



(Stock Code : 672.HK)

## **Covered by Guoyuan Securities, Zhong An Group Represents Attractive Investment Value**

(January 31, 2023 - Hong Kong) **Zhong An Group Limited** (“Zhong An Group” or the “Company”, Stock Code: 672.HK), a leading property developer in the Yangtze River Delta region of China, is pleased to announce that in the deep research report issued by Guoyuan Securities on January 31, 2023, the Company was rated as "buy" with a target price of HK\$0.33, an expected increase of 29.4% from the current price of HK\$0.255.

According to the report by Guoyuan Securities, the investment highlights of Zhong An Group mainly include three aspects: first, strong comprehensive development ability, and coordinated development of diversified businesses; second, low land acquisition cost as well as high quality and rich land reserves; third, safe and stable financial situation and being in green range in respect of three red lines.

In recent years, Zhong An Group has achieved coordinated and steady development in its diversified businesses, with high-quality sales growth and high collection rate. In the real estate development business, the total contracted sales area in 2021 amounted to approximately 1.175 million sq.m., representing an increase of 7% year on year and a CAGR of 45.1% from the contracted sales area of 380,000 sq.m. in 2018, firmly in the forefront of the industry; in 2021, the contract sales revenue amounted to approximately RMB27.93 billion, up about 27.3% year on year. For other diversified businesses, the CAGR of other business revenue reached 11% in 2018-2021; in the whole year of 2021, other businesses except property development achieved a total revenue of approximately RMB690 million, accounting for 14% of the total revenue, which contributed to stable cash flow and further enhanced the Company's ability to cope with potential fluctuations in the real estate market.

At the same time, Zhong An Group has been deeply engaged in the Yangtze River Delta economic

circle for a long time, and extremely optimistic about the development prospects of real estate in Hangzhou, which has not only low cost of land acquisition, but also high quality and rich land reserves. In 2021, the Company expanded high-quality land resources through various ways such as bidding, auction and listing, mergers and acquisitions, and industrial land acquisition, and acquired a total of 12 plots of land in Hangzhou, Ningbo, Wenzhou, Quzhou, Shaoxing, Jinhua, and Xiangtan, Hunan, with a total construction area of approximately 1.93 million sq.m. and additional value of goods of approximately RMB28.4 billion. By the end of 2021, the total land reserve area of the Company was approximately 10.48 million sq.m., which is expected to secure the development in the next five years. In terms of land acquisition cost, the average cost of the Company's floor price in 2021 was RMB3,110/sq.m., the average contract sales price was RMB23,759/sq.m., and the average land cost/ average sales price ratio was only around 13%. The ratio average land cost / average sales price remained at around 13% in 2020 and 2021, and reached 17% in 2022H1, up from 2018 and 2019, but still at a low level in the industry.

On the basis of diversified businesses advancing together and maintaining rich land reserve resources, Zhong An Group has remained in the green range in respect of the three red lines, and maintained healthy and stable financial conditions as well as safe and controllable operational risks. In terms of solvency, in 2021, the cash short debt ratio of the Company was 2.2, the net debt ratio was 98.6%, and the asset-liability ratio excluding contractual liabilities was 67%, all of which were at the industry's superior level; by the end of 2021, the balance of cash and equivalents of the Company had increased by 33% year on year to RMB7.7 billion. In terms of operating capacity, in 2021, the Company still achieved a substantial increase in contract sales under the fluctuating market, showing its prominent operating resilience. The annual contract sales revenue reached RMB27.9 billion, up 27.3% year on year; the gross profit margin was 29.7%, which remained at a high level in the industry. In general, the Company remains in the "green range" in respect of the three red lines, maintaining a healthy and excellent level in the industry, and has prudent and flexible financial policies, healthy debt structure, relatively stable cash flow and good profitability.

In addition, till 2021, the expenditure (三費支出) of the Zhong An Group basically remained stable, and the expense rate remained around 10%. In the first half of 2022, the Company achieved obvious effect on expense management. The sales expense rate and the management expense rate fell back to 3% and 6% respectively, and the profit level began to rise with the gross profit margin and EBITDA rate rising to 34% and 27% respectively, significantly higher than the level in the same period of 2021, ushering in marginal improvement.

Guoyuan Securities points out in its research report that the core competitiveness of Zhong An Group lies in "strong comprehensive development capacity + rich and high-quality land reserves + sound financial policies". In 2021, the average PE of real estate companies in Hong Kong market

was 7.5 times, while that of Zhong An Group was 5.3 times, lower than the industry average; in 2022, the average dynamic PE of real estate companies in Hong Kong market was 7.2 times, while that of Zhong An Group was 5.8 times, still lower than the industry average. In view of this, Guoyuan Securities is optimistic about the Company's future share price performance, and believes that there is certain upside potential in regard of its valuation.

The research report also says that as China's real estate industry entered a new cycle, a real estate enterprise with excellent ideas and deep moat could be more able to stand up to the tide and conform to the trend of the times. With "stable growth" as the core idea, Zhong An Group has adopted a short-term prudent and long-term optimistic perspective strategy, deeply cultivated the Yangtze River Delta economic circle, made full use of the its outstanding brand advantages in the Yangtze River Delta region, and built beautiful communities with the quality of "Hangzhou workmanship". At the same time, the Company will also focus on creating high-quality projects, strengthening service quality in all aspects, striving to transform to high-quality development, and being committed to creating high-quality urban life for residents, and bringing long-term investment returns for investors.

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### **About Zhong An Group Limited**

Zhong An Group Limited, the leading real estate developer in Yangtze River Delta region, focuses on the development of mid- to-high-end residential and urban complexes while values the diverse development and is involved in various investments such as property investments, property management and special services. Since its establishment in 1997, the Group has focused on the market in Yangtze River Delta region and has been rewarded a strong brand advantage in the region.

This press release is issued by Wonderful Sky Financial Group Company Limited on behalf of Zhong An Group Limited.

For further information, please refer to the company website:

<http://www.zhongangrouphk.com/s/index.php>

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