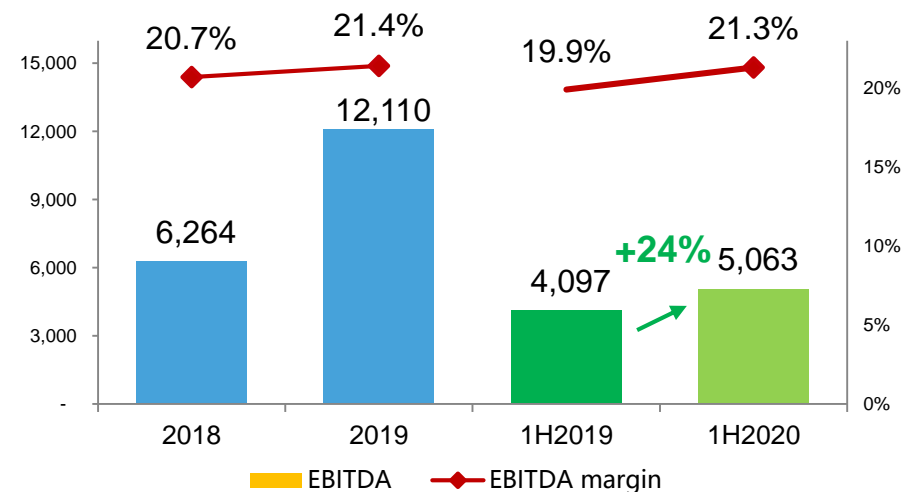
Gross Profit and Gross Profit Margin

RMB'm, %



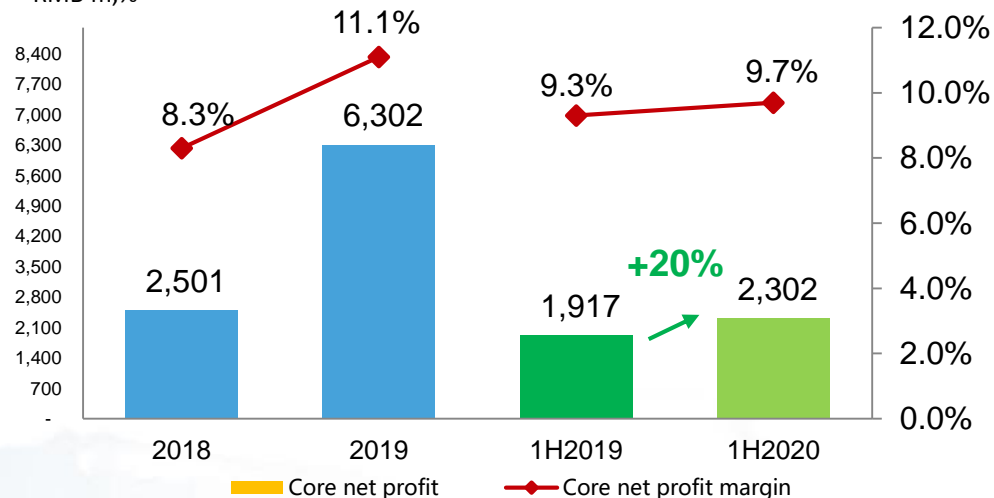
EBITDA and EBITDA margin

RMB'm, %



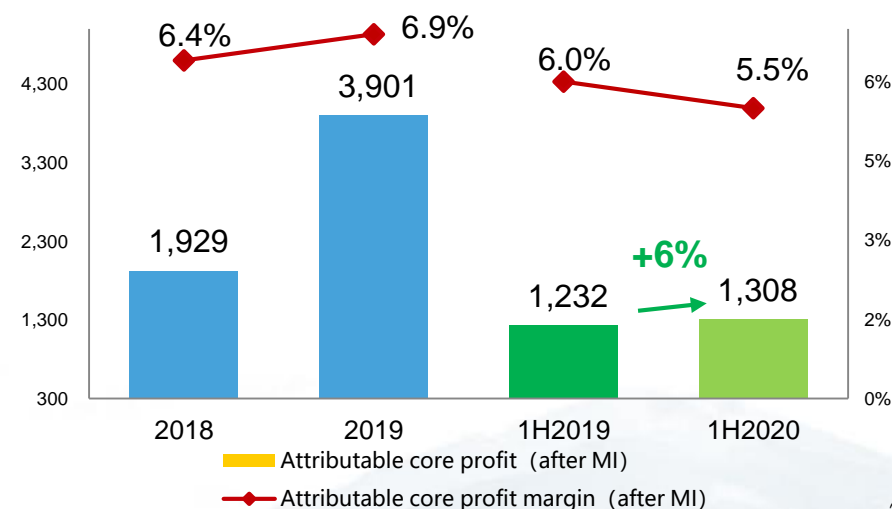
Core Net Profit and Margin (Before NCI)

RMB'm, %



Attributable Core Profit and Margin (After NCI)

RMB'm, %



Balance Sheet Summary

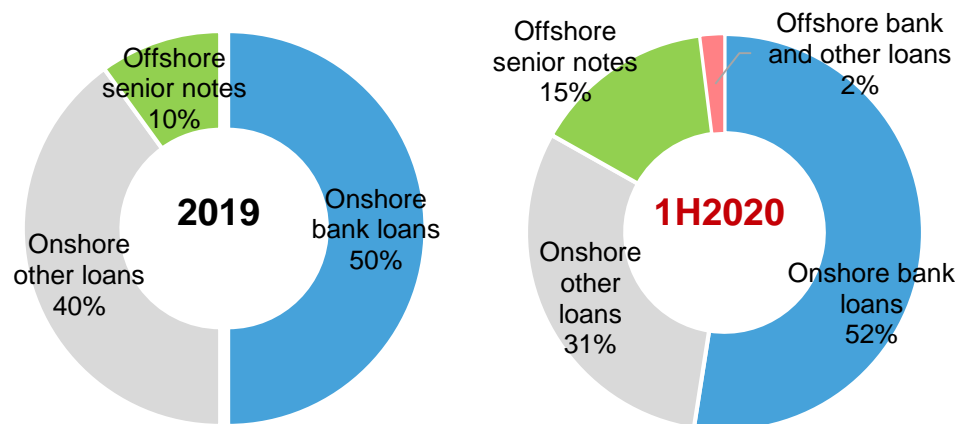
	2020.06.30 (RMB M)	2019.12.31 (RMB M)	Changes
Total assets	257,414	224,520	+14.7%
Total liabilities	231,968	203,648	+13.9%
Total indebtedness	52,809	40,181	+31.4%
Total equity	25,446	20,872	+21.9%
Equity attributable to owners of the Company	8,876	8,728	+1.7%
Bank balances and cash ¹	35,021	26,495	+32.2%
Net gearing ratio ²	69.9%	65.6%	+4.3ppt
Contract liabilities	125,096	115,873	+8.0%

Note 1: Included restricted cash and pledged deposits

Note2: Net gearing ratio is based on total indebtedness less bank balances and cash divided by total equity at the end of the period and multiplied by 100%

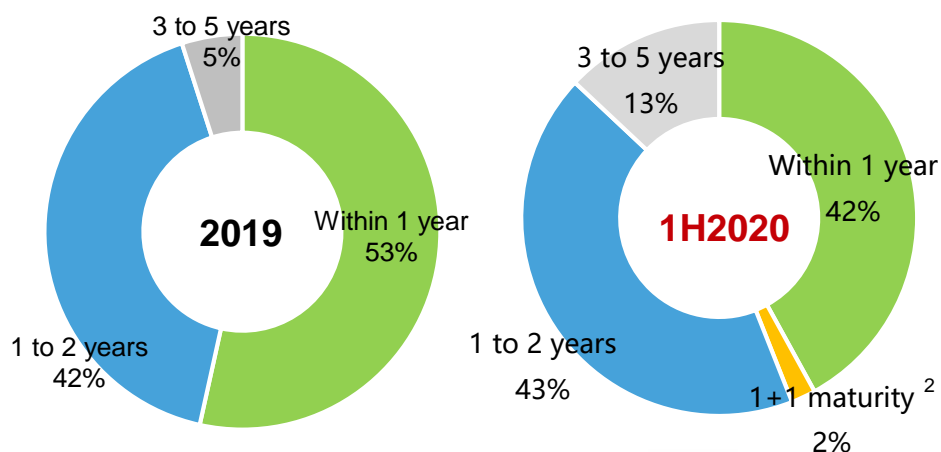
Improving Debt Structure

Expanded offshore channels, Reducing reliance on onshore other loans



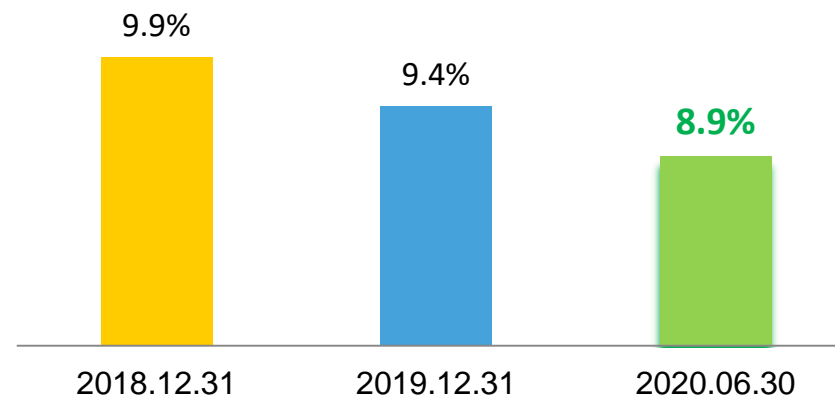
Goal: To further reduce onshore other loans

Improved Short term debt ratio



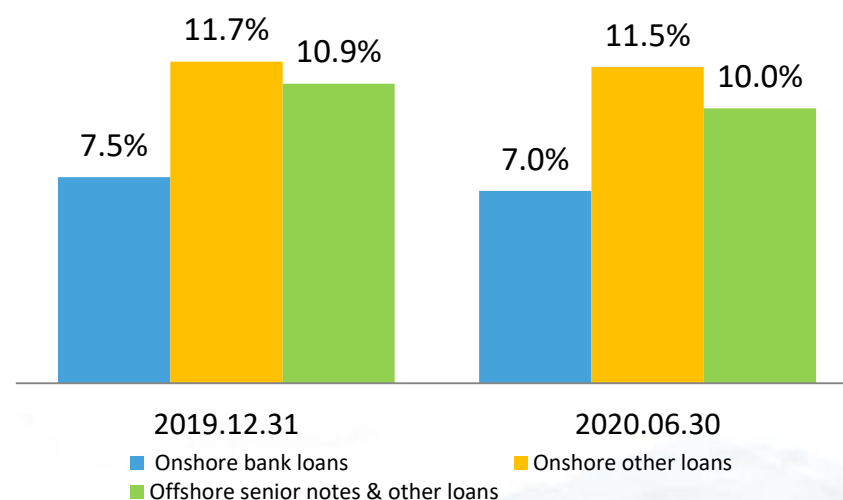
Goal: To further reduce short term debt ratio

Reducing financing costs¹



Goal: To further reduce financing costs

Financing cost breakdown



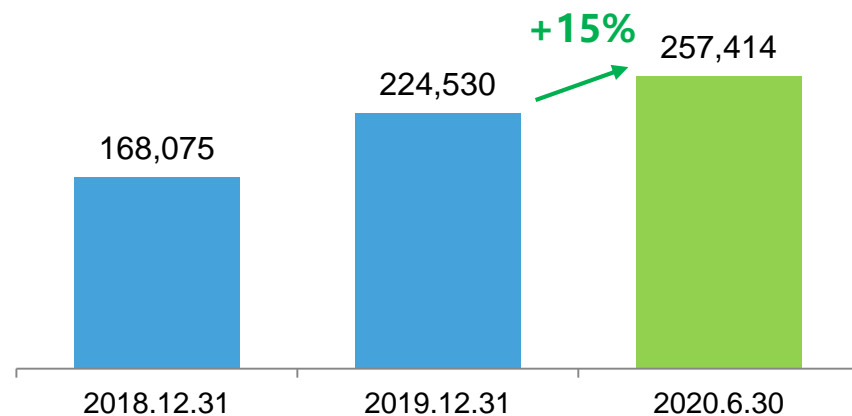
Note1: Weighted average debt cost is the weighted average interest cost of all outstanding debts at the end of each financial period

Note2: Could be extended for 1 year upon its maturity

Strong Financial Position

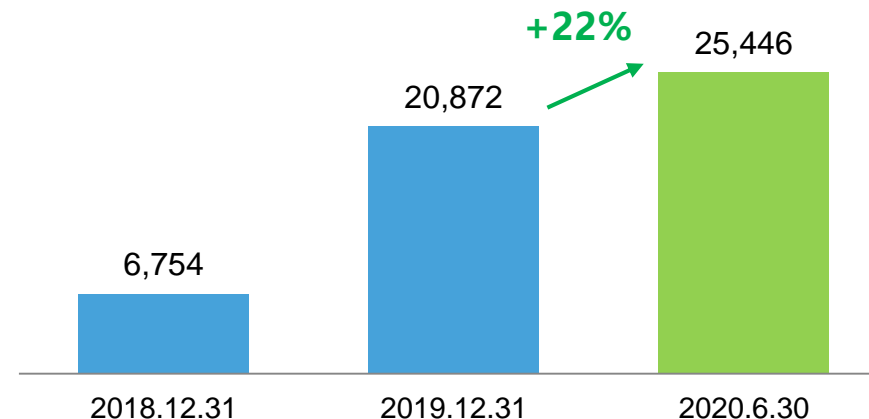
Total Assets

RMB'm



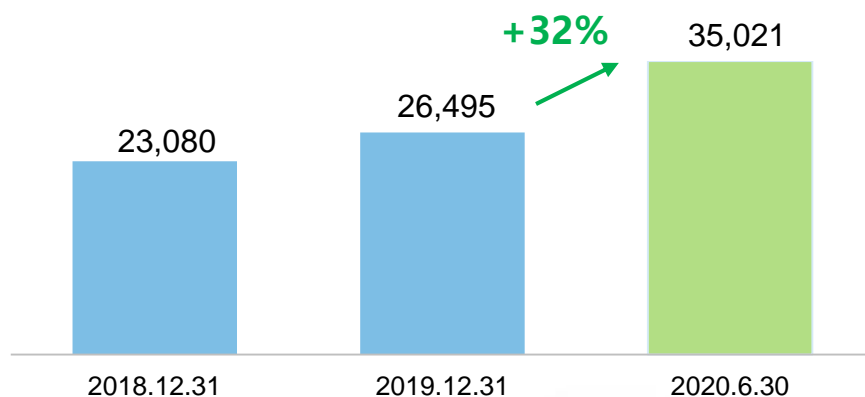
Total Equity

RMB'm



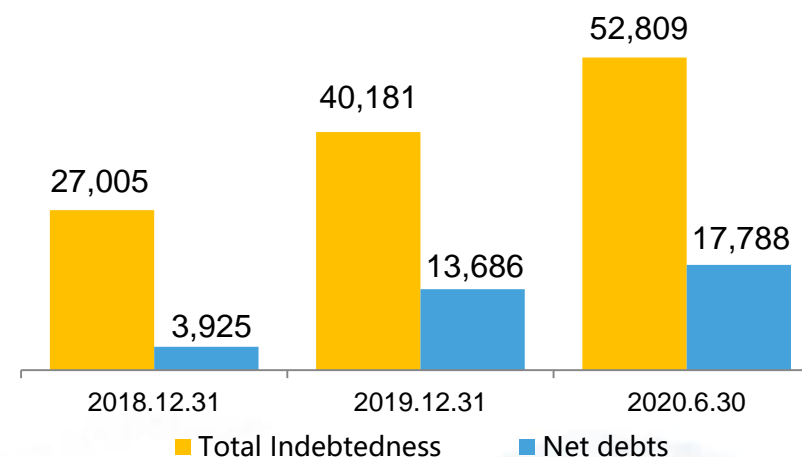
Bank Balances and Cash¹

RMB'm



Total Indebtedness and Net Debts²

RMB'm

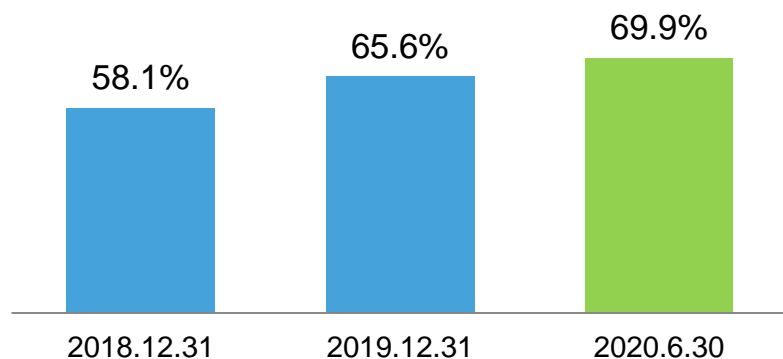


Note 1: Included restricted cash and pledged deposits

Note 2: Total indebtedness represents total interest-bearing bank and other borrowings

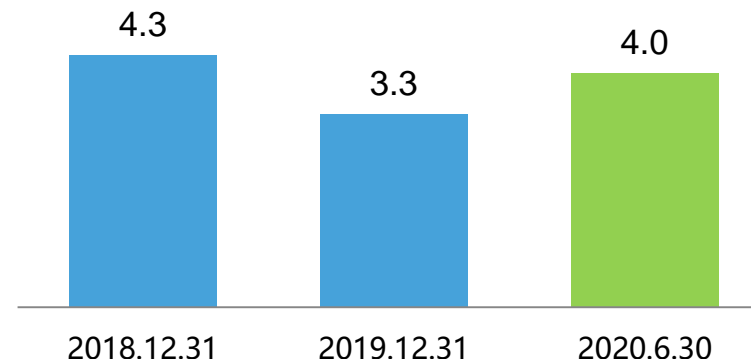
Improving Financial Position – Prudent Net Gearing Ratio

Net Gearing Ratio¹



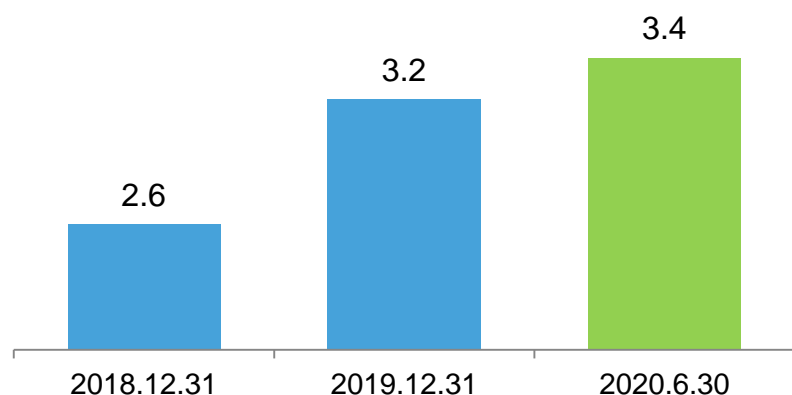
Total Indebtedness / EBITDA²

(Times)



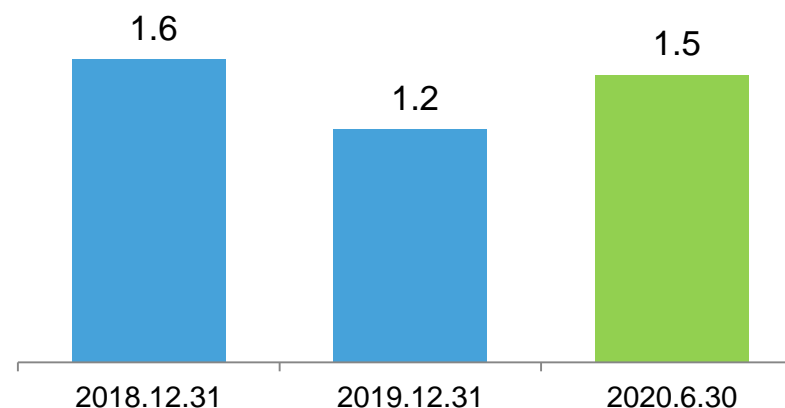
EBITDA / Interest Expenses³

(Times)



Cash to Short-Term Debts⁴

(Times)



Note1: Net gearing ratio = total indebtedness less bank balances and cash divided by total equity at the end of the period and multiplied by 100%

Note2: Interest bearing borrowings / EBITDA refers to EBITDA in the past 12 months (2H 2019+1H 2020)

Note3: EBITDA consists of profit from operating activities before fair value gains / losses, interest expenses (including capitalised interest), income tax expenses, depreciation and amortisation expenses, net exchange loss and other non-current items (e.g. listing expenses). EBITDA is not a standard measure under IFRS

Note4: Bank balances and cash comprises restricted cash, pledged deposits and cash and cash equivalents / short-term debt

04

Strategies & Outlook



Steady Sales Growth

- Coexistence of "market differentiation" and "macro-control measures", opportunities for a nationalized full-structure model
- Challenges from normalization of epidemic prevention and control, as well as impacts of natural disasters
- Adequate supply of saleable resources, evenly distributed during the year and regionally diversified.
- Confident to achieve FY sales target of RMB168 bn (+10% YoY)
- Expected contracted ASP reached RMB 13,000/sqm with higher city-tiers. Will further increase gradually in future



Prudent Financial Management

- Net gearing ratio below industry average level, maintaining a reasonable level of 70-80% in future
- Actively improving debt structure: reducing financing costs, improving short-term debt ratio, lower onshore non-bank loans ratio, and lower cash to short-term debt ratio
- Proactive liquidity management:
 - ✓ Completed the refinancing of offshore loans due in 2H 2020
 - ✓ Arranging the refinancing of offshore loans due in 1Q 2021
 - ✓ Onshore maturity and loan amount scattered without concentration



Upgrading Land Bank

- Adhere to its investment of vertical penetration and horizontal expansion, enhancing exposure in higher-tier cities via public auctions and M&A
- Optimal landbank with 90% from T2 and T3 cities, 10% from T4 cities
- To implement land-banking according to our own pace and financing capacity, focus on sell-through and cash flow
- To Prepare for the sales growth in the next year

06

APPENDIX

Strategic Coverage – List of Covered Cities

As of 30 June 2020, covered 26 second-tier cities, 81 third-tier cities and 42 fourth-tier cities, total 149 cities

Region	Province	City-tier	City List	Region	Province	City-tier	City List
Yangtze River Delta	Jiangsu	Tier-2	Suzhou, Wuxi, Nanjing	Midwest	Chongqing	Tier-2	Chongqing
		Tier-3	Xuzhou, Changzhou, Yangzhou, Taizhou, Yancheng, Lianyungang, Suqian, Nantong, Huai'an		Henan	Tier-2	Zhengzhou
	Zhejiang	Tier-2	Hangzhou, Ningbo, Wenzhou			Tier-3	Xinyang, Shangqiu, Xuchang, Nanyang, Luoyang
		Tier-3	Jiaxing, Jinhua, Taizhou, Shaoxing, Huzhou, Zhoushan, Quzhou, Lishui			Tier-4	Puyang, Xinxiang, Pingdingshan, Jiaozuo, Jiyuan
	Anhui	Tier-2	Hefei		Sichuan	Tier-2	Chengdu
		Tier-3	Wuhu, Liuan, Bozhou, Tongling, Anqing, Xuancheng, Huangshan			Tier-3	Nanchong, Mianyang, Dazhou, Meishan, Suining
		Tier-4	Chaohu, Suzhou, Chizhou, Huaibei, Chuzhou, Bengbo, Fuyang, Maanshan			Tier-4	Zigong, Yibin
	Western Taiwan Straits	Fujian	Tier-2		Fujian	Hubei	Tier-2
Tier-3			Zhangzhou, Ningde, Sanming, Longyan, Quanzhou, Putian, Nanping		Tier-3		Huanggang, Xiangyang, Yichang
Jiangxi		Tier-2	Nanchang		Tier-4		Ezhou, Enshi, Suizhou, Huangshi, Handan
		Tier-3	Fuzhou、Ganzhou		Hunan	Tier-2	Changsha
		Tier-4	Ji'an, Shangrao, Jiujiang, Pingxiang, Jingdezhen			Tier-3	Zhuzhou, Yiyang, Loudi, Yueyang, Changde, Hengyang, Chenzhou
Bohai Rim	Tianjin	Tier-2	Tianjin			Tier-4	Shaoyang, Yongzhou, Jingzhou
	Shandong	Tier-2	Qingdao, Jinan		Shaanxi	Tier-2	Xi'an
		Tier-3	Liaocheng, Weihai, Linyi, Dezhou, Jining, Tai'an, Yantai, Bingzhou, Zaozhuang, Zibo, Weifang			Tier-3	Yulin
	Hebei	Tier-3	Tangshan, Cangzhou		Tier-4	Ankang, Tongchuan	
	Liaoning	Tier-2	Shenyang, Dalian		Inner Mongolia	Tier-3	Baotou, Hohhot, Chifeng
Pearl River Delta	Guangdong	Tier-3	Zhaoqing, Jiangmen, Foshan, Shaoguan, Maoming			Tier-2	Nanning
		Tier-4	Chaozhou, Heyuan, Jieyang		Guangxi	Tier-3	Liuzhou, Qinzhou
						Tier-4	Guigang, Beihai
					Yunnan	Tier-2	Kunming
						Tier-3	Yuxi, Chuxiong
				Tier-4		Baoshan, Dali, Pu'er, Shaotong	
				Shanxi	Tier-4	Linfen	
				Guizhou	Tier-2	Guiyang	
					Tier-4	Bijie	
				Gansu	Tier-4	Pingliang, Tianshui	
				Ningxia	Tier-3	Yinchuan	

*Newly entered cities highlighted in red

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