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
2019

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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

pwc 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 21, 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 2019 the interim condensed consolidated income statement, 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, 22 August 2019

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Notes	*HK$'000*	*HK$'000*
Revenue	*7*	994,464	3,409,150
Cost of sales		(849,305)	(3,042,536)
Gross profit		145,159	366,614
Other gains/(losses) – net		14,468	(41,042)
Net impairment losses on financial assets		(5,783)	–
Selling and marketing expenses		(71,857)	(76,682)
Administrative expenses		(172,846)	(157,415)
Change in fair value of investment properties		(16,553)	(4,693)
Share of results of an associate		(12,461)	(35,311)
Finance costs – net		(399,100)	(397,784)
Loss before income tax		(518,973)	(346,313)
Income tax expense	*8*	(9,865)	(91,602)
Loss for the period		(528,838)	(437,915)
Loss for the period attributable to:			
– Owners of the Company		(470,446)	(386,813)
– Non-controlling interests		(58,392)	(51,102)
		(528,838)	(437,915)
Loss per share			
– Basic	*10*	**HK$(3.16) cents**	HK$(2.60)cents
– Diluted	*10*	**HK$(3.16) cents**	HK$(2.60)cents

The notes on pages 10 to 21 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss for the period	(528,838)	(437,915)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(2,811)	(40,327)
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 for the period, net of tax	(2,811)	(33,400)
Total comprehensive loss for the period	(531,649)	(471,315)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(473,820)	(419,980)
– Non-controlling interests	(57,829)	(51,335)
Total comprehensive loss for the period	(531,649)	(471,315)

The notes on pages 10 to 21 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	580,922	595,709
Investment properties	4	3,287,760	3,180,068
Land use rights		459,958	470,810
Investment in an associate		6,714	18,994
Financial assets at fair value through other comprehensive income		37,958	37,984
Amounts due from an associate		256,221	246,884
Deferred income tax assets		4,295	5,234
Restricted bank deposits	13	463,794	254,695
Total non-current assets		5,097,622	4,810,378
Current assets			
Properties under development and completed properties held-for-sale	11	10,707,949	11,000,960
Inventories		4,509	3,218
Contract assets		11,309	11,455
Trade and other receivables	12	728,650	664,668
Deposits for properties under development		7,341	15,268
Amounts due from an associate		10,967	10,575
Financial assets at fair value through profit or loss		28,054	13,366
Tax prepayments		237,985	215,167
Restricted bank deposits	13	796,722	879,943
Cash and cash equivalents		545,239	843,049
Total current assets		13,078,725	13,657,669
Total assets		18,176,347	18,468,047

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET – CONTINUED

	Notes	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		297,587	297,587
Reserves		2,765,763	2,769,137
Accumulated losses		(823,313)	(352,867)
		2,240,037	2,713,857
Non-controlling interests		16,557	74,386
Total equity		2,256,594	2,788,243
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*15*	4,661,620	3,828,558
Lease liabilities	*4*	70,740	–
Deferred income tax liabilities		738,029	749,764
Other payables		9,699	19,326
Total non-current liabilities		5,480,088	4,597,648
Current liabilities			
Trade, note and other payables	*14*	3,484,119	3,681,881
Contract liabilities		3,541,679	3,279,438
Amounts due to minority owners of subsidiaries	*17*	572,830	570,966
Amounts due to a related party	*16*	719,326	–
Borrowings and loans	*15*	1,747,766	3,140,228
Lease liabilities	*4*	58,523	–
Tax payables		315,422	409,643
Total current liabilities		10,439,665	11,082,156
Total liabilities		15,919,753	15,679,804
Total equity and liabilities		18,176,347	18,468,047

The notes on pages 10 to 21 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													
	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*	(Accumulated losses)/ 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 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	–	278,464	(352,867)	(262,310)	7,625	2,713,857	74,386	2,788,243
Loss for the period	–	–	–	–	–	–	–	–	(470,446)	–	–	(470,446)	(58,392)	(528,838)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(3,374)	–	(3,374)	563	(2,811)
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(470,446)	(3,374)	–	(473,820)	(57,829)	(531,649)
Balance at 30 June 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	–	278,464	(823,313)	(265,684)	7,625	2,240,037	16,557	2,256,594
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)	(233)	(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)	(51,335)	(471,315)
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

The notes on pages 10 to 21 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash inflow from operations	266,269	1,911,809
Interest received	3,482	5,806
Interest paid	(402,677)	(495,732)
Income tax paid	(164,056)	(177,483)
Cash flow (used in)/generated from operating activities –net	(296,982)	1,244,400
Cash flows from investing activities		
Increase in restricted bank deposits-net	–	(367,627)
Purchase of financial assets	(14,930)	–
Purchase of property, plant and equipment	(6,072)	(4,820)
Decrease in amounts due from an associate	–	655,679
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
Prepaid proceeds from disposal of subsidiaries	–	47,427
Other investing cash flows-net	8,200	1,305
Cash flows (used in)/generated from investing activities-net	(12,802)	245,327
Cash flows from financing activities		
Increase in borrowings and loans	2,096,543	1,109,599
Repayment of borrowings and loans	(1,941,931)	(2,266,929)
Principal elements of lease payments	(11,477)	–
Increase in restricted bank deposits-net	(128,659)	–
Cash flows generated from/(used in) financing activities-net	14,476	(1,157,330)
Net (decrease)/increase in cash and cash equivalents	(295,308)	332,397
Cash and cash equivalents at the beginning of the period	843,049	1,420,068
Effect of foreign exchange rate changes	(2,502)	(34,050)
Cash and cash equivalents at the end of the period	545,239	1,718,415
Non-cash financing activities		
Increase in amounts due to a related party	730,720	–

The notes on pages 10 to 21 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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/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 22 August 2019 by the Board of Directors ("the Board").

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and any public announcements made by the Company during the interim reporting period.

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 2018, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

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 had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard 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.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4.2 below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

4.1 Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9%.

	2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	131,175
Discounted using the lessee's incremental borrowing rate of 9% at the date of initial application	119,032
Lease liability recognised as at 1 January 2019	119,032
Of which are:	
Current lease liabilities	17,651
Non-current lease liabilities	101,381
	119,032

Right-of-use assets were initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment– increase by HK$6,895,000
- investment properties – increase by HK$112,137,000
- lease liabilities – increase by HK$119,032,000.

There is no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments and unallocated head office were affected by the change in policy:

	Assets *HK$'000*	Liabilities *HK$'000*
Properties rental, management and agency services	107,537	123,635
Unallocated head office	5,486	5,628
	113,023	129,263

There is no material impact on the loss before income tax or loss per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

4.1 Adjustments recognised on adoption of HKFRS 16 – CONTINUED

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 in determining whether an arrangement contains a lease.

4.2 The Group's leasing activities and how these are accounted for

The Group leases certain office buildings, retail stores and apartments. Rental contracts are typically made for fixed periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of office buildings, retail stores and apartments were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Certain right-of-use assets meet the definition of investment properties and are measured at fair value subsequently. The rest of the right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group chooses to use the incremental borrowing rate as the discount rate.

4 CHANGES IN ACCOUNTING POLICIES – CONTINUED

4.2 The Group's leasing activities and how these are accounted for – CONTINUED

Certain right-of-use assets meet the definition of investment properties and are measured at fair value. The rest of the right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

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, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

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 does 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 2018.

There have been no significant changes in the risk management policies since year ended 31 December 2018.

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, excluding prepayments
- Restricted bank deposits
- Cash and cash equivalents
- Amounts due from an associate
- Borrowings and loans
- Trade, note and other payables, excluding tax payables

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – CONTINUED

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

- Amounts due to minority owners of subsidiaries
- Amounts due to a related party
- Lease liability

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 organised 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 restricted 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.

7 SEGMENT INFORMATION – CONTINUED

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2019 and 2018 respectively.

(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*
Six months ended 30 June 2019				
Total segment revenue (i)	742,981	192,353	70,422	1,005,756
Inter-segment revenue	–	(11,292)	–	(11,292)
Revenue from external customers	742,981	181,061	70,422	994,464
(Loss)/profit before income tax	(160,832)	55,434	1,292	(104,106)
Six months ended 30 June 2018				
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	3,172,187	157,443	79,520	3,409,150
Profit before income tax	37,935	31,766	1,302	71,003

(i) For the six month period ended 30 June 2019, included in the revenue of sales of properties, HK$612,745,000 was recognised at a point in time, the remaining HK$130,236,000 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 *HK$'000*	Properties rental, management and agency services *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
As at 30 June 2019 (Unaudited)				
Total segment assets	12,139,471	3,809,530	929,928	16,878,929
Total segment assets include:				
Additions to non-current assets (i)	532	11,734	877	13,143
Investment in an associate	–	–	6,714	6,714
Total segment liabilities	12,775,351	771,160	45,757	13,592,268
As at 31 December 2018 (Audited)				
Total segment assets	12,618,389	3,654,002	992,017	17,264,408
Total segment assets include:				
Additions to non-current assets (i)	45,781	5,041	539	51,361
Investment in an associate	–	–	18,994	18,994
Total segment liabilities	12,595,202	606,129	85,299	13,286,630

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

(b) Reconciliation of reportable segment (loss)/profit before income tax

	Unaudited Six months ended 30 June 2019 *HK$'000*	2018 *HK$'000*
(Loss)/profit before income tax for reportable segment	(104,106)	71,003
Unallocated bank interest income	25	47
Finance costs	(399,100)	(397,784)
Unallocated head office and corporate expenses	(15,792)	(19,579)
Loss before income tax	(518,973)	(346,313)

7 SEGMENT INFORMATION – CONTINUED

(c) Reconciliation of reportable segment assets and liabilities

	Unaudited As at 30 June 2019 *HK$'000*	Audited As at 31 December 2018 *HK$'000*
Total reportable segment assets		
Reportable segment assets	16,878,929	17,264,408
Restricted bank deposits	1,260,516	1,134,638
Head office and corporate assets	36,902	69,001
Total assets	18,176,347	18,468,047
Total reportable segment liabilities		
Reportable segment liabilities	13,592,268	13,286,630
Unallocated borrowings and loans	2,147,003	2,250,272
Unallocated head office and corporate liabilities	180,482	142,902
Total liabilities	15,919,753	15,679,804

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 2019 and 2018. 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 2019 *HK$'000*	Unaudited Six months ended 30 June 2018 *HK$'000*
Current income tax:		
– PRC enterprise income tax expense	9,556	154,437
– PRC land appreciation tax	9,783	39,853
Deferred income tax	(9,474)	(102,688)
	9,865	91,602

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 2019 and 2018.

9 DIVIDEND

No dividend was proposed for the six months period ended 30 June 2019 and 2018.

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$470,446,000 (loss for the six months ended 30 June 2018: HK$386,813,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2018: 14,879,352,000) ordinary shares in issue during the period.

Since there was no dilutive ordinary shares during the six months ended 30 June 2019 and 2018, diluted loss per share is equal to basic loss per share.

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

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Properties under development	9,501,734	9,178,477
Completed properties held-for-sale	1,206,215	1,822,483
	10,707,949	11,000,960

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$245,032,000 (31 December 2018: HK$43,447,000). 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 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Within 3 months	239,599	40,347
More than 3 months but less than 12 months	2,679	935
More than 12 months	2,754	2,165
	245,032	43,447

13 RESTRICTED BANK DEPOSITS

Certain restricted bank deposits were 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 2018: ranging from 0.35% to 1.00% per annum).

14 TRADE, NOTE AND OTHER PAYABLES

Included in trade, note and other payables of the Group are trade payables of HK$1,671,502,000 (31 December 2018: HK$2,240,884,000). 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 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Within 3 months	1,414,452	1,896,445
More than 3 months but less than 12 months	25,379	3,360
More than 12 months	148,096	201,985
	1,587,927	2,101,790
Retention money	83,575	139,094
	1,671,502	2,240,884

15 BORROWINGS AND LOANS

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Secured	5,840,299	4,699,993
Unsecured	569,087	2,268,793
	6,409,386	6,968,786
Current	1,747,766	3,140,228
Non-current	4,661,620	3,828,558
	6,409,386	6,968,786

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019 *HK$'000*	2018 *HK$'000*
At the beginning of the period	6,968,786	9,516,148
Proceeds of new borrowings	2,096,543	1,109,599
Repayments of borrowings *(Note 16)*	(2,672,651)	(2,266,929)
Exchange differences	16,708	(107,439)
At the end of the period	6,409,386	8,251,379

15 BORROWINGS AND LOANS – CONTINUED

(a) As at 30 June 2019, the Group's borrowings and loans bear an average interest rate of 9.35% per annum (As at 30 June 2018: 9.73% per annum).

(b) As at 30 June 2019, the amount of HK$569,087,000 (RMB500,000,000) entrusted loans from a related party, Shenzhen Qianhai Orient Venture Financial Holdings Co., Ltd. ("Shenzhen Qianhai", 深圳前海東方創業金融控股有限公司), which borne an interest rate at 12.1% per annum, was matured and presented as current liabilities accordingly. Shenzhen Qianhai is a subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). As at the approval date of this financial information, the Group is in the process of negotiating with the related party for a renewal of the loan.

16 AMOUNTS DUE TO A RELATED PARTY

For the six months period ended 30 June 2019, borrowings of HK$719,326,000 (RMB632,000,000) was matured and repaid by COAMI on behalf of the Group. As at the approval date of this financial information, the Group is in the process of negotiating with COAMI for the terms of the loan.

17 AMOUNTS DUE TO MINORITY OWNERS OF SUBSIDIARIES

Included in amounts due to minority owners of subsidiaries, HK$ 460,229,000 (31 December 2018: HK$460,543,000), which borne interest at 12% per annum (31 December 2018: 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 COAMI. As at the approval date of this financial statements, the Group is in the process of negotiating with the related party for a renewal of the loan.

18 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	966,453	988,658

As at 30 June 2019 and 31 December 2018, 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. 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.

19 COMMITMENTS

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Commitments in respect of properties under development – contracted for or authorized but not provided	4,793,864	5,003,500
Commitments for acquisition of subsidiaries – contracted for but not provided (i)	1,692,123	1,693,280

19 COMMITMENTS – CONTINUED

(i) In August 2015, the Group entered into six equity transfer agreements with a third party to acquire the entire equity interests of six project companies that possess 13 land parcels located in Nanjing, the PRC. As at 30 June 2019, the equity interests of two project companies possessing 4 land parcels were transferred to the Group. The equity interests of the remaining four project companies with 9 land parcels have not been transferred to the Group and the corresponding consideration of RMB1,468,700,000 (equivalent to HK$1,692,123,000) have not been paid.

20 LEASES

As at 30 June 2019 and 31 December 2018, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
As leasor:		
Rental receivables in respect of investment properties		
Not later than one year	176,033	187,170
Later than one year and not later than five years	487,684	533,593
Later than five years	125,645	179,411
	789,362	900,174

21 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	
	2019 *HK$'000*	2018 *HK$'000*
Short-term benefits	14,918	13,346
Post-employment benefits	218	151
	15,136	13,497

(b) As at 30 June 2019, COAMI provided guarantees on certain borrowings of the Group amounting to HK$967,448,000 (31 December 2018 : HK$1,687,099,000). During the period, the service fee relating to the guarantees amounting to HK$41,503,000 (Six months ended 30 June 2018: HK$47,580,000) 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 2019 (the "period" or "period under review").

During the period under review, the Group recorded a turnover of approximately HK$994,464,000, representing a significant decrease of HK$2,414,686,000 as compared with approximately HK$3,409,150,000 for the same period in 2018. The significant decrease in turnover was mainly due to the fact that the key projects of the Group, being the third phase of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion（濱江閱公館）of "Riverside Thumb Plaza" in Nanjing, are still in the stage of pre-sale, and it is expected that they could be delivered to buyers and the turnover shall be recognised in the first half of 2020. The turnover of the Group for the period was mainly attributed to:

- revenue recognition of service apartments, commercial units, office buildings and hotels of the first and second phases of Nanjing Himalayas Center
- revenue recognition of the apartments and commercial units of the first and second phases 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$470,446,000, representing an increase of HK$83,633,000 as compared with the same period of last year (loss for the same period of last year: approximately HK$386,813,000). Basic loss per share of the Company (the "Share") was HK$3.16 cents (basic loss per Share for the same period in 2018: HK$2.60 cents). The Group recorded an increase in loss for the period, which was mainly attributable to a substantial decline in turnover and gross profit during the period.

Business Review

During the period under review, with the development and operation for multiple types of properties including residential, office buildings, art hotels, art galleries, and complexes, Shanghai Zendai has risen as a comprehensive urban developer with commercial real estate as its core business. Relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management, Shanghai Zendai has developed its domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major regions and cities nationwide.

Following the "Nanjing Himalayas Center" project was honored as the "Benchmarking Project for the Commercial Property Sector of China in 2018" and ranked among the TOP10 Commercial Property Developers of China for 2018 in terms of brand value, the "Nanjing Himalayas Center" project won again another award. In the first half of 2019, in the one-year MAD X exhibition launched in Centre Pompidou, the Nanjing Himalayas architectural model was collected by Center Pompidou as a permanent collection. The Group has positioned the Nanjing Himalaya Center as a trendy social-themed shopping center that embodies the artistic life experience, marking the the shopping mall's formal entering into a brand new milestone. The shopping mall is tentatively scheduled to bloom gorgeously in the second quarter of next year, when it will open a new era for art shopping malls in Nanjing.

During the period, the Group continued to adhere to the development strategy of "extensively developing in the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", and the operation of light assets, focus on Shanghai, Nanjing and other first and second tier cities as key development areas, continue deploying and planning for quality and industry benchmarking commercial and residential property projects.

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 2019, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 30 June 2019, more than 96% of the commercial space in the Plaza has been leased. Rental received during the period was approximately RMB36,100,000 (equivalent to approximately HK$41,739,000).

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 78%, and total income of the hotel amounted to approximately RMB35,483,000 (equivalent to approximately HK$41,026,000).

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 74%, with a total income of approximately RMB113,616,000 (equivalent to approximately HK$131,363,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. Over the years, the hotel was successively awarded the Recomended Hotel for Consumers in Meituan-Dianping in 2018(《2018美團點評消費者推薦》) by Meituan Hotel, the Annual Art Design Hotel (《年度藝術設計酒店》) by Shanghai Quanzi (上海圈子), Four-Star Hotel (《四星酒店》) by Forbes Travel Guide (福布斯旅遊指南), Shang-High – Most Favorite Restaurant By Annual Members (《迷·上海一年度會員最愛餐廳》) by Travel Zoo (旅遊族) and Best Luxury Hotel in 2018(《2018年度最佳奢華酒店》) by Ctrip.

During the period under review, an average of approximately 76% 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 RMB35,307,000 (equivalent to approximately HK$40,822,000).

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 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres, including 20,394 square metres of service apartments, 3,437 square metres of commercial space, 71,084 square metres of office building, 19,558 square metres of hotel and 68,185 square metres of underground car-parking space. The first phase, with a total saleable area of 93,884 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space and 70,283 square metres of office building, commenced pre-sale in April 2015. During the period, a total amount of RMB12,082,000 (equivalent to approximately HK$13,969,000) was recognised as turnover. The Group had signed a contract for the hotel portion with a total contract value# of RMB364,640,000 (equivalent to approximately HK$421,598,000) and RMB347,276,000 (equivalent to HK$401,522,000) was recognised as turnover. As at 30 June 2019, most of the first phase of the project has been sold out, and the cumulative areas of 20,164 square metres, 3,317 square metres and 67,826 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB340,574,000 (equivalent to approximately HK$393,773,000), RMB129,031,000 (equivalent to approximately HK$149,186,000) and RMB1,206,590,000 (equivalent to approximately HK$1,395,063,000) respectively.

Value added tax is included in the total contract value

The second phase of the project, covering a gross floor area of approximately 208,488 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 53,967 square metres of service apartments, 17,968 square metres of commercial space, 53,136 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, the delivered areas of service apartments, commercial space and office building were 2,021 square metres, 1,259 square metres and 2,440 square metres respectively, with a total contract value of RMB35,954,000 (equivalent to approximately HK$41,570,000), RMB36,325,000 (equivalent to approximately HK$41,999,000) and RMB38,729,000 (equivalent to approximately HK$44,779,000). During the period, a total amount of RMB105,723,000 (equivalent to approximately HK$122,238,000) was recognised as turnover. As at 30 June 2019, most of the second phase of the project has been sold out, and the cumulative areas of 52,422 square metres, 16,557 square metres and 50,098 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB1,001,333,000 (equivalent to approximately HK$1,157,744,000), RMB615,754,000 (equivalent to approximately HK$711,936,000) and RMB883,802,000 (equivalent to approximately HK$1,021,855,000) respectively.

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. The third phase of the project commenced pre-sale in the first half of 2018. The total saleable area was 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the period under review, total contracted areas of service apartments and office building of 1,854 square metres and 9,378 square metres were sold, respectively, generating a total contract value of RMB41,393,000 (equivalent to approximately HK$47,858,000) and RMB181,055,000 (equivalent to approximately HK$209,337,000), respectively. During the period, a total amount of RMB73,461,000 (equivalent to approximately HK$84,731,000) was recognised as turnover. As at 30 June 2019, cumulative areas of 13,757 square metres and 20,085 square metres of service apartments and office building had been sold respectively, generating a total contract value of RMB340,266,000 (equivalent to approximately HK$393,417,000) and RMB389,850,000 (equivalent to approximately HK$450,746,000) respectively. The third phase of the project is expected to be delivered in the first half of 2020.

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. As at 30 June 2019, cumulative areas of 77,374 square metres and 2,978 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$2,227,991,000) and RMB134,110,000 (equivalent to approximately HK$155,058,000) respectively. During the period, a total amount of RMB476,000 (equivalent to approximately HK$550,000) 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 office building 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 office building. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 160,307 square metres, including 132,965 square metres of apartments, 6,745 square metres of commercial space and 20,597 square metres of office building. During the period under review, the total contracted areas of commercial space and office building of 442 square metres and 6,959 square metres were sold respectively, generating a total contract value of RMB20,180,000 (equivalent to approximately HK$23,332,000) and RMB131,426,000 (equivalent to approximately HK$151,955,000). As at 30 June 2019, cumulative areas of 132,776 square metres, 3,510 square metres and 16,531 square metres of apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB4,206,793,000 (equivalent to approximately HK$4,863,907,000), RMB199,669,000 (equivalent to approximately HK$230,858,000) and RMB309,818,000 (equivalent to approximately HK$358,213,000) respectively. During the period, the delivered areas of apartments and commercial space were 123 square metres and 41 square metres respectively, with a total contract value of RMB3,276,000 (equivalent to approximately HK$3,788,000) and RMB2,861,000 (equivalent to approximately HK$3,308,000). During the period, a total amount of RMB31,384,000 (equivalent to approximately HK$36,286,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale was planned to start in the fourth quarter of 2019.

The Fourth 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 North Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,234 square metres. The land with a gross floor 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 23,094 square metres of commercial space. Construction of the project commenced in January 2019 and the pre-sale was planned to start in the first half of 2020.

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).

As at 30 June 2019, a cumulative area of 63,203 square metres of service apartments had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,071,740,000). During the period, an area of 233 square metres was delivered with a total contract value of RMB3,133,000 (equivalent to approximately HK$3,622,000). During the period, a total amount of RMB2,984,000 (equivalent to approximately HK$3,450,000) was recognised as turnover.

As at 30 June 2019, around 84% of the commercial space (with a leasable area of 46,127 square metres) was leased, with a rental income of RMB14,215,000 (equivalent to approximately HK$16,435,000) 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 73%, with a total income of RMB23,499,000 (equivalent to approximately HK$27,170,000).

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 100% been leased as at 30 June 2019, with a rental income of RMB2,042,000 (equivalent to approximately HK$2,361,000) during the period.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, most of which has been sold out. As at 30 June 2019, a total cumulative contracted area of 71,585 square metres (including 41,065 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total contract value of RMB848,522,000 (equivalent to approximately HK$981,064,000). During the period under review, an area of 1,112 squares metres (including 241 square metres of multi-storey apartments and 871 square metres of detached villas) was delivered with a total contract value of RMB25,839,000 (equivalent to approximately HK$29,875,000). During the period, a total amount of RMB25,786,000 (equivalent to approximately HK$29,814,000) 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 approximately 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 started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 257 square metres of residential properties and 913 square metres of commercial space were sold during the period under review, generating a total contract value of RMB7,250,000 (equivalent to approximately HK$8,382,000) and RMB15,790,000 (equivalent to approximately HK$18,257,000) respectively. As at 30 June 2019, a cumulative area of 33,563 square metres of residential properties and 4,640 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK$663,437,000) and RMB64,946,000 (equivalent to approximately HK$75,091,000) respectively.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, 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 2019, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

The Group owns 60% equity interests in a parcel of land in Chengmai 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 was developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and a 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. As at 30 June 2019, the total cumulative residential and commercial areas of 23,084 square metres and 22,527 square metres had been sold respectively, generating a total contract value of RMB442,587,000 (equivalent to approximately HK$511,720,000) and RMB469,705,000 (equivalent to approximately HK$543,074,000) respectively. Residential properties with areas of 286 square metres and commercial space with areas of 1,105 square metres were delivered respectively during the period with a total contract value of RMB7,380,000 (equivalent to approximately HK$8,533,000) and RMB20,135,000 (equivalent to approximately HK$23,280,000) respectively. During the period, a total amount of RMB26,204,000 (equivalent to approximately HK$30,298,000) was recognised as turnover.

Construction of Phase II of the project 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 resort hotel was sold and delivered at a consideration of RMB106,702,000 (equivalent to approximately HK$126,439,000) in 2018. The resort villas started pre-sale in November 2014 and was completed in April 2016. During the period under review, an area of 6,575 square metres of resort villas were sold, generating a total contract value of RMB122,030,000 (equivalent to approximately HK$141,091,000). As at 30 June 2019, a cumulative area of 34,829 square metres of resort villas had been sold, generating a total contract value of RMB568,915,000 (equivalent to approximately HK$657,781,000).

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 of land, is being developed in two phases with Phase I offering a total of 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is planned 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 2019, an area of approximately 3,041 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 30 June 2019, a total cumulative area of 78,276 square metres had been sold, generating a total cumulative contract value of RMB464,499,000 (equivalent to approximately HK$537,055,000). During the period, an area of 1,611 square metres was delivered with a total contract value of RMB8,882,000 (equivalent to approximately HK$10,269,000). During the period, a total amount of RMB8,873,000 (equivalent to approximately HK$10,259,000) 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 2019, a total cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK$266,442,000).

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 81,394 square metres. As at 30 June 2019, an area of 79,784 square metres was sold, generating a total contract value of RMB359,512,000 (equivalent to approximately HK$415,669,000). During the period, an area of 393 square metres involving a contract value of RMB1,773,000 (equivalent to approximately HK$2,050,000) was delivered. During the period, a total amount of RMB1,745,000 (equivalent to approximately HK$2,018,000) 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.

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 a site area of 26,476 square metres and is still under planning stage.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

In the first half of 2019, after significant adjustment in the real estate industry in the second half of 2018 and under the principle that "housing should be built for residing, but not for speculation and cities should adopt real estate policies based on their respective situations", the real estate market maintained stable growth as expected and the performance of real estate companies tended to be stable in general.

Looking forward, the Group will continue to adhere to 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", concentrate on studies on market trends and demands, and optimize and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The Group will actively capture market trends and further develop core strategic areas such as Shanghai and Nanjing to fully explore local market demands. Centering on Shanghai and Nanjing, the Group will steadily expand across the country and launch new development projects constantly.

The Group has always adhered to the differentiated brand strategy of "Architecture · Art · Life" while maintaining development. The Group not only provides cities with high quality living spaces, but also strives to build excellent products which can meet the spiritual, cultural and aesthetic requirements of consumers. We pursue humanist spirits, focus on social values and give all our property projects their respective individualized elements and cultural connotation. As for future commercial property trends, the Group will actively make use of existing technologies to meet the demands of consumers, make continuous and deep innovations and implement strategies such as attracting specific groups with themed projects to meet the demands of consumers at a higher spiritual level, thus rewarding its shareholders and the society. In the future, the Group will always stick to its mission to "provide consumers with artistic living spaces" and continue to give its full effort in building product lines and brand products with cultural connotation and humanistic care and caring for the public.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2019, the Group had a healthy financial position with net assets value of approximately HK$2,257 million (31 December 2018: approximately HK$2,788 million). Net current assets amounted to approximately HK$2,639 million (31 December 2018: approximately HK$2,576 million) with current ratio increasing from 1.23 times at 31 December 2018 to approximately 1.25 times at 30 June 2019. 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 2019, the Group had consolidated borrowings and loans of approximately HK$6,409 million, of which HK$1,748 million was repayable within one year and HK$4,661 million was repayable more than one year. As at 30 June 2019, borrowings of the amount of HK$4,740 million (31 December 2018: HK$5,904 million) bear interest at fixed interest rates ranging from 4.77% to 18.15% per annum (31 December 2018: ranging from 5.0% to 18.15% per annum). As at 30 June 2019, the Group's bank balances and cash including restricted bank deposits were approximately HK$1,806 million (31 December 2018: HK$1,978 million). The gearing ratio of the Group increased from 2.68 times at 31 December 2018 to 3.32 times at 30 June 2019 (basis: net debts, which is defined as total amounts of borrowings and loans, amounts due to minority owners of subsidiaries and amounts due to a related party less amounts due from an associate, divided by equity attributable to owners of the Company).

Segment Information

Sales of properties

The turnover of this segment for the period was approximately HK$742,981,000 (2018: HK$3,172,187,000). The decrease was primarily due to the substantial decrease in the areas of the property to be delivered to purchaser and recognised as turnover.

Properties rental, management and agency services

The turnover of this segment for the period was approximately HK$181,061,000 (2018: HK$157,443,000). The increase was due to the increase in the number of chargeable properties as a result of commencement of management of "Nanjing Himalayas Center" and the first and second phases of "Riverside Thumb Plaza" by the Group since the end of last year.

Hotel operations

The turnover of this segment for the period was HK$70,422,000 (2018: HK$79,520,000). The decrease was due to depreciation of RMB when translated to HK$. Turnover remained stable overall if the foreign exchange effect is excluded.

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 2019 were mainly denominated in RMB, HK$, ZAR and USD. Bank borrowings of the Group as at 30 June 2019 were mainly denominated in 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 restricted 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 2019, the Group employed approximately 920 employees (31 December 2018: 1,202 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 and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the period under review:

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, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and it is expected that the remaining land title certificates of the Land Parcels will be obtained and delivered to the Group 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.

EVENT SINCE THE END OF THE REPORTING PERIOD

No important events have occurred since the end of the reporting period.

CONTINGENT LIABILITIES

Please refer to note 18 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 2019, 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:

	HK$'000
Property, plant and equipment	529,120
Investment properties	2,783,241
Properties under development and completed properties held-for-sale	3,667,620
Pledged bank deposits	474,321
	7,454,302

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 30 June 2019, 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	Name of Company	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 30 June 2019
Mr. Tang Jian	The Company	10,000,000 (L)	Beneficial owner	0.07%

(L) denotes long position

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 2019.

PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2019, 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 2019	Approximate percentage of the issued share capital as at 30 June 2019
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* （南通三建控股有限公司）*(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management Co., Ltd. ("COAMC") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
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) Co., Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

Name	Nature of interests	Number of shares interested as at 30 June 2019	Approximate percentage of the issued share capital as at 30 June 2019
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. As of 30 June 2019, 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. As of 30 June 2019, 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. As of 30 June 2019, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 70.75% 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 2019, 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.

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 since the date of the 2018 Annual Report of the Company except as stipulated below:

The term of appointment of Ms. Jiang Zhengyan as non-executive directors has been renewed for 2 years commencing from April 2019;

The term of appointment of Mr. How Sze Ming and Dr. Di Ruipeng as independent non-executive directors have been renewed for 2 years commencing from May 2019;

The term of appointment of Mr. Chow, Alexander Yue Nong and Dr. Xu Changsheng as independent non-executive directors have been renewed for 2 years commencing from June 2019;

All above term of appointment are subject to rotation and re-election in accordance with the bye-laws of the Company.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2019 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 in this report. The Company's interim results for the six-month period ended 30 June 2019 have 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 2019.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices 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 the six-month period ended 30 June 2019.

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*