



# SHANGHAI ZENDAI 上海証大房地產有限公司

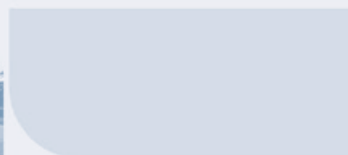
## SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755



INTERIM REPORT **2018**



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## BOARD AND COMMITTEES

### BOARD

#### *Executive Directors*

Mr. Qiu Haibin (*Chairman*)  
Mr. Qin Renzhong  
Mr. Zhang Huagang  
Mr. Tang Jian

#### *Non-executive Directors*

Ms. Wang Zheng  
Mr. Gong Ping  
Ms. Jiang Zhengyan

#### *Independent non-executive Directors*

Mr. Chow Alexander Yue Nong  
Dr. Xu Changsheng  
Mr. Ng Man Kung  
Mr. How Sze Ming  
Dr. Di Ruipeng

### COMMITTEES

#### *Audit Committee*

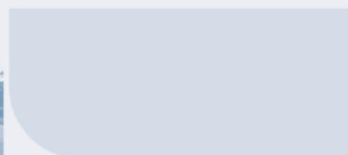
Mr. How Sze Ming (*Chairman*)  
Mr. Chow Alexander Yue Nong  
Mr. Ng Man Kung  
Dr. Di Ruipeng

#### *Remuneration Committee*

Mr. Chow Alexander Yue Nong (*Chairman*)  
Mr. Qiu Haibin  
Mr. Ng Man Kung  
Mr. How Sze Ming  
Dr. Di Ruipeng

#### *Nomination Committee*

Mr. Qiu Haibin (*Chairman*)  
Mr. Chow Alexander Yue Nong  
Mr. Ng Man Kung  
Dr. Di Ruipeng



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGHAI ZENDAI PROPERTY LIMITED

*(incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 4 to 30, which comprises the interim condensed consolidated balance sheet of Shanghai Zendai Property Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 21 August 2018

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Unaudited	
		Six months ended 30 June	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	7	3,409,150	743,600
Cost of sales		<u>(3,042,536)</u>	<u>(673,347)</u>
<b>Gross profit</b>		366,614	70,253
Other (losses)/gains – net		(41,042)	18,545
Selling and marketing expenses		(76,682)	(52,270)
Administrative expenses		(157,415)	(181,848)
Change in fair value of investment properties		(4,693)	11,079
Share of results of associates		(35,311)	(1,793)
Share of results of a joint venture		–	174,290
Finance costs		<u>(397,784)</u>	<u>(238,778)</u>
<b>Loss before income tax</b>		(346,313)	(200,522)
Income tax expense	8	<u>(91,602)</u>	<u>(17,705)</u>
<b>Loss for the period</b>		<u>(437,915)</u>	<u>(218,227)</u>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		(386,813)	(209,612)
– Non-controlling interests		<u>(51,102)</u>	<u>(8,615)</u>
		<u>(437,915)</u>	<u>(218,227)</u>
<b>Loss per share</b>			
– Basic	10	<u>HK\$(2.60)cents</u>	<u>HK\$(1.41)cents</u>
– Diluted	10	<u>HK\$(2.60)cents</u>	<u>HK\$(1.41)cents</u>

The notes on pages 11 to 30 form an integral part of this interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the period	(437,915)	(218,227)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(40,327)	140,307
Release of exchange differences on disposal of an associate	(1,335)	–
Items that will not be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	8,262	–
Other comprehensive (loss)/income for the period, net of tax	(33,400)	140,307
Total comprehensive loss for the period	(471,315)	(77,920)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(419,980)	(71,798)
– Non-controlling interests	(51,335)	(6,122)
Total comprehensive loss for the period	(471,315)	(77,920)

The notes on pages 11 to 30 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	597,639	616,770
Investment properties	3,284,684	3,326,492
Land use rights	500,519	517,999
Investment in associates	34,295	121,816
Available-for-sale financial assets	4	–
Financial assets at fair value through other comprehensive income	4	–
Amounts due from an associate	259,558	249,701
Deferred income tax assets	8,866	34,363
Pledged bank deposits	13	98,064
	<u>4,823,167</u>	<u>4,931,202</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Properties under development and completed properties held-for-sale	11	11,927,762
Inventories	2,225	14,169,388
Contract assets	4	2,404
Trade and other receivables	12	28,155
Deposits for properties under development	661,016	–
Amounts due from an associate	135,782	706,883
Available-for-sale financial assets	4	135,782
Financial assets at fair value through profit or loss	4	27,337
Tax prepayments	56,189	721,352
Pledged bank deposits	13	–
Cash and cash equivalents	6,995	7,805
	4	274,252
	13	1,102,680
	<u>1,718,415</u>	<u>1,420,068</u>
	15,913,471	18,184,257
Assets of disposal group classified as held-for-sale	17	1,163,719
	<u>1,163,719</u>	<u>1,245,416</u>
<b>Total current assets</b>	<u>17,077,190</u>	<u>19,429,673</u>
<b>Total assets</b>	<u>21,900,357</u>	<u>24,360,875</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET – CONTINUED

	Note	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		297,587	297,587
Reserves		3,017,807	3,059,236
Retained earnings		103,705	429,965
		<u>3,419,099</u>	<u>3,786,788</u>
Non-controlling interests		98,201	140,452
<b>Total equity</b>		<b>3,517,300</b>	<b>3,927,240</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and loans	15	3,376,038	5,847,647
Deferred income tax liabilities		826,425	947,584
Other payables		164,386	187,463
<b>Total non-current liabilities</b>		<u>4,366,849</u>	<u>6,982,694</u>
<b>Current liabilities</b>			
Trade, notes and other payables	14	2,751,682	2,489,637
Contract liabilities	4	4,689,521	–
Receipts in advance from customers	4	–	5,706,829
Amounts due to minority owners of subsidiaries	16	710,562	719,749
Borrowings and loans	15	4,875,341	3,668,501
Tax payables		783,958	567,171
		<u>13,811,064</u>	<u>13,151,887</u>
Liabilities of disposal group classified as held-for-sale	17	205,144	299,054
<b>Total current liabilities</b>		<u>14,016,208</u>	<u>13,450,941</u>
<b>Total liabilities</b>		<u>18,383,057</u>	<u>20,433,635</u>
<b>Total equity and liabilities</b>		<u>21,900,357</u>	<u>24,360,875</u>

The notes on pages 11 to 30 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited																
		Attributable to owners of the Company											Equity attributable to owners of the Company		Non-controlling interests	Total equity		
Note		Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Foreign exchange reserve HK\$'000	Other revaluation reserve HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Balance at 31 December 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	429,965	(34,311)	7,625	3,786,788	140,452	3,927,240			
	Changes in accounting policies	-	-	-	-	-	-	-	52,291	-	-	52,291	9,084	61,375				
	Restated balance at 1 January 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	482,256	(34,311)	7,625	3,839,079	149,536	3,988,615			
	Loss for the period	-	-	-	-	-	-	-	(386,813)	-	-	(386,813)	(51,102)	(437,915)				
	Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	8,262	-	-	-	8,262	-	8,262				
	Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(8,262)	8,262	-	-	-	-	-				
	Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(40,094)	-	(40,094)	(23)	(40,327)				
	Release of exchange differences on disposal of an associate	-	-	-	-	-	-	-	-	(1,335)	-	(1,335)	-	(1,335)				
	Total comprehensive loss for the period	-	-	-	-	-	-	-	(378,551)	(41,429)	-	(419,980)	(51,135)	(471,115)				
	Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-	-	-				
	Balance at 30 June 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	103,705	(75,740)	7,625	3,419,099	98,201	3,517,300			

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED

	Unaudited													
	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Foreign exchange reserve HK\$'000	Other revaluation reserve HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	54,338	278,464	395,565	(527,213)	-	3,244,099	27,289	3,271,388
Loss for the period	-	-	-	-	-	-	-	-	(209,612)	-	-	(209,612)	(8,615)	(218,227)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	137,814	-	137,814	2,495	140,307
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(209,612)	137,814	-	(71,798)	(6,122)	(77,920)
Transactions with owners in their capacity as owners														
Grant of share options	-	-	-	-	-	-	3,881	-	-	-	-	3,881	-	3,881
Transactions with owners in their capacity as owners	-	-	-	-	-	-	3,881	-	-	-	-	3,881	-	3,881
Balance at 30 June 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	58,219	278,464	185,953	(389,399)	-	3,176,182	21,167	3,197,349

The notes on pages 11 to 30 form an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash inflow from operations	1,421,883	67,063
Income tax paid	(177,483)	(164,285)
<b>Cash flow generated from/(used in) operating activities –net</b>	<u>1,244,400</u>	<u>(97,222)</u>
<b>Cash flows from investing activities</b>		
Decrease in amounts due from associates	655,679	587
Decrease in amounts due from a joint venture	–	301,171
Payment for the remaining consideration of a business combination in previous year	(118,568)	–
Net proceeds on disposal of financial assets at fair value through other comprehensive income	31,931	–
(Increase)/decrease in pledged bank deposits-net	(367,627)	53,097
Purchase of property, plant and equipment	(4,820)	(3,555)
Prepaid proceeds from disposal of subsidiaries	47,427	529,592
Other investing cash flows-net	1,305	(7,187)
<b>Cash flows generated from investing activities-net</b>	<u>245,327</u>	<u>873,705</u>
<b>Cash flows from financing activities</b>		
Increase in amounts due to a joint venture	–	204,932
Increase in amounts due to minority owners of subsidiaries	–	4,549
Increase in borrowings and loans	1,109,599	5,232,897
Repayment of borrowings and loans	(2,266,929)	(5,959,760)
<b>Cash flows used in financing activities-net</b>	<u>(1,157,330)</u>	<u>(517,382)</u>
Net increase in cash and cash equivalents	332,397	259,101
Cash and cash equivalents at the beginning of the period	1,420,068	709,864
Effect of foreign exchange rate changes	(34,050)	57,914
Cash and cash equivalents at the end of the period	<u>1,718,415</u>	<u>1,026,879</u>

The notes on pages 11 to 30 form an integral part of this interim condensed consolidated financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

Shanghai Zendai Property Limited (the “Company”) is a public limited company incorporated in Bermuda. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”). Its registered office is at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is at Unit 3515, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People’s Republic of China (the “PRC”).

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 21 August 2018 by the Board of Directors (“the Board”).

### 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

#### 2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group’s products; and (b) the availability of bank finance for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information. Further information on the Group’s borrowings is given in Note 15.



### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

#### (i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has adopted the following accounting policies and applied the modified retrospective approach which means that the cumulative impact of the adoption have been recognised in retained earnings or other reserves as of 1 January 2018 and that comparative figure of the financial information will not be restated.

- HKFRS 9, 'Financial instruments' and
- HKFRS 15, 'Revenue from contracts with customers'

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

#### (ii) Impact of standards issued but not yet applied by the Group

##### *HKFRS 16 Leases*

###### *Nature of change*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

###### *Impact*

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$125,154,000. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.



### 3 ACCOUNTING POLICIES – CONTINUED

#### (ii) Impact of standards issued but not yet applied by the Group – CONTINUED

##### *Date of adoption by Group*

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 4 CHANGES IN ACCOUNTING POLICIES

As explained in Note 3(i) above, the Group has applied HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

#### 4.1 HKFRS 9, ‘financial instruments’

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments (“HKAS39”) that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

##### (i) *Classification and measurement of financial instruments*

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.



#### 4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

##### 4.1 HKFRS 9, ‘financial instruments’ – CONTINUED

###### (i) Classification and measurement of financial instruments – CONTINUED

###### Impairment

From 1 January 2018, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The impact of the change in impairment loss was immaterial.

The main effects resulting from this reclassification are as follows:

	Available-for-sale financial assets ("AFS") <i>HK\$'000</i>	Financial assets at fair value through other comprehensive income ("FVOCI") <i>HK\$'000</i>	Financial assets at fair value through profit and loss ("FVPL") <i>HK\$'000</i>
<b>At 1 January 2018</b>			
Opening balance – HKAS 39	71,866	–	–
Reclassify from AFS to FVOCI	(64,061)	64,061	–
Reclassify from AFS to FVPL	(7,805)	–	7,805
	<u>–</u>	<u>64,061</u>	<u>7,805</u>
<b>Opening balance – HKFRS 9</b>	<u>–</u>	<u>64,061</u>	<u>7,805</u>

There is no material effects resulting from this reclassification on the Group’s opening balance of the equity.

There is no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.



#### 4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

##### 4.2 HKFRS 15, ‘revenue from contracts with customers’

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue (“HKAS18”) and HKAS 11 Construction contracts (“HKAS11”) that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

###### *Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

###### *Accounting for costs incurred to obtain a contract*

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded as contract assets.

###### *Accounting for significant financing component*

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.





#### 4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

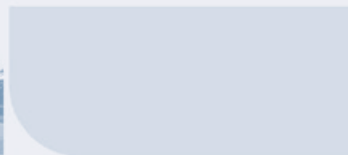
##### 4.2 HKFRS 15, 'revenue from contracts with customers' – CONTINUED

###### *Presentation of contract liabilities*

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as receipts in advance from customers.

- (a) The amounts by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2018			
	Results without the adoption of HKFRS 15 <i>HK\$'000</i>	Reclassifications under HKFRS 15 <i>HK\$'000</i>	Effects of the adoption of HKFRS 15 <i>HK\$'000</i>	Results as reported <i>HK\$'000</i>
<b>Interim condensed consolidated balance sheet (extract)</b>				
Properties under development and completed properties				
held-for-sale	12,038,646	–	(110,884)	11,927,762
Trade and other receivables	662,688	–	(1,672)	661,016
Contract assets	–	–	28,155	28,155
Tax prepayments	282,638	–	(8,386)	274,252
Assets of disposal group				
classified as held-for-sale	1,206,146	–	(42,427)	1,163,719
Receipts in advance from customers	4,823,146	(4,689,521)	(133,625)	–
Contract liabilities	–	4,689,521	–	4,689,521
Tax payables	788,370	–	(4,412)	783,958
Liabilities of disposal group classified as held-for-sale	256,004	–	(50,860)	205,144
Deferred income tax liabilities	817,072	–	9,353	826,425
Foreign exchange reserve	(75,594)	–	(146)	(75,740)
Retained earnings	66,129	–	37,576	103,705
Non-controlling interests	91,301	–	6,900	98,201



#### 4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

##### 4.2 HKFRS 15, 'revenue from contracts with customers' – CONTINUED

- (a) The amounts by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows: – CONTINUED

	Six months ended 30 June 2018		
	Results without the adoption of HKFRS 15 <i>HK\$'000</i>	Effects of the adoption of HKFRS 15 <i>HK\$'000</i>	Results as reported <i>HK\$'000</i>
Interim condensed consolidated statement of income and comprehensive income (extract)			
Revenue	3,798,654	(389,504)	3,409,150
Cost of sales	(3,403,010)	360,474	(3,042,536)
Selling and marketing expenses	(79,706)	3,024	(76,682)
Income tax expense	(100,709)	9,107	(91,602)
Loss for the period attributable to:			
– Owners of the Company	(372,098)	(14,715)	(386,813)
– Non-controlling interests	(48,918)	(2,184)	(51,102)

(b) **Contract assets**

- i) As at 30 June and 1 January 2018, the contract assets mainly included stamp duty, sales commissions and other costs incurred directly attributable to obtaining a contract.
- ii) Management expects the incremental costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognized. For the six months ended 30 June 2018, the amount of amortisation was HK\$3,850,000 and there was no impairment loss in relation to the costs capitalised.



## 4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

### 4.2 HKFRS 15, 'revenue from contracts with customers' – CONTINUED

#### (c) *Contracts liabilities*

- i) As at 30 June and 1 January 2018, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts.
- ii) Revenue from sales of properties totalled HK\$2,504,912,000 was recognised in current reporting period that was included in the contract liability balance at the beginning of the period.

## 5 ESTIMATES

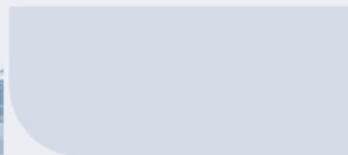
The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, in addition to the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements for the year ended 31 December 2017, the following judgements and estimates were applied.

#### **Judgments and estimates in revenue recognition for property development activities**

The Group develops and sells residential and commercial properties in the PRC. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local regulations and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.



## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no significant changes in the risk management policies since year end.

### 6.2 Liquidity risk

Since the last annual financial report, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 6.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Pledged bank deposits
- Cash and cash equivalents
- Borrowings and loans
- Trade, notes and other payables
- The following assets and liabilities within the held-for-sale disposal group:
  - Cash and banks
  - Trade and other receivables/payables
  - Borrowings



## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – CONTINUED

### 6.4 Fair value estimation

Since the last annual financial report, there was no material change on the judgements and estimates made by the Group in determining the fair values of the financial instruments and investment properties.

## 7 SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organized into three operating segments which comprise (i) sales of properties; (ii) properties rental, management and agency services; and (iii) hotel operations.

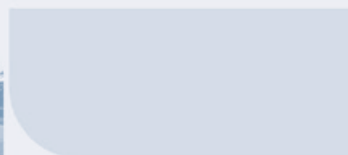
The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and loans and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2018 and 2017 respectively.



## 7 SEGMENT INFORMATION – CONTINUED

- (a) Information about reportable segment revenue, profit or loss before income tax and other information

	Unaudited			
	Sales of properties HK\$'000	Properties rental, management and agency services HK\$'000	Hotel operations HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2018</b>				
Total segment revenue (i)	3,172,187	165,357	79,520	3,417,064
Inter-segment revenue	–	(7,914)	–	(7,914)
Revenue from external customers	<u>3,172,187</u>	<u>157,443</u>	<u>79,520</u>	<u>3,409,150</u>
Profit before income tax	<u>37,935</u>	<u>31,766</u>	<u>1,302</u>	<u>71,003</u>
<b>Six months ended 30 June 2017</b>				
Total segment revenue	484,835	189,649	79,807	754,291
Inter-segment revenue	–	(10,691)	–	(10,691)
Revenue from external customers	<u>484,835</u>	<u>178,958</u>	<u>79,807</u>	<u>743,600</u>
Profit/(loss) before income tax	<u>27,530</u>	<u>48,239</u>	<u>(3,967)</u>	<u>71,802</u>

- (i) For the six month period ended 30 June 2018, included in the revenue of sales of properties, HK\$3,051,946,000 was recognised at a point in time, the remaining HK\$120,241,000 was recognised over time.

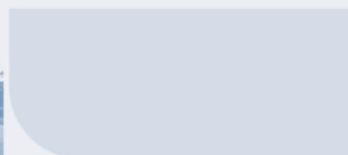


## 7 SEGMENT INFORMATION – CONTINUED

### (a) Information about reportable segment revenue, profit or loss before income tax and other information – CONTINUED

	Sales of properties <i>HK\$'000</i>	Properties rental, management and agency services <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 30 June 2018 (Unaudited)</b>				
Total segment assets	<u>15,835,533</u>	<u>3,664,660</u>	<u>1,144,336</u>	<u>20,644,529</u>
Total segment assets include:				
– Additions to non-current assets (i)	2,167	441	2,212	4,820
– Investment in an associate	–	–	34,295	34,295
Total segment liabilities	<u>14,394,140</u>	<u>1,078,717</u>	<u>90,268</u>	<u>15,563,125</u>
<b>As at 31 December 2017 (Audited)</b>				
Total segment assets	<u>18,350,775</u>	<u>4,003,029</u>	<u>1,067,733</u>	<u>23,421,537</u>
Total segment assets include:				
– Additions to non-current assets (i)	94,160	2,034	–	96,194
– Investment in associates	52,647	–	69,169	121,816
Total segment liabilities	<u>16,107,872</u>	<u>1,044,450</u>	<u>82,474</u>	<u>17,234,796</u>

- (i) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.



## 7 SEGMENT INFORMATION – CONTINUED

### (b) Reconciliation of reportable segment profit before income tax

	Unaudited	
	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before income tax for reportable segment	71,003	71,802
Unallocated bank interest income	47	133
Finance costs	(397,784)	(238,778)
Unallocated head office and corporate expenses	(19,579)	(29,798)
Non-cash settled share option expenses	–	(3,881)
	<u>(346,313)</u>	<u>(200,522)</u>

### (c) Reconciliation of reportable segment assets and liabilities

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
<b>Total reportable segment assets</b>		
Reportable segment assets	20,644,529	23,421,537
Pledged bank deposits	1,200,744	857,494
Head office and corporate assets	55,084	81,844
	<u>21,900,357</u>	<u>24,360,875</u>
<b>Total assets</b>		
<b>Total reportable segment liabilities</b>		
Reportable segment liabilities	15,563,125	17,234,796
Unallocated borrowings and loans	2,661,300	3,089,061
Unallocated head office and corporate liabilities	158,632	109,778
	<u>18,383,057</u>	<u>20,433,635</u>
<b>Total liabilities</b>		



## 8 INCOME TAX EXPENSE

Majority of the Group entities are subjected to the PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the six months ended 30 June 2018 and 2017. Other companies are subjected to rates of taxation prevailing in the countries in which the Group operates respectively.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current income tax:		
– PRC enterprise income tax expense	154,437	840
– PRC land appreciation tax	39,853	10,670
Deferred income tax	(102,688)	6,195
	<u>91,602</u>	<u>17,705</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2018 and 2017.

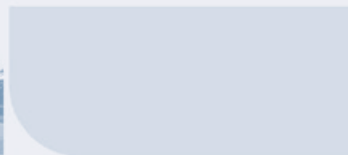
## 9 DIVIDEND

No dividend was proposed for the six months period ended 30 June 2018 and 2017.

## 10 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group's loss for the period attributable to owners of the Company of HK\$386,813,000 (loss for the six months ended 30 June 2017: HK\$209,612,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2017: 14,879,352,000) ordinary shares in issue during the period.

Assumed exercise of share options have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2018 and 2017.



## 11 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Properties under development	10,072,745	11,599,412
Completed properties held-for-sale	1,855,017	2,569,976
	<u>11,927,762</u>	<u>14,169,388</u>

During the six months ended 30 June 2018, an impairment provision of HK\$18,609,000 (For the six months ended 30 June 2017: HK\$103,142,000) has been recognised mainly attributable to the decrease in estimated net realisable value of certain properties under development and completed properties held-for-sale located in the PRC due to current market condition.

HK\$720,144,000 of costs to fulfil contracts carried forward from prior year was recognised in the current reporting period.

As at 30 June 2018 properties under development included the costs to fulfil contracts amounting to HK\$1,173,907,000.

## 12 TRADE AND OTHER RECEIVABLES

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

Included in trade and other receivables of the Group are trade receivables of HK\$41,146,000 (31 December 2017: HK\$39,916,000). The aging analysis of trade receivables based on the date of services provided at the end of reporting period is as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Current or less than 1 month	32,264	35,535
1 to 3 months	2,435	599
More than 3 months but less than 12 months	4,071	1,955
More than 12 months	2,376	1,827
	<u>41,146</u>	<u>39,916</u>



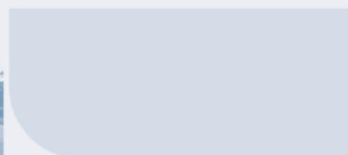
### 13 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% per annum (31 December 2017: ranging from 1.10% to 2.00% per annum).

### 14 TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables of the Group are trade payables of HK\$1,950,102,000 (31 December 2017: HK\$1,475,415,000). The aging analysis of trade payables based on date of services/goods received at the end of reporting period is as follows:

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Current or less than 1 month	1,696,926	1,165,761
1 to 3 months	1,233	228
More than 3 months but less than 12 months	5,684	5,375
More than 12 months	<u>146,531</u>	<u>230,280</u>
	1,850,374	1,401,644
Retention money	<u>99,728</u>	<u>73,771</u>
	<u><u>1,950,102</u></u>	<u><u>1,475,415</u></u>



## 15 BORROWINGS AND LOANS

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Secured	5,652,375	6,153,447
Unsecured	2,599,004	3,362,701
	<u>8,251,379</u>	<u>9,516,148</u>
Current	4,875,341	3,668,501
Non-current	3,376,038	5,847,647
	<u>8,251,379</u>	<u>9,516,148</u>

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At the beginning of the period	9,516,148	9,088,655
Proceeds of new borrowings	1,109,599	5,232,897
Repayments of borrowings	(2,266,929)	(5,959,760)
Exchange differences	(107,439)	275,512
At the end of the period	<u>8,251,379</u>	<u>8,637,304</u>

- (a) As at 30 June 2018, the Group's borrowings and loans bear an average interest rate of 9.73% per annum (As at 30 June 2017: 8.35% per annum).

## 16 AMOUNTS DUE TO MINORITY OWNERS OF SUBSIDIARIES

Included in amounts due to minority owners of subsidiaries, HK\$598,005,000 (31 December 2017: HK\$605,616,000), which borne interest at 12% per annum (31 December 2017: 12% per annum) and pledged with several Group subsidiaries' shares, was matured and presented as current liabilities accordingly. The minority owner is a subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). As at the approved date of this financial statements, the Group is in the process of negotiating with the related party for a renewal of the loan.



## 17 DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

As at 30 June 2018 and 31 December 2017, the assets and liabilities related to Myway Development Limited, Haimen Zendai Binjiang Real Estate Co., Ltd. (海門証大濱江置業有限公司), Haimen Zendai Creative Investment Development Co., Ltd. (海門市証大創意投資發展有限公司), Haimen Zendai Binjiang Property Management Co., Ltd. (海門証大濱江物業管理有限公司), 100% owned subsidiaries of the Group, have been presented as held-for-sale following the Group's decision to dispose these subsidiaries. The disposal is expected to be completed in the next 12 months.

## 18 SHARE OPTION SCHEME

The Company adopted a share option scheme on 26 June 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. The 2012 Share Option Scheme will expire in July 2022.

On 26 October 2015, options for 1,242,000,000 shares have been granted under the 2012 Share Option Scheme.

As at 30 June 2018, options for 1,242,000,000 shares were outstanding (31 December 2017: 1,242,000,000), among which 1,242,000,000 shares were vested and exercisable (31 December 2017: 1,242,000,000).

No option was granted during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

No option has lapsed (six months ended 30 June 2017: Nil) during the six months ended 30 June 2018.

## 19 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	<u>680,204</u>	<u>763,552</u>

As at 30 June 2018 and 31 December 2017, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in contract liabilities/receipts in advance from customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the property title certificate which is then to be pledged with the banks.



## 20 COMMITMENTS

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Commitments in respect of properties under development and investment properties		
– contracted for but not provided	8,097,917	7,407,543
Commitments for acquisition of subsidiaries		
– contracted for but not provided (i)	<u>2,692,111</u>	<u>2,825,226</u>

- (i) In August 2015, the Group entered into equity transfer agreements (“Agreements”) with a third party to acquire the entire equity interests of six real estate project companies that possess certain land parcel located in Nanjing, the PRC.

As at 30 June 2018, the remaining balance of RMB2,270,526,000 (equivalent to HK\$2,692,111,000) is required to be paid upon the completion of transfer of equity interests in the remaining four real estate project companies.

## 21 ARBITRATION

During the six-month period ended 30 June 2018, the Group initiated an arbitration procedure to accelerate the collection of certain receivables and to complete certain related obligations. Subsequently, the Group received an arbitration counterclaim from the respondents for a compensation of breach of contracts. As at 30 June 2018, the arbitration was still in progress. The Group’s directors have assessed the financial impact of the arbitration according to the latest situation and the impact has been included in the interim financial information based on the best estimation.

## 22 LEASES

As at 30 June 2018 and 31 December 2017, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	190,001	128,948
Later than one year and not later than five years	579,665	580,764
Later than five years	208,393	264,964
	<u>978,059</u>	<u>974,676</u>
As lessee:		
Rental payables in respect of buildings		
Not later than one year	31,051	33,502
Later than one year and not later than five years	78,424	81,532
Later than five years	15,679	34,840
	<u>125,154</u>	<u>149,874</u>

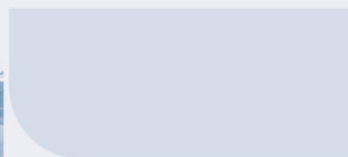
## 23 RELATED PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed elsewhere in the interim condensed consolidated financial information, the following is a summary of significant related party balances and transactions entered into the ordinary course of business between the Group and its related parties.

### (a) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Short-term benefits	13,346	8,877
Post-employment benefits	151	157
Share-based-payment expenses	–	853
	<u>13,497</u>	<u>9,887</u>

- (b) As at 30 June 2018, COAMI provided guarantees on certain borrowings of the Group amounting to HK\$1,757,173,000 (31 December 2017 : HK\$1,779,539,000). During the period, the service fee relating to the guarantees amounting to HK\$47,580,000 (Six months ended 30 June 2017: HK\$65,645,000) was accrued by the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The board of directors of Shanghai Zendai Property Limited (the “Company” or “Shanghai Zendai”) hereby announces the interim results of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2018 (the “period” or “period under review”).

During the period under review, the Group recorded a turnover of approximately HK\$3,409,150,000, representing a significant increase of 358% as compared with approximately HK\$743,600,000 for the same period in 2017. The significant increase in turnover was mainly due to the acquisition of 南京証大大拇指商業發展有限公司 (Nanjing Thumb Commercial Development Co., Ltd\*, “Nanjing Zendai”) by the Group in December 2017, and the turnover of Nanjing Zendai of approximately HK\$1,911,601,000 was consolidated during the period (the same period of last year: Nil). The turnover of the Group for the period was mainly attributed to:

- revenue recognition of service apartments, commercial units and office buildings of Nanjing Himalayas Center
- revenue recognition of the apartments and commercial units of Riverside Thumb Plaza in Nanjing
- revenue recognition of residential properties in Nantong, Xizhen and Haimen
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the “Shareholders”) was approximately HK\$386,813,000, representing an increase of 85% as compared with the same period of last year (loss for the same period of last year: approximately HK\$209,612,000). Basic loss per share of the Company (the “Share”) was HK\$2.60 cents (basic loss per Share for the same period in 2017: HK\$1.41 cents). The Group recorded a significant increase in loss for the period, which was mainly attributed to:

- the profit attributable to Nanjing Zendai included during the period has been much smaller as compared to the share of profit from Nanjing Zendai in the corresponding period of last year.
- the increase in finance cost which is attributable to the increased interest cost and decrease of capitalized interest.





## Business Review

In recent years, the Group has been persistently executing the development strategy of “extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities”. During the period under review, Shanghai Zendai continued to focus on, among others, Nanjing and Shanghai as the key development areas. In addition to the in-depth development of commercial and residential properties, the Group has also continued to explore and practice the development of high-end large urban complex.

During the period, with respect to the Group’s performance in the first and second tier cities, the “Nanjing Himalayas Center” project and “Riverside Thumb Plaza” project in Nanjing remained to constitute the major sales, and thus the important drivers for the Group’s future turnover growth, while the projects operated for years in Shanghai experienced stable development.

On the other hand, the Group is actively seeking any opportunity that can enable it to strip off its business from the third and fourth tier cities and, in recent years, the Group has successively disposed certain projects in these cities. Through operation under asset-light strategy, the Group is capable of concentrating resources and efforts in exploring the development potential in Nanjing, Shanghai and other major cities. The Group adheres its development strategy to achieve assets reorganization and resources optimization in response to the development needs.



## Commercial Property Projects in China

### *Shanghai*

#### *Shanghai Zendai Thumb Plaza*

Shanghai Zendai Thumb Plaza (the “Plaza”) is an integrated commercial complex in a prime location adjacent to Shanghai’s Century Park and the Lujiazui financial district. As at 30 June 2018, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 30 June 2018, more than 99% of the commercial space in the Plaza has been leased. Rental received during the period was approximately RMB34,377,000 (equivalent to approximately HK\$42,325,000).

#### *Grand Mercure Shanghai Century Park*

The Group’s five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the “Grand Mercure” brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. During the period under review, the average occupancy rate of the hotel was 67.9%, and total income of the hotel amounted to approximately RMB39,836,000 (equivalent to approximately HK\$49,047,000).

#### *Shanghai Himalayas Center*

The Group’s 45%-owned Shanghai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Shanghai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping mall and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground carparking space of 26,287 square metres).



The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the period under review was 75.9%, with a total income of approximately RMB124,522,000 (equivalent to approximately HK\$153,314,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded the "Best Art Lifestyle Hotel in Shanghai" by Hurun Report, the Best Travel Destination and the Best Wedding Venue by "Weekend on the Go" of City Traveler, the "Leading Hotel in Asia" by World's Best Awards, and the Best Business Hotel by Shanghai Daily. Shang-High Cuisine Restaurant was awarded as one star restaurant by The Michelin Guide for two consecutive years, the 2017 Best Restaurant Choice for Global Travel by Ctrip, the Best Design Hotel by Fashion Travel and the 2017 Outstanding Prize by Tripadvisor.

During the period under review, an average of approximately 92.33% of the commercial space of the shopping centre in Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB41,634,000 (equivalent to approximately HK\$51,261,000).

## *Nanjing*

### *Nanjing Himalayas Center*

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 624,854 square metres. The project is being developed in three phases.



The first phase of the project has a gross floor area of approximately 188,054 square metres, including 20,457 square metres of service apartments, 4,320 square metres of commercial space, 70,560 square metres of office building, 24,532 square metres of hotel and 68,185 square metres of underground car-parking space. The first phase, with a total saleable area of 93,746 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space and 70,145 square metres of office building, commenced pre-sale in April 2015. During the period under review, total contracted areas of service apartments and office building of 323 square metres and 2,723 square metres were sold, respectively, generating a total contract value of RMB5,025,000 (equivalent to approximately HK\$6,186,900) and RMB41,485,100 (equivalent to approximately HK\$51,077,000), respectively. During the period, the delivered areas of service apartments and office building were 1,137 square metres and 2,146 square metres respectively, with a total contract value of RMB16,182,000 (equivalent to approximately HK\$19,924,000) and RMB36,444,000 (equivalent to approximately HK\$44,871,000). During the period, a total amount of RMB52,626,000 (equivalent to approximately HK\$64,795,000) was recognised as turnover. As at 30 June 2018, cumulative areas of 19,524 square metres, 3,269 square metres and 67,423 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB331,788,000 (equivalent to approximately HK\$408,505,000), RMB127,271,000 (equivalent to approximately HK\$156,699,000) and RMB1,199,872,000 (equivalent to approximately HK\$1,477,311,000) respectively. At present, the hotel is in the process of decoration and is expected to commence business at the end of September 2018.

The second phase of the project, covering a gross floor area of approximately 208,484 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 54,545 square metres of service apartments, 16,873 square metres of commercial space, 53,649 square metres of office building and 83,417 square metres of underground car-parking space. The second phase of the project started pre-sale in July 2016, with a total saleable area of 119,844 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 50,261 square metres of office building. During the period under review, total contracted areas of service apartments, commercial space and office building of 16,197 square metres, 766 square metres and 10,544 square metres were sold respectively, generating a total contract value of RMB321,070,000 (equivalent to approximately HK\$395,309,000), RMB27,855,000 (equivalent to approximately HK\$34,296,000) and RMB184,171,000 (equivalent to approximately HK\$226,756,000) respectively. As at 30 June 2018, the cumulative areas of 44,630 square metres, 15,728 square metres and 41,206 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB856,433,000 (equivalent to approximately HK\$1,054,461,000), RMB586,525,000 (equivalent to approximately HK\$722,144,000) and RMB736,454,000 (equivalent to approximately HK\$906,740,000) respectively. The second phase of the project has been delivered in the first half year of 2018. During the period, the delivered areas of service apartments, commercial space and office building were 34,128 square metres, 14,115 square metres and 33,644 square metres respectively, with a total contract value of RMB632,888,000 (equivalent to approximately HK\$779,227,000), RMB514,096,000 (equivalent to approximately HK\$632,967,000) and RMB573,219,000 (equivalent to approximately HK\$705,761,000). During the period, a total amount of RMB1,499,976,000 (equivalent to approximately HK\$1,846,806,000) was recognised as turnover.



The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. Construction of the third phase of the project commenced in the third quarter of 2015 and pre-sale started in the first half of 2018. The total saleable area of 70,549 square metres, including 14,922 square metres of service apartments and 55,627 square metres of office building. During the period under review, total contracted areas of service apartments and office building of 9,060 square metres and 2,421 square metres were sold, respectively, generating a total contract value of RMB230,908,000 (equivalent to approximately HK\$284,299,000) and RMB49,123,000 (equivalent to approximately HK\$60,481,000), respectively.

#### *The First Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 81,160 square metres, comprising 77,374 square metres of apartments and 3,786 square metres of commercial space. During the period under review, the total contracted areas of commercial space of 257 square metres were sold, generating a total contract value of RMB10,382,000 (equivalent to approximately HK\$12,783,000). As at 30 June 2018, cumulative areas of 77,374 square metres and 2,823 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,926,989,000 (equivalent to approximately HK\$2,372,555,000) and RMB124,788,000 (equivalent to approximately HK\$153,642,000) respectively. During the period, the delivered areas of apartments and commercial space were 20,063 square metres and 1,089 square metres respectively, with a total contract value of RMB494,182,000 (equivalent to approximately HK\$608,449,000) and RMB52,554,000 (equivalent to approximately HK\$64,706,000). During the period, a total amount of RMB463,974,000 (equivalent to approximately HK\$571,256,000) was recognised as turnover.



### *The Second Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments, commercial space and offices with a gross floor area of approximately 163,184 square metres, including 134,627 square metres of apartments, 7,042 square metres of commercial space and 21,515 square metres of offices. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 159,732 square metres, including 133,516 square metres of apartments, 5,053 square metres of commercial space and 21,163 square metres of offices. During the period under review, the total contracted areas of apartments and commercial space of 16,641 square metres and 72 square metres were sold respectively, generating a total contract value of RMB569,894,000 (equivalent to approximately HK\$701,667,000) and RMB4,639,000 (equivalent to approximately HK\$5,712,000). As at 30 June 2018, cumulative areas of 105,672 square metres and 1,945 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB3,265,052,000 (equivalent to approximately HK\$4,020,010,000) and RMB120,807,000 (equivalent to approximately HK\$148,740,000) respectively. It is expected that the second phase of the project will commence delivery in the second half of 2018. During the period, a total amount of RMB17,303,000 (equivalent to approximately HK\$21,304,000) was recognised as turnover.

### *The Third Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,234 square metres. The land with a site area of approximately 102,504 square metres is planned to be developed into an integrated complex comprising office building and commercial space, including 79,455 square metres of office building and 23,049 square metres of commercial space. The project is still under planning stage.

## **Other Cities**

### *Qingdao Zendai Thumb Plaza*

Qingdao Zendai Thumb Plaza is located in the central area of business district on Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and car-parking space (45,271 square metres).



During the period under review, a total contracted area of service apartments of 191 square metres was sold, generating a total contract value of RMB2,546,000 (equivalent to approximately HK\$3,135,000). During the period, an area of 580 square metres was delivered with a total contract value of RMB7,596,000 (equivalent to approximately HK\$9,352,000). During the period, a total amount of RMB5,120,000 (equivalent to approximately HK\$6,304,000) was recognised as turnover. As at 30 June 2018, a cumulative area of 57,692 square metres had been sold, generating a contract value of RMB846,038,000 (equivalent to approximately HK\$1,041,662,000).

As at 30 June 2018, around 88% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB15,102,000 (equivalent to approximately HK\$18,594,000) during the period.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the period was 67%, with a total income of RMB24,244,000 (equivalent to approximately HK\$29,850,000).

#### *Zendai Nantong Yicheng Thumb Plaza*

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 89% has been leased as at 30 June 2018.

The second phase is an ancillary residential project with a total gross floor area of approximately 74,528 square metres. There was no corresponding sales during the period. As at 30 June 2018, a total cumulative contracted area of 71,129 square metres (including 40,982 square metres of multi-storey apartments, 27,909 square metres of townhouses and 2,237 square metres of detached villas) was sold, generating a total contract value of RMB827,016,000 (equivalent to approximately HK\$1,018,242,000). During the period under review, an area of 597 square metres of residential properties (including 343 square metres of multi-storey apartments and 254 square metres of townhouses) was delivered with a total contract value of RMB6,966,000 (equivalent to approximately HK\$8,576,000). During the period, a total amount of RMB2,634,000 (equivalent to approximately HK\$3,243,000) was recognised as turnover.



The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of 14,967 square metres and a residential area of approximately 71,742 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 36,890 square metres. An area of 899 square metres of residential properties and 1,706 square metres of commercial space were sold respectively during the period, generating a total contract value of RMB21,552,000 (equivalent to approximately HK\$26,535,000) and RMB22,800,000 (equivalent to approximately HK\$28,072,000), respectively. As at 30 June 2018, a cumulative area of 33,306 square metres of residential properties and 1,706 square metres of commercial space were sold respectively, generating a total contract value of RMB573,992,000 (equivalent to approximately HK\$706,712,000) and RMB22,800,000 (equivalent to approximately HK\$28,072,000), respectively. During the period under review, an area of 26,256 squares metres of townhouses and detached villas were delivered with a total contract value of RMB424,587,000 (equivalent to approximately HK\$522,761,000). During the period, a total amount of RMB407,835,000 (equivalent to approximately HK\$502,136,000) was recognised as turnover. The construction of Phase 2 of Old Town has not commenced yet.

#### *Yangzhou Commercial Project*

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, the construction of which has been completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 30 June 2018, the remaining area of 15,974 square metres was used for rental purposes.

#### *Project in Chenmai County, Hainan Province*

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.





## Residential Projects in China

### *Shanghai*

#### *Zendai Xizhen Thumb Plaza*

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. An area of 852 square metres of residential properties and 7,789 square metres of commercial space were sold respectively during the period, generating a total contract value of RMB21,104,000 (equivalent to approximately HK\$25,984,000) and RMB118,079,000 (equivalent to approximately HK\$145,382,000), respectively. Residential properties with areas of 2,629 square metres and commercial space with areas of 2,252 square metres were delivered respectively during the period with a total contract value of RMB61,266,000 (equivalent to approximately HK\$75,432,000) and RMB36,907,000 (equivalent to approximately HK\$45,440,000). During the period, a total amount of RMB110,779,000 (equivalent to approximately HK\$136,393,000) was recognised as turnover. As at 30 June 2018, the total cumulative residential and commercial areas of 23,023 square metres and 20,000 square metres had been sold respectively, generating a total contract value of RMB440,293,000 (equivalent to approximately HK\$542,100,000) and RMB429,734,000 (equivalent to approximately HK\$529,099,000) respectively.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected. The construction of the resort hotel has been suspended and will be sold by construction in progress. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 30 June 2018, a cumulative area of resort villas of 28,253 square metres had been sold, generating a total contract value of RMB443,478,000 (equivalent to approximately HK\$546,020,000).



## *Other Cities*

### *“Zendai Garden-Riverside Town” in Haimen*

The “Zendai Garden-Riverside Town” project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres. The first parcel of land is to be developed in two parts.

“Dong Zhou Mansion”, the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the “Dong Zhou Mansion” is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

“Multiflora Garden”, the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 30 June 2018, an area of 3,334 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 30 June 2018, a total cumulative area of 78,237 square metres had been sold, generating a total contract value of RMB464,498,000 (equivalent to approximately HK\$571,902,000). During the period, an area of 2,629 square metres was delivered with a total contract value of RMB14,208,000 (equivalent to approximately HK\$17,493,000). During the period, a total amount of RMB12,234,000 (equivalent to approximately HK\$15,063,000) was recognised as turnover.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 30 June 2018, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK\$283,731,000). During the period, an area of 349 square metres involving total contract value of RMB1,335,000 (equivalent to approximately HK\$1,643,000) was delivered. During the period, a total amount of RMB1,335,000 (equivalent to approximately HK\$1,643,000) was recognised as turnover.



The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,361 square metres. As at 30 June 2018, an area of 79,786 square metres was sold, generating a total contract value of RMB359,519,000 (equivalent to approximately HK\$442,648,000). During the period, an area of 511 square metres involving a contract value of RMB2,177,000 (equivalent to approximately HK\$2,680,000) was delivered. During the period, a total amount of RMB2,177,000 (equivalent to approximately HK\$2,680,000) was recognised as turnover.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and was completed in the second half of 2015.

A parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited\*) entered into a cooperation agreement to develop “Yantai Thumb Project” located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the “Yantai Thumb Project”. The project occupies an area of 26,476 square metres and is still under planning stage.

#### *Land Parcels in Inner Mongolia Autonomous Region*

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The project was suspended due to changes in market conditions. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in September 2017 to dispose of the entire project at a consideration of approximately RMB215,000,000 (equivalent to approximately HK\$265,000,000). The details of the transaction was disclosed in the announcement of the Company dated 11 September 2017.



## Change of interest

As disclosed in the announcement of the Company dated 16 May 2018, Topper Shiny Limited completed its sale of 4,462,317,519 Shares (representing approximately 29.99% of the issued share capital of the Company) to Nantong Sanjian Holding (HK) Co., Limited. As at 30 June 2018, Nantong Sanjian Holding (HK) Co., Limited held 4,462,317,519 Shares (representing approximately 29.99% of the issued share capital of the Company), while Topper Shiny Limited did not hold any Shares.

## PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Shanghai Zendai keeps itself concentrated in delivery of quality brands based on market demands. Under the development strategy of “extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities”, the Group has been able to keep operation costs in control and enhance assets structure in both product quality and commercial operation. Supported by its increasing sales and rising rental, Shanghai Zendai presents a vitality of growth. Meanwhile, the Group will consider to make further investments and expand current profile with appropriate funding when opportunities for material investment arise.

In the first half of 2018, the real estate industry in Nanjing remained in a very good development status. While implementing the real estate regulatory policy, the municipal government of Nanjing will continue to proactively promote the real estate strategy, strengthen the market supervision, stabilise the market expectations, actively develop the supply and demand of market and maintain the steady and healthy development of the real estate market. By capitalizing the steady growing market, Shanghai Zendai will continue to carry out an in-depth development for the parcel(s) of land located in Nanjing, and actively promote “Nanjing Himalayas Center” project and “Riverside Thumb Plaza” project in Nanjing. Leveraging on the geographical and planning advantages of the two major projects, the Group is able to continue to enhance the brand influence of the projects, which are expected to be the main sources of income of the Group in the future.

Quality services and products, together with the in-depth knowledge and vision of teams, constitute the important factors for property enterprises to win customers’ recognition. Our management remains prudent and optimistic about the prospects of this industry in the long run, and has always taken creating value for the society and providing return for shareholders as their own duty. With the accelerated urbanisation progress, Shanghai Zendai will adjust its own business structure constantly to adapt to the latest urban development trends. Besides, it will also seek cooperation opportunity while exploring the brand value of the existing projects to the largest extent. Through actively capturing the latest market situation, the Group targets to probe into such markets as featured with the potential of sustainable development by combining its own advantages.



## Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2018, the Group had a healthy financial position with net assets value of HK\$3,517 million (31 December 2017: approximately HK\$3,927 million). Net current assets amounted to approximately HK\$3,061 million (31 December 2017: approximately HK\$5,979 million) with current ratio decreased from 1.44 times at 31 December 2017 to approximately 1.22 times at 30 June 2018. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the interim condensed consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2018, the Group had consolidated borrowings and loans of approximately HK\$8,251 million in which HK\$4,875 million was repayable within one year and HK\$3,376 million was repayable more than one year. As at 30 June 2018, borrowings of the amount of HK\$6,543 million (31 December 2017: HK\$6,604 million) bear interest at fixed interest rates ranging from 5% to 12.10% per annum (31 December 2017: 3.30% to 12.00% per annum). As at 30 June 2018, the Group's bank balances and cash including restricted cash were approximately HK\$2,919 million (31 December 2017: HK\$2,278 million). The gearing ratio of the Group increased from 2.45 times at 31 December 2017 to 2.53 times at 30 June 2018 (basis: net debts, which is defined as total amounts of borrowings and loans and amounts due to minority owners of subsidiaries less total amounts due from associates, divided by shareholders' funds).

## Segment Information

### *Sales of properties*

The turnover of this segment for the period was approximately HK\$3,172,187,000 (2017: HK\$484,835,000). The increase was due to the increase of turnover to be recognized as a result of the consolidation of Nanjing Zendai at the end of last year.

### *Property rental, management and agency services*

The turnover of this segment for the period was approximately HK\$157,443,000 (2017: HK\$178,958,000). Such decrease was due to the decrease of investment properties available for leasing and properties managed by the Group after the disposal of subsidiaries in the second half of last year.

### *Hotel Operations*

The turnover of this segment for the period was HK\$79,520,000 (2017: HK\$79,807,000) which remain stable overall.



## Foreign Currency and Interest Rates Exposures and Hedging

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 30 June 2018 were mainly denominated in RMB, USD, ZAR and HK\$. Bank borrowings of the Group as at 30 June 2018 were mainly denominated in USD and RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

## Employees

As at 30 June 2018, the Group employed approximately 1,195 employees (2017:1,352 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.



## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the period under review:

- (a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the “Agreements”) to acquire the equity interest of 6 companies which hold land parcels (the “Land Parcels”) in Gulou District, Nanjing (the “Acquisitions”). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK\$5,389,384,000). Details of the Acquisitions were disclosed in the Company’s announcement dated 25 August 2015.

As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 3 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Company and it is expected that the remaining land title certificates of the Land Parcels will be obtained and delivered to the Company by no later than 31 December 2020. The parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

- (b) As at 12 February 2018, the Group entered into an agreement with a purchaser to dispose of an indirect wholly owned subsidiary of the Company, which owns certain office and commercial areas and carpark spaces in 海墾國際金融中心 (Haiken International Finance Centre\*) located in Haikou, Hainan Province, at a total consideration of RMB126,800,000 (equivalent to approximately HK\$156,119,000). The details of disposal were set out in the announcement of the Company dated 12 February 2018. As at the date of this report, the transaction has not yet completed.

## CONTINGENT LIABILITIES

Please refer to note 19 of the condensed consolidated interim financial information of this report in relation to the details of financial guarantees. In the opinion of the Board, the fair value of guarantee contracts is insignificant at initial recognition.

## PLEDGE OF ASSETS

As at 30 June 2018, the carrying amounts of following assets of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	<i>HK\$'000</i>
Property, plant and equipment	575,909
Land use rights	500,519
Investment properties	1,824,976
Properties under development and completed properties held-for-sale	3,201,319
Pledged bank deposits	1,200,744
	<u>7,303,467</u>



## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 30 June 2018, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are set out below:

Name of Director	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 30 June 2018
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.07%
	124,000,000(L) (Note)	Beneficial owner	0.83%

(L) denotes long position

Note:

These interests in underlying shares represent the shares to be allotted and issued upon the exercise of share options granted.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 30 June 2018.

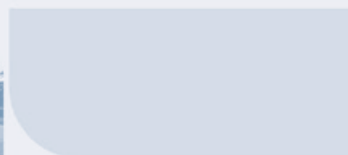




## PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2018, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of Shares interested as at 30 June 2018	Approximate percentage of the issued share capital as at 30 June 2018
Nantong Sanjian Holding (HK) Co., Limited <i>(Note 1)</i>	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) <i>(Note 1)</i>	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. <i>(Note 2)</i>	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Dong Yin Development (Holdings) Limited <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management Co., Ltd. ("COAMC") <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%



Name	Nature of interests	Number of Shares interested as at 30 June 2018	Approximate percentage of the issued share capital as at 30 June 2018
China Alliance Properties Limited (Note 3)	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Company Limited (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) denotes long position



*Notes:*

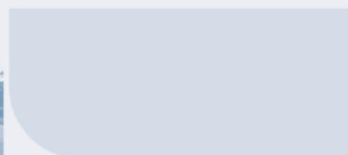
1. Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.\* (南通三建控股有限公司).
2. COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.
3. Mr. Guo Guangchang had 64.45% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 71.70% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 30 June 2018, no persons, other than a director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## SHARE OPTIONS

The Company adopted a share option scheme on 26 June 2012 and is valid for a period of 10 years from July 2012 (the “Scheme”), for the primary purpose of providing incentives to directors and eligible persons. Under the Scheme, the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for Shares.

On 26 October 2015, options for 1,242,000,000 Shares were granted under the Scheme. The exercise price of such options and the closing price of the Shares immediately before the date of grant were HK\$0.207 and HK\$0.205 respectively.



Save as disclosed above, no options have been granted, lapsed or cancelled under the Scheme. No options were exercised during the period under review. Movements of share options during the period are as follows:

	Number of Options			Exercisable period
	Outstanding at beginning of period	Granted during the period	Outstanding at end of period	
Directors	62,000,000	–	62,000,000	26 October 2015 – 25 October 2018
	31,000,000	–	31,000,000	26 October 2016 – 25 October 2018
	31,000,000	–	31,000,000	26 October 2017 – 25 October 2018
Sub-Total	124,000,000	–	124,000,000	
Employees	435,000,000	–	435,000,000	26 October 2015 – 25 October 2018
	217,500,000	–	217,500,000	26 October 2016 – 25 October 2018
	217,500,000	–	217,500,000	26 October 2017 – 25 October 2018
Sub-Total	870,000,000	–	870,000,000	
Service suppliers	124,000,000	–	124,000,000	26 October 2015 – 25 October 2018
	62,000,000	–	62,000,000	26 October 2016 – 25 October 2018
	62,000,000	–	62,000,000	26 October 2017 – 25 October 2018
Sub-Total	248,000,000	–	248,000,000	
Total	1,242,000,000	–	1,242,000,000	



## REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2018 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s auditor, whose independent review report is included. The Company’s interim results for the six-month period ended 30 June 2018 has also been reviewed by the audit committee of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code of conduct regarding securities transactions by the directors. The Company confirms that, having made specific enquiry of all directors, all directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2018.

## CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the six-month period ended 30 June 2018 except the deviations as stipulated below.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Due to personal commitments, the following directors did not attend the meeting:

Ms. Wang Zheng, Mr. Gong Ping, Ms. Jiang Zhengyan, Dr. Xu Changsheng and Dr. Di Ruipeng did not attend the annual general meeting of the Company held on 28 June 2018.

## CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any information required to be disclosed in relation to any director pursuant to rule 13.51B(1) of the Listing Rules except as stipulated below:

The term of appointment of Mr. Gong Ping as non-executive directors has been renewed for 2 years commencing from January 2018, subject to rotation and re-election in accordance with the bye-laws of the Company.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

\* For identification purpose only