Zhongchang International Holdings Group Limited
中昌國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code：859

Interim Report 2020

BOARD OF DIRECTORS

Executive directors

Mr. Ma Yilin *(Chairman)* (appointed on 13 May 2020)
Mr. Chen Zhiwei *(Chief executive officer)*
(appointed on 13 May 2020)
(appointed as chief executive officer on 22 June 2020)
Mr. Tang Lunfei (appointed on 13 May 2020)
Ms. Huang Limei (appointed on 13 May 2020)
Mr. Fan Xuerui (resigned as the Chairman on 13 May 2020)
(retired on 19 June 2020)
(removed as chief executive officer on 22 June 2020)
Mr. Pi Minjie (retired on 13 May 2020)
Mr. Sun Meng (resigned on 27 May 2020)
Ms. Li Guang (resigned on 27 May 2020)

Non-executive directors

Mr. Wang Xin
Dr. Huang Qiang (appointed on 13 May 2020)

Independent non-executive directors

Mr. Liew Fui Kiang
Mr. Wong Sai Tat
Mr. Wong Wai Leung (appointed on 13 May 2020)
Mr. Yip Tai Him (appointed on 13 May 2020)
Mr. Hung Ka Hai Clement (resigned on 15 June 2020)

COMMITTEES

Audit Committee

Mr. Yip Tai Him *(Committee Chairman)* (appointed on 15 June 2020)
Mr. Wong Wai Leung (appointed on 19 June 2020)
Dr. Huang Qiang (appointed on 19 June 2020)
Mr. Liew Fui Kiang (ceased to be committee member on 19 June 2020)
Mr. Wong Sai Tat (ceased to be committee member on 19 June 2020)
Mr. Hung Ka Hai Clement (resigned on 15 June 2020)

Nomination Committee

Mr. Ma Yilin *(Committee Chairman)* (appointed on 19 June 2020)
Mr. Liew Fui Kiang (re-designated from committee chairman to committee member on 19 June 2020)
Mr. Wong Wai Leung (appointed on 19 June 2020)
Mr. Fan Xuerui (ceased to be committee member on 19 June 2020)
Mr. Wong Sai Tat (ceased to be committee member on 19 June 2020)

Remuneration Committee

Mr. Wong Wai Leung *(Committee Chairman)* (appointed on 15 June 2020)
Mr. Wong Sai Tat (re-designated from committee chairman to committee member on 15 June 2020)
Ms. Huang Limei (appointed on 19 June 2020)
Mr. Fan Xuerui (ceased to be committee member on 19 June 2020)
Mr. Hung Ka Hai Clement (resigned on 15 June 2020)

AUTHORISED REPRESENTATIVES

Mr. Chen Zhiwei *(appointed on 22 June 2020)*
Mr. Chow Hok Lim *(appointed on 11 June 2020)*
Mr. Fan Xuerui *(removed on 22 June 2020)*
Mr. Suen Kin Wai *(resigned on 11 June 2020)*

COMPANY SECRETARY

Mr. Chow Hok Lim *(appointed on 11 June 2020)*
Mr. Suen Kin Wai *(resigned on 11 June 2020)*

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Bank of China Limited
Bank of Shanghai Co., Limited
Hang Seng Bank Limited
Nanyang Commercial Bank (China), Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

As to Hong Kong law:
Cheung Tong & Rosa Solicitors

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
Beijing Kangda Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
Cedar House
41 Cedar Avenue
Hamilton, HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Zhongchang International Holdings Group Limited (the "Company", together with its subsidiaries, collectively referred as the "Group") is principally engaged in property investment and leasing in Hong Kong and property development in the People's Republic of China (the "PRC").

The first half of 2020 has been very challenging for the Group and for the wider economy. Due to the COVID-19 pandemic, much of the global economy slowed down significantly and some sectors drew to a near total halt. In the first half of 2020, China's Gross Domestic Product ("GDP") declined by 1.6% year on year. China's GDP grew by 3.2% year on year in the second quarter of 2020, reversing a 6.8% decline in the first quarter - the first contraction since at least 1992 when official quarterly GDP records started.

The current China-U.S. trade dispute has brought further pressure on the economy, coupled with social activities in Hong Kong, the number of tourist arrivals in Hong Kong has dropped, and local consumer sentiment has become more cautious, which has put tremendous pressure on the overall retail sales and related property rental performance in the short term.

Property leasing business

During the six months ended 30 June 2020 ("Interim Period"), the Group recorded rental income from investment properties of approximately HK$17.5 million (six months ended 30 June 2019: approximately HK$19.6 million). The decrease in rental income was mainly attributed to rental concession granted to tenants and the decline in the occupancy rate during the first half of 2020.

Hong Kong saw its economic recession deepened in the first half of 2020 as the COVID-19 pandemic seriously disrupted the external trade, consumption, especially tourists' spending, and retail spending in the city. Hong Kong's GDP contracted by approximately 9% in the first half of 2020, comparing with a 0.5% growth in the same period last year. Retail spending plunged as social distancing measures severely dampened consumption-related activities. Global lockdown also put the inbound tourism to a standstill. Visitor arrivals to Hong Kong plummeted by 89.9% to 3.5 million visitors in aggregate for the first half of 2020 with visitor arrivals from mainland China reporting a 90.3% decline. For the first half of 2020, retail sales in Hong Kong dropped by 33.3% year-on-year, compared with a decline of 2.6% in the same period of 2019. The Group's overall rental reversion in renewals and new lettings became negative in the first half of 2020.

In face of the daunting challenges, the Group remained focused on further bolstering the resilience of its core business in Causeway Bay in order to preserve its long-term competitiveness and ensure sustainable development in a challenging market. The investment properties of the Group are situated in the prime shopping district of Causeway Bay and the Group has continued to refine the diverse-trade tenants mix.

As at 30 June 2020, the investment property portfolio of the Group achieved an occupancy rate of approximately 87.1% (31 December 2019: approximately 93.6%). Jardine Center remained as the Group's core and steady income generators, accounted for approximately 74.9% of the total revenue of the Group during the Interim Period.

Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong at the end of the Interim Period and revenue contribution of the investment properties portfolio of the Group in Hong Kong during the Interim Period.

	Valuation of investment properties as at 30 June 2020 HK$'000	Valuation of investment properties as at 31 December 2019 HK$'000	**Increase/ (decrease) in fair value of investment properties HK$'000**	**Revenue for the six months ended 30 June 2020 HK$'000**	Revenue for the six months ended 30 June 2019 HK$'000	**Increase/ (decrease) in revenue %**
Causeway Bay						
Jardine Center, No.50 Jardine's Bazaar[1]	**1,460,000**	1,480,000	(20,000)	**13,091**	14,519	(9.8%)
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar[2]	**97,000**	102,000	(5,000)	**1,099**	1,265	(13.1%)
First Floor, Nos.38 and 40 Jardine's Bazaar[2]	**14,400**	14,600	(200)	**224**	227	(1.3%)
Ground Floor including Cockloft, No.41 Jardine's Bazaar[2]	**128,000**	135,000	(7,000)	**1,283**	1,428	(10.2%)
Ground Floor, No.57 Jardine's Bazaar[2]	**130,000**	138,000	(8,000)	**1,330**	1,603	(17.0%)
Mid-Levels						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road[2]	**50,000**	52,000	(2,000)	**460**	574	(19.9%)
Total	**1,879,400**	1,921,600	(42,200)	**17,487**	19,616	(10.9%)

(1) Ginza-style building
(2) Street-shop

As at 30 June 2020, the investment properties of the Group were revalued at HK$1,879.4 million (31 December 2019: HK$1,921.6 million) by an independent professional valuer. During the Interim Period, the loss in fair value of investment properties of HK$42.2 million (six months ended 30 June 2019: gain in fair value of investment properties of HK$27.3 million) was recognised in condensed consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to the impact of COVID-19 epidemic and economic uncertainties in Hong Kong.

Property development business

In the first half of 2020, due to severe disruption caused by COVID-19, the timing of sales launch and the construction progress had been distorted with sales and construction activities mostly frozen in the first quarter of 2020. As a result, the pre-sale activities of the properties have been severely affected.

The Zhenjiang project – 南山淺水灣 (Nanshan Qianshuiwan) ("NQS")*

As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019 ("Circular I"), the Group entered into an agreement ("SPA I") with Sanshenghongye (BVI) Holdings Limited ("Sansheng BVI") to acquire the entire issued capital of High Morality Limited ("High Morality"), which indirectly holds three parcels of land located in Zhenjiang City, Jiangsu Province, the PRC, at a consideration of approximately Renminbi ("RMB") 194.9 million ("Consideration I") (the "Zhenjiang Project"). The SPA I was approved by the independent shareholders of the Company at a special general meeting held in January 2019. The completion took place on 1 March 2019 ("Completion I") and High Morality became a wholly-owned subsidiary of the Group (subject to a put option granted by Sansheng BVI to the Group pursuant to the SPA I which shall be exercisable from the date of Completion I to 31 August 2022 if certain conditions are fulfilled, which, when exercised, enables the Group to require Sansheng BVI to acquire from the Group the entire issued share(s) of High Morality and any outstanding loan(s) owed by High Morality and/or any subsidiary of High Morality to the Group ("Put Option")).

The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai and adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development (i.e. Phase II of NQS) with total planned gross floor area ("GFA") of approximately 160,000 sq.m., including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m.. The Group intends to designate all residential and commercial units for sale. Phase II of NQS comprises 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

The planned development of Phase II of NQS is as follows:

	GFA (sq.m.)							
Phase	Residential	Retail	Car park	Ancillary areas	Total	Estimated/actual commencement date	Estimated completion date	Estimated pre-sale date
Phase 1	61,223	–	–	–	61,223	March 2019	December 2021	August 2019
Phase 2	42,546	–	–	–	42,546	August 2020	September 2022	December 2020
Phase 3	47,895	1,866	2,036	2,400	54,197	November 2020	January 2023	January 2022
Total	151,664	1,866	2,036	2,400	157,966			

The Group obtained the pre-sale permit for phase 1 of the Phase II of NQS in August 2019. As at 30 June 2020, 60 residential units out of total 1,132 units of the Phase II of NQS (31 December 2019: 26 residential units out of total 1,132 units) have been presold and proceeds from presale of properties amounted to approximately RMB73.9 million (equivalent to approximately HK$80.9 million) (31 December 2019: approximately RMB36.7 million (equivalent to approximately HK$41.0 million)).

The Group obtained self-finance construction loan of RMB221.0 million from 上海愛建信托有限責任公司 (Shanghai Aijian Trust Co., Limited*) ("Shanghai Aijian") for the construction of Phase II of NQS. Together with the loan facility provided by Shanghai Aijian prior to the Group's acquisition of High Morality, the total amounts (including accrued interests) owed by the Group to Shanghai Aijian amounted to approximately RMB504.2 million as at 30 June 2020. As disclosed in the announcement of the Company dated 21 May 2020, the Company received notice from Shanghai Aijian demanding repayment of the loan facilities and the Group is currently negotiating with Shanghai Aijian with a view to reaching a settlement of this matter.

As disclosed in Circular I, the Put Option will become exercisable if the adjusted net asset value ("ANAV") of High Morality and its subsidiaries ("High Morality Group") as at any of the relevant valuation dates (including 30 June 2020) ("Valuation Date"), calculated based on the aggregation of (i) unaudited consolidated net assets value of High Morality Group as of the Valuation Date after adjusted for the valuation surplus or the valuation deficit (as the case may be) with reference to the market value of Phase II of NQS as of the Valuation Date; and (ii) added back any uncapitalised finance cost and taxation thereof, is lower than the Consideration I.

As at 30 June 2020, the market value of Phase II of NQS appraised by an independent professional valuer was RMB796 million (equivalent to approximately HK$871.4 million) (31 December 2019: RMB791 million (equivalent to approximately HK$883.0 million)). As the net realisable value of Phase II of NQS was lower than its carrying amount, a write-down of properties for sale to net realisable value of approximately HK$32.9 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period.

With reference to the market value of Phase II of NQS as assessed by an independent property valuer, the ANAV of High Morality Group as at 30 June 2020 amounted to approximately RMB165.1 million, which is lower than the Consideration I. The Company is cautious about the prospects of the property market in Zhenjiang City and is considering various alternatives for the NQS project in order to improve the financial position of the Group.

The Jinhua project

As disclosed in the announcements of the Company dated 4 February 2019, 22 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019 ("Circular II"), the Group entered into an agreement and a supplemental deed ("SPA II") with Sansheng BVI as the vendor pursuant to which the Group acquired (i) 49% of the issued share capital of Yitai International (BVI) Holdings Limited ("Yitai"), a company which holds 99% indirect equity interest in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of Yitai to Sansheng BVI's related party at an aggregate consideration of approximately RMB255.6 million ("Consideration II"). The SPA II was approved by the independent shareholders of the Company at a special general meeting held in March 2019. The completion took place on 2 April 2019 and Yitai has become the Group's associate.

The land is being developed into a mixed-use residential and commercial complex in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m.. Development of phase I of the project, which includes 11 residential towers with an aggregate area of 111,500 sq.m., 2 office towers and retail shops of 50,200 sq.m. and 1,200 car parking spaces, commenced in April 2018 and is expected to complete by end of 2020. Development of phase II of the project commenced in mid 2018 and is expected to complete by early 2021. Pre-sale of phase I of the project was launched in July 2018. These contracted sales will be recognised by Yitai as revenue in 2020 upon completion of development of phase I of the project. Pre-sale of phase II of the project was launched in the first quarter of 2019 and further revenue is expected to be recognised by Yitai in early 2021 upon completion of development of phase II.

As at 30 June 2020, 1,687 residential units out of total 1,696 units (phase I and phase II combined) and 834 car parking spaces out of total 1,874 car parking spaces (phase I and phase II combined) (31 December 2019: 1,601 residential units out of total 1,696 residential units and 769 car parking spaces out of total 1,874 car parking spaces) have been presold. Proceeds from presale of residential units and car parking spaces amounted to in aggregate of approximately RMB1,804.1 million (equivalent to approximately HK$1,975.1 million) (31 December 2019: in aggregate of approximately RMB1,644.8 million (equivalent to approximately HK$1,836.2 million).

During the Interim Period, the Group's share of loss of Yitai and its subsidiaries ("Yitai Group") was approximately HK$24.1 million. It is because that all the proceeds from its pre-sold properties are yet to be recognised as revenue until the construction of the pre-sold properties are completed and the possession of these properties have been delivered to the customers. Accordingly, Yitai Group has not recognised any revenue and only incurred uncapitalised pre-selling and administrative expenses and provision for impairment loss of other receivable under expected credit loss ("ECL") model.

The Group carried out impairment assessment on the entire carrying amount of its interest in Yitai as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its entire carrying amount as at 30 June 2020. As at 30 June 2020, the carrying amount of the Group's interest in an associate of approximately HK$178.2 million (31 December 2019: approximately HK$232.1 million) was higher than its fair value of approximately HK$166.5 million (31 December 2019: approximately HK$206.0 million). Impairment loss on investment in an associate of approximately HK$11.7 million was made as at the end of the Interim Period. The impairment was driven by the decline in selling prices of the properties held by the Yitai Group and further provision for impairment loss of other receivable of Yitai Group under ECL model.

Disposal of non-core business asset – a land parcel in Hangzhou City

As disclosed in the announcements of the Company dated 24 June 2019 and 8 July 2019 and the circular of the Company dated 12 July 2019, Hangzhou Minglun Industrial Co., Limited ("Hangzhou Minglun"), a wholly-owned subsidiary of the Company, has entered into a transfer agreement with 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC ("Lin'an Land"), at a cash consideration of approximately RMB347.6 million. Completion of the acquisition shall take place no later than 7 July 2020.

On 7 April 2020, Zhoushan Mingyi Cultural Assets Investments Co., Limited ("Zhoushan Mingyi"), Hangzhou Minglun (both wholly-owned subsidiaries of the Company) and Dongtou Property Group Co., Limited ("Dongtou Property") entered into a conditional sale and purchase agreement (the "Agreement"), pursuant to which Zhoushan Mingyi conditionally agreed to sell and Dongtou Property conditionally agreed to purchase the sale interest, representing the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan of approximately RMB23.9 million owed by Hangzhou Minglun to the Group), at the consideration of approximately RMB177.3 million (equivalent to approximately HK$193.2 million).

On 30 June 2020, the Agreement was terminated and Zhoushan Mingyi, Hangzhou Minglun and Dongtou Property still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with Dongwang Project Management Co., Limited ("Dongwang Project Management"), entered into the new disposal agreement (the "New Disposal Agreement") on 30 June 2020.

Pursuant to the New Disposal Agreement, Zhoushan Mingyi conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the sale interest, which represents the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of approximately RMB23.9 million owed by Hangzhou Minglun to the Group) at the consideration of approximately RMB180.3 million (equivalent to approximately HK$196.5 million).

As at the date of this report, the disposal of non-core business asset – a land parcel in Hangzhou City is completed.

For details, please refer to the Company's announcements dated 30 June 2020 and Company's circular dated 7 August 2020.

Termination of acquisition of a hotel in Zhoushan City

As disclosed in the announcement of the Company dated 8 August 2019 and the circular of the Company dated 29 August 2019 ("Circular III"), the Group has entered into an agreement (the "Acquisition Agreement") with 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*) ("Foshan Sansheng") for the acquisition of the entire equity interest in 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) ("Zhoushan Sansheng") at the consideration of RMB120.0 million (equivalent to approximately HK$134.4 million) in cash (the "Hotel Acquisition"). Zhoushan Sansheng holds Pullman Zhoushan Seaview (舟山三盛鉑爾曼大酒店), a hotel located in Zhoushan City, Zhejiang Province, the PRC. The Hotel Acquisition was approved by independent shareholders of the Company at the special general meeting of the Company on 18 September 2019. As at 31 December 2019, an aggregate amount of RMB66.8 million (equivalent to approximately HK$74.6 million) was paid as consideration to Foshan Sansheng.

As disclosed in the announcements of the Company dated 31 December 2019 and 14 January 2020, the charge over the equity interest in Zhoushan Sansheng in favour of 浙江浙銀金融租賃股份有限公司 (Zhejiang Zheyin Finance Lease Co., Ltd.*) ("Equity Interest Charge") was not capable of being released and the conditions precedent for completion of the Hotel Acquisition were not capable of being fulfilled on or before the original long stop date of 31 December 2019. On 31 December 2019, the parties to the Acquisition Agreement agreed in writing to extend the long stop date to 30 June 2020 (the "New Long Stop Date").

As certain conditions precedent to the completion of the Hotel Acquisition (in particular, the release of the Equity Interest Charge and completion of all corresponding regulatory filing procedures) remain not satisfied upon the close of business of the New Long Stop Date, as such, on 1 July 2020, the Group notified the Foshan Sansheng in writing to (i) terminate the Acquisition Agreement on the same date; and (ii) request Foshan Sansheng to return the amount of RMB66.8 million, being the partial purchase price paid by the Group pursuant to the terms of the Acquisition Agreement, to the Group within 20 days of the notice.

As at 30 June 2020, the reassessed amount of deposit paid under the Acquisition Agreement, net of allowance for credit losses by an independent professional valuer was approximately RMB53.8 million (equivalent to approximately HK$58.9 million) (31 December 2019: approximately RMB63.8 million (equivalent to approximately HK$71.3 million)). As a result, an impairment loss under ECL model of approximately RMB10.0 million (equivalent to approximately HK$11.1 million) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period. The impairment loss under ECL model was mainly driven by the ruined credit rating of Foshan Sansheng at the end of the Interim Period.

Receipt of demand letters from Hang Seng Bank Limited ("HSB")

On 11 June 2020, the Group received three demand letters (collectively, the "Demand Letters") from the legal advisers of HSB demanding for prepayment of an aggregate of HK$197,837,500 on or before 11 July 2020, in order to restore the loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of facilities given by HSB to the open market value of the property used as security for the relevant facilities) to a specified percentage pursuant to the terms of the relevant facilities.

Up to the date of this report, the Company is in the process of complying with the waiver conditions set forth by HSB.

For details, please refer to the Company's announcement dated 12 June 2020.

* *For identification purpose only*

Close of general offer and public float of the Company

As disclosed in the offer document issued by Glory Rank Investment Limited (a wholly-owned subsidiary of China Cinda (HK) Asset Management Co. Limited) (the "Offeror") dated 29 April 2020, the response document issued by the Company dated 13 May 2020 and the joint announcement issued by the Offeror and the Company dated 27 May 2020, China Cinda (HK) Asset Management Co., Limited made a mandatory unconditional general offer (the "Offer") via the Offeror to acquire all the issued shares of the Company (other than those already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer was closed on 27 May 2020. Immediately after the close of the Offer, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them held an aggregate 955,228,042 issued shares of the Company, representing approximately 84.91% of the total number of issued shares of the Company, and the Company did not satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Further, as disclosed in the announcement of the Company dated 16 June 2020, the Company was granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules by the Stock Exchange on 16 June 2020 for the period from 27 May 2020 to 30 September 2020. As at 30 June 2020 and the date of this report, the Company has not yet restored the public float. Further announcement(s) will be made by the Company regarding the restoration of the public float as and when appropriate in compliance with the Listing Rules.

OUTLOOK

The economic outlook for the second half of 2020 remains uncertain, driven by COVID-19 epidemic effects, the current US-China trade disputes, as well as other domestic political and economic factors. In respect of the property leasing business, most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with our tenants. The Group will also evaluate alternatives to optimize the Group's property development business in the PRC.

Under the impact of ongoing uncertainties, the Group's priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group's sustainable growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the revenue of the Group amounted to approximately HK$17.5 million, representing a decrease of approximately 25.2% from approximately HK$23.4 million recorded in the corresponding period of last year. The decrease in revenue was primarily attributable to (i) rental concession granted to tenants during the second quarter of 2020 as a consequence of COVID-19 pandemic and (ii) the absence of property project management services income during the Interim Period as the relevant services have been suspended since October 2019.

Other loss

Other losses for the six months ended 30 June 2020 were approximately HK$1.2 million, as compared with other gains of approximately HK$3.5 million for the six months ended 30 June 2019. The decrease was mainly due to (i) decrease in bank interest income; (ii) a fair value loss on derivative financial asset component of convertible notes; and (iii) a fair value loss of financial assets at fair value through profit or loss of approximately HK$2.7 million recognised during the Interim Period.

Staff costs

For the six months ended 30 June 2020, the Group's staff costs amounted to approximately HK$7.7 million, representing a slight increase of 1.8% from approximately HK$7.6 million recorded in the corresponding period of last year.

Other operating expenses

Other operating expense amounted to approximately HK$11.9 million for the six months ended 30 June 2020, representing an increase of 60.5% from approximately HK$7.4 million recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

	For the six months ended 30 June 2020 HK$'000	For the six months ended 30 June 2019 HK$'000
Investment properties operating cost	**1,945**	1,576
Professional fees	**4,059**	2,220
Marketing and advertising expenses	**1,769**	–
General administrative costs	**2,519**	2,471
Exchange loss, net	**1,559**	1,117
Total	**11,851**	7,384

Investment properties operating cost mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. Due to increase in repairs and maintenance work, such expenses were slightly more than that of corresponding period of last year.

Substantial increase in professional fees was mainly due to financial advisory fees incurred for various corporate transactions during the Interim Period.

Marketing and advertising expenses amounted to approximately HK$1.8 million during the period under review, due to the commencement of sales of properties under development of Zhenjiang Project.

Share of results of an associate

The share of net loss of associates for the six months ended 30 June 2020 amounted to approximately HK$24.1 million, as compared with the share of net profit of approximately HK$3.5 million for the six months ended 30 June 2019. Share of results of an associate represented the Group's share of losses incurred by Yitai Group. The loss incurred by Yitai Group was because that all the proceeds from its pre-sold properties are yet to be recognised as revenue until the construction of the pre-sold properties are completed and the possession of these properties have been delivered to the customers. Accordingly, Yitai Group has not recognised any revenue and only incurred uncapitalised pre-selling and administrative expenses and provision for impairment loss of other receivable under the ECL model during the Interim Period.

Impairment loss on investment in an associate

Impairment loss on investment in an associate of approximately HK$11.7 million was made as at the end of the Interim Period. The impairment was driven by the decline in selling prices of the properties held by the Yitai Group and further provision for impairment loss of other receivable of Yitai Group under ECL model.

Net loss in fair value of investment properties

As at 30 June 2020, the investment properties of the Group were revalued at HK$1,879.4 million (31 December 2019: HK$1,921.6 million) by an independent professional valuer. During the Interim Period, a fair value loss on investment properties of HK$42.2 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income, reflecting the impact of the COVID-19 pandemic and economic uncertainties in Hong Kong.

Finance costs

For the six months ended 30 June 2020, finance costs of the Group amounted to approximately HK$23.6 million, representing an increase of approximately 143.3% from approximately HK$9.7 million recorded in the corresponding period of last year. The increase in finance costs was mainly due to (i) increased borrowing from bank during the second half of 2019 and (ii) increased borrowing from Shanghai Aijian to finance the Zhenjiang Project during the Interim Period.

Write-down of properties for sale to net realisable value

As at 30 June 2020, the market value of Phase II of NQS appraised by an independent professional valuer was RMB796 million (equivalent to approximately HK$871.4 million) (31 December 2019: RMB791 million (equivalent to approximately HK$883.0 million)). As the net realisable value of Phase II of NQS were lower than its carrying amount, a write-down of properties for sale to net realisable value of approximately HK$32.9 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period.

Impairment losses under the ECL model

The impairment losses for the Interim Period mainly comprised the loss recognised in respect of the deposit paid for the acquisition of Zhoushan Sansheng. As at 30 June 2020, the reassessed amount of deposit paid under the Acquisition Agreement, net of allowance for credit losses by an independent professional valuer was approximately RMB53.8 million (equivalent to approximately HK$58.9 million) (31 December 2019: approximately RMB63.8 million (equivalent to approximately HK$71.3 million)). As a result, an impairment loss under ECL model of approximately RMB10.0 million (equivalent to approximately HK$11.1 million) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period. The impairment loss under ECL model was mainly driven by the ruined credit rating of Foshan Sansheng at the end of the Interim Period.

Loss for the period attributable to the owners of the Company

Net loss attributable to the owners of the Company for the six months ended 30 June 2020 amounted to approximately HK$153.9 million (six months ended 30 June 2019: profits of approximately HK$29.3 million). As a result of the reasons mentioned above, the net loss was primarily due to (i) decrease in fair value of investment properties in Hong Kong of approximately HK$42.2 million; (ii) increase in finance costs; (iii) impairment loss under ECL model of approximately HK$12.5 million on certain financial assets of the Group, which mainly comprised of the loss recognised in respect of the deposit paid for the acquisition of Zhoushan Sansheng; (iv) share of loss of an associate of approximately HK$24.1 million; (v) impairment on investment in an associate of approximately HK$11.7 million; and (vi) write-down of properties to sale to net realisable value of approximately HK$32.9 million.

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank and other borrowings. As at 30 June 2020, the Group's outstanding bank and other borrowings amounted to approximately HK$1,581.2 million (31 December 2019: approximately HK$1,590.9 million), of which all outstanding secured bank and other borrowings are repayable within one year as of 30 June 2020. On 11 June 2020, the Group received three demand letters (collectively, the "Demand Letters") from the legal advisers of HSB demanding for prepayment of an aggregate of HK$197,837,500. The Company is in the process of complying with the waiver conditions set forth by HSB.

As at 30 June 2020, the Group maintained bank balances and cash of approximately HK$176.4 million. (31 December 2019: approximately HK$205.9 million). The decrease in cash and bank balances was mainly attributable to repayment of bank and other borrowings and payment of construction costs for the project of properties held for sale.

The Group's gearing ratio as at 30 June 2020, which is calculated on the basis of total liabilities over total assets, was approximately 50.1% (31 December 2019: approximately 47.0%) whilst the current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2020, was approximately 0.9 (31 December 2019: approximately 2.1).

As at 30 June 2020, the Group recorded net current liabilities of approximately HK$247.8 million (31 December 2019: net current assets of approximately HK$831.1 million), The net current liabilities was mainly due to a technical breach of a financial covenant. The board (the "Board") of directors (the "Directors") of the Company is of the opinion that, after taking into account the existing available borrowing facilities, the proceeds from disposal of the non-core asset and other internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

Capital Structure

As at 30 June 2020, the issued share capital of the Company was 1,125,027,072 shares. During the Interim Period, there was no movement of the issued share capital of the Company.

As at 30 June 2020, the unaudited net assets of the Group amounted to approximately HK$1,817.9 million, representing a decrease of approximately 8.3% from the audited net assets of approximately HK$1,983.3 million as at 31 December 2019. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2020, the unaudited net assets value per share was approximately HK$1.62 (as at 31 December 2019: approximately HK$1.76).

Treasury Policy

The Group's transactions and its monetary assets and liabilities are principally denominated in HK$ and RMB. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GUARANTEE

As at 30 June 2020, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127.0 million (31 December 2019: HK$1,127.0 million), while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150 million (31 December 2019: HK$150 million).

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK$1,879.4 million (31 December 2019: HK$1,921.6 million) for securing the Group's bank and certain other borrowings;

2. share mortgage of certain subsidiaries for securing their respective bank borrowings;

3. rent assignments in respect of the investment properties held by the Group;

4. properties for sale under development with an aggregate carrying amount of approximately HK$871.4 million (31 December 2019: approximately HK$819.2 million) and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469.4 million (equivalent to approximately HK$513.9 million) from Shanghai Aijian;

5. properties for sale – completed properties with an aggregate carrying amount of approximately HK$20.7 million (31 December 2019: approximately HK$21.1 million) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

6. entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50.0 million from a financial institution, China Cinda (HK) Asset Management Co., Limited.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 44 employees (31 December 2019: 45 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the disposal of the entire equity interest in Hangzhou Minglun as disclosed in the Company's announcement dated 30 June 2020, there was no other significant investments, material acquisitions or disposals during the Interim Period.

FOREIGN EXCHANGE EXPOSURE

During the Interim Period, most of the Group's business transactions were conducted in Hong Kong dollars and RMB. Review of the Group's exposure to foreign exchange risks is conducted periodically. It was expected that the exposure to exchange rate fluctuation was not significant and therefore the Group did not engage in any hedging activity during the Period.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "Share Option Scheme") upon the previous share option scheme, which was adopted on 3 September 2003 for a term up to 2 September 2013.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company's shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

As at 30 June 2020, there were no outstanding share options under the Share Option Scheme.

Additional Information Required under the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 June 2020, persons, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO (the "Register") or had otherwise notified to the Company and the Stock Exchange were as follows:

		As at 30 June 2020	
Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company[1]
Glory Rank Investment Limited ("Glory Rank") [2][3]	Beneficial owner	L – 111,642,295	9.93%
China Cinda (HK) Asset Management Co., Limited ("China Cinda (HK)") [2][3][4][6]	Beneficial owner/Interest in controlled corporation	L – 968,943,752	86.13%
China Cinda Asset Management Co., Ltd. [2][4][6]	Interest in controlled corporation	L – 968,943,752	86.13%
DCP China Credit Fund I, L.P. [7]	Interest of controlled corporation	L – 843,585,747 [5]	74.98%
Dignari Capital Partners GP Limited [7]	Interest of controlled corporation	L – 843,585,747 [5]	74.98%
Tan Mei Zie Grace [7]	Interest of controlled corporation	L – 843,585,747 [5]	74.98%

Notes:

(1) Based on 1,125,027,072 ordinary shares of the Company in issue as at 30 June 2020.

(2) As notified to the Company, Glory Rank, which is wholly-owned by China Cinda (HK), which in turn is wholly-owned by China Cinda Asset Management Co., Ltd., is the beneficial owner of 111,642,295 Shares.

(3) As notified to the Company, China Cinda (HK) is the beneficial owner of 843,585,747 Shares and has a security interest in a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 Shares based on the prevailing conversion price of HK$0.802 per Share. As it is the sole shareholder of Glory Rank, it is deemed under the SFO to be interested in the interests held by Glory Rank.

(4) As notified to the Company, China Cinda Asset Management Co., Ltd. is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the interests held by China Cinda (HK).

(5) DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives.

(6) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which controlled 100% of China Cinda (HK) Asset Management Co., Limited.

(7) DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 11 June 2020, the Group received three demand letters (collectively, the "Demand Letters") from the legal advisers of HSB demanding for prepayment of an aggregate of HK$197,837,500 on or before 11 July 2020, in order to restore the loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of facilities given by HSB to the open market value of the property used as security for the relevant facilities) to a specified percentage pursuant to the terms of the relevant facilities.

Up to the date of this report, the Company is in the process of complying with the waiver conditions set forth by HSB.

Additional Information Required under the Listing Rules

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time as the guidelines for corporate governance of the Company and has complied with the CG Code throughout Interim Period, with the exception of Code Provision A.2.1.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Fan Xuerui ("Mr. Fan") served as both the chairman and the chief executive officer from 30 September 2019 onwards till 12 May 2020, which deviates from the Code Provision A.2.1. During the said period, the board of directors of the Company at the said period believed that with the support of the management, vesting the roles of both chairman and the chief executive officer in Mr. Fan can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the board of directors of the Company at the said period considered that the structure will not impair the balance of power and authority between the Board and the management of the Group. As disclosed in the announcement of the Company dated 13 May 2020, Mr. Fan resigned as the chairman of the Board with effective from 13 May 2020. The Company has complied with Code Provision A.2.1 since then.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the Interim Period.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim results for the six months ended 30 June 2020 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 has been reviewed by the Company's auditors, HLB Hodgson Impey Cheng Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

EVENT AFTER THE REPORTING PERIOD

On 1 July 2020, 佛山快彤物業服務有限公司 (Foshan Express Property Services Co., Ltd.*) ("Foshan Express"), as purchaser, notified Foshan Sansheng, as vendor, in writing to (i) terminate the Acquisition Agreement on the same date; and (ii) request Foshan Sansheng to return the amount of RMB66.8 million, being the partial purchase price paid by Foshan Express pursuant to the terms of the Acquisition Agreement, to Foshan Express within 20 days of the notice.

Up to the date of this report, Foshan Sansheng has still not yet returned the partial purchase price paid by the Group.

For details, please refer to the Company's announcement dated 1 July 2020.

By order of the Board
Zhongchang International Holdings Group Limited
Ma Yilin
Chairman and Executive director

Hong Kong, 24 August 2020

* *For identification purpose only*

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statement set out on pages 19 to 52, which comprises the condensed consolidated statement of financial position of Zhongchang International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six month period then ended 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" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this condensed consolidated financial statement in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated financial statement 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 the condensed consolidated financial statement consists of making enquiries, 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.

Independent Review Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the condensed consolidated financial statements, which indicates that the Company incurred a net loss of HK$153,861,000 during the six months ended 30 June 2020 and, as of that date, the Company's current liabilities exceeded its current assets by HK$247,757,000. As stated in Note 2, this event or condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statement are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 24 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Unaudited **Six months ended 30 June 2020 HK$'000**	Six months ended 30 June 2019 HK$'000
Revenue	4	**17,487**	23,425
Other (loss)/income, net	5	**(1,155)**	3,514
Net (loss)/gain in fair value of investment properties	11	**(42,200)**	27,300
Staff costs	6	**(7,744)**	(7,609)
Depreciation of property, plant and equipment	6	**(502)**	(423)
Depreciation of right-of-use assets	6	**(846)**	(556)
Write-down of properties for sale to net realisable value	14	**(32,933)**	–
Impairment losses under expected credit loss model	16	**(12,478)**	–
Other operating expenses		**(11,851)**	(7,384)
(Loss)/profit from operations	6	**(92,222)**	38,267
Share of results of an associate	12	**(24,130)**	3,462
Impairment loss on investment in an associate	12	**(11,706)**	–
Finance costs	7	**(23,593)**	(9,695)
(Loss)/profit before taxation		**(151,651)**	32,034
Taxation	8	**(2,210)**	(2,708)
(Loss)/profit for the period		**(153,861)**	29,326
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(11,549)**	(9,613)
Other comprehensive loss for the period, net of tax		**(11,549)**	(9,613)
Total comprehensive (loss)/income for the period		**(165,410)**	19,713
(Loss)/profit for the period attributable to the owners of the Company		**(153,861)**	29,326
Total comprehensive (loss)/income for the period attributable to the owners of the Company		**(165,410)**	19,713
(Loss)/earnings per share			
– Basic (in HK cents)	10	**(13.68)**	2.61
– Diluted (in HK cents)	10	**(13.68)**	2.49

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**1,627**	2,147
Right-of-use assets		**3,522**	4,384
Investment properties	11	**1,879,400**	1,921,600
Investment in an associate	12	**166,474**	206,001
Financial assets at fair value through profit or loss	13	**28,288**	31,615
Deferred tax assets		**6,907**	6,970
		2,086,218	2,172,717
CURRENT ASSETS			
Properties for sale	14	**894,883**	843,117
Trade and other receivables, deposits and prepayments	15	**249,854**	472,225
Amounts due from an associate	12	**42,770**	44,697
Derivative financial instruments	17	**76**	89
Tax recoverable		**1,475**	664
Cash and bank balances		**176,356**	205,947
		1,365,414	1,566,739
Assets of disposal group classified as held for sale	18	**190,319**	–
		1,555,733	1,566,739
CURRENT LIABILITIES			
Trade and other payables, deposits and accrued expenses	19	**207,375**	129,043
Lease liabilities		**1,694**	1,689
Bank and other borrowings	20	**1,581,201**	591,750
Convertible notes	21	**10,443**	9,845
Tax payable		**1,769**	3,284
		1,802,482	735,611
Liabilities associated with disposal group classified as held for sale	18	**1,008**	–
		1,803,490	735,611
NET CURRENT (LIABILITIES)/ASSETS		**(247,757)**	831,128
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,838,461**	3,003,845

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
NON-CURRENT LIABILITIES			
Other payables and deposits	19	**7,193**	7,494
Lease liabilities		**1,729**	2,841
Bank and other borrowings	20	**–**	999,190
Deferred tax liabilities		**11,655**	11,026
		20,577	1,020,551
NET ASSETS		**1,817,884**	1,983,294
CAPITAL AND RESERVES			
Share capital	22	**112,502**	112,502
Reserves	23	**1,705,382**	1,870,792
TOTAL EQUITY		**1,817,884**	1,983,294

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (Unaudited)

	Attributable to the owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 23)	Exchange reserve HK$'000 (Note 23)	Convertible notes equity reserve HK$'000 (Note 23)	Retained profits HK$'000	Total HK$'000
At 1 January 2020 (audited)	**112,502**	**168,300**	**9,628**	**(18,347)**	**5,619**	**1,705,592**	**1,983,294**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(153,861)**	**(153,861)**
Other comprehensive loss, net of tax:							
Items that may be reclassified subsequently to profit or loss:							
Exchange difference on translating foreign operations	**–**	**–**	**–**	**(11,549)**	**–**	**–**	**(11,549)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(11,549)**	**–**	**(153,861)**	**(165,410)**
At 30 June 2020 (unaudited)	**112,502**	**168,300**	**9,628**	**(29,896)**	**5,619**	**1,551,731**	**1,817,884**

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 23)	Exchange reserve HK$'000 (Note 23)	Convertible notes equity reserve HK$'000 (Note 23)	Contribution from shareholders HK$'000 (Note 23)	Retained profits HK$'000	Total HK$'000
At 1 January 2019 (audited)	112,502	168,300	9,628	(120)	5,619	233,606	1,566,773	2,096,308
Profit for the period	–	–	–	–	–	–	29,326	29,326
Other comprehensive loss, net of tax:								
Items that may be reclassified subsequently to profit or loss:								
Exchange difference on translating foreign operations	–	–	–	(9,613)	–	–	–	(9,613)
Total comprehensive (loss)/income for the period	–	–	–	(9,613)	–	–	29,326	19,713
At 30 June 2019 (unaudited)	112,502	168,300	9,628	(9,733)	5,619	233,606	1,596,099	2,116,021

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Net cash used in operating activities		**(6,091)**	(246,325)
Cash flows from investing activities			
Acquisition of investment in an associate	12	**–**	(246,224)
Loan to an associate		**–**	(55,146)
Investment in financial assets at fair value through profit or loss		**–**	(64,798)
Net cash outflow on acquisition of subsidiaries		**–**	(233,101)
Deposit paid for acquisition of a land parcel		**–**	(83,555)
Other investing activities		**608**	1,392
Net cash generated from/(used in) investing activities		**608**	(681,432)
Cash flows from financing activities			
New bank and other borrowings raised		**23,178**	281,326
Repayment of bank borrowings		**(20,955)**	(12,855)
Repayments of lease liabilities		**(1,196)**	–
Advance from related companies		**–**	117,710
Repayment of amounts due to related companies		**–**	(266,387)
Interests paid		**(24,099)**	–
Other financing activities		**–**	(319)
Net cash (used in)/generated from financing activities		**(23,072)**	119,475
Net decrease in cash and cash equivalents		**(28,555)**	(808,282)
Cash and cash equivalents at the beginning of the period		**205,947**	1,015,021
Effect of foreign exchange rate changes		**(979)**	(255)
Cash and cash equivalents at the end of the period		**176,413**	206,484
Analysis of balances of cash and cash equivalents			
Being:			
Cash and bank balances		**176,356**	206,484
Cash and bank balances included in assets of disposal group classified as held for sale		**57**	–
		176,413	206,484

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company is engaged in investment holding and the principal activities of the Group are property leasing and property development.

The Company's shares are listed on the Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

The functional currency of the Company is Hong Kong Dollars ("HK$") and the functional currency of its operation in the PRC is RMB. The condensed consolidated financial statements are presented in HK$, unless otherwise stated. The condensed consolidated financial statements has not been audited.

2. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

This condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

2. BASIS OF PREPARATION (Continued)

Going concern assumption

During the Interim Period, the Group incurred a net loss of approximately HK$153,861,000. As at 30 June 2020, the Group recorded net current liabilities of approximately HK$247,757,000. The net current liabilities arising mainly from a technical breach of a financial covenant ("Technical Breach") as stipulated in the relevant loan agreements entered into by the Group for term loans in aggregate of approximately HK$1,017,320,000, out of which approximately HK$976,139,000 were reclassified from non-current liabilities to current liabilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The management of the Company has commenced discussion with the lender for a waiver of the Technical Breach. The Group has yet to receive the written waiver as of the date of this report.

The Group has taken measures to tighten cost controls over operating costs and expenses with the aim of attaining profitable and positive cash flow operations.

As at the date of this report, the Group had disposed its non-core business asset.

The basis for the preparation of the condensed consolidated financial statements of the Group is, therefore, dependent upon the written consent to waive Technical Breach by the relevant bank ("Consent") being obtained, the operations of the Group to generate sufficient cash flows in the future to fulfill its obligations as and when they fall due and the continuing financial support from its lenders.

In the event that these conditions are not forthcoming, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the condensed consolidated financial statements of the Group for the Interim Period may require adjustments relating to the realisable amount and classification of recorded assets and to provide for further liabilities that may be necessary should the Group be unable to continue as a going concern.

The Directors are of the opinion that the preparation of the condensed consolidated financial statements of the Group on a going concern basis remains appropriate as they believe that the Group will obtain the Consent and the Group will obtain the continuing financial support from the lenders, which will enable the Group to operate in the foreseeable future, and accordingly, discharge its liabilities at the normal course of business.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Interim Period are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Application of new and amendments to HKFRS

In the Interim Period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to the HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the Interim Period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendment, if any, will be reflected on the consolidated financial statements for the year ended 31 December 2020.

Impacts and accounting policies on application on Amendments to HKFRS 3 "Definition of a Business"

(i) Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional the concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

(ii) Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Application of new and amendments to HKFRS (Continued)

Impacts and accounting policies on application on Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

(i) Accounting policies

Hedge accounting

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of Interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and hedged instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the amount of accumulated In the cash flow hedge reserve in order to determine whether the hedged further cash flows are expected to occur, the Group assumes the Interest rate benchmark on which the hedged cash flow (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

(ii) Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

(b) Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current Interim Period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they are receivable. Such grants are presented under "other loss/income, net".

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Accounting policies newly applied by the Group (Continued)

Modification of financial assets/financial liabilities

A modification of financial asset/financial liability occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset/financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from the original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discount present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off/financial liabilities.

Variable lease payments (the Group as lessor)

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Lease modifications (the Group as a lessor)

Change in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

4. REVENUE AND SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the Directors, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

(i) Property investment – leasing of investment properties located in Hong Kong

(ii) Property development in the PRC

(iii) Property project management services – provision of property project management services in the PRC, which has been suspended since October 2019

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Six months ended 30 June 2020 (unaudited)

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Total HK$'000
Segment revenue				
Revenue from other sources				
– Rental income	**17,487**	**–**	**–**	**17,487**
Segment results	**14,992**	**(37,352)**	**(60)**	**(22,420)**
Other loss, net				**(1,155)**
Corporate and other unallocated expenses				**(26,447)**
Net loss in fair value of investment properties				**(42,200)**
Share of results of an associate				**(24,130)**
Impairment loss on investment in an associate				**(11,706)**
Finance costs				**(23,593)**
Loss before taxation				**(151,651)**

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2019 (unaudited)

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Total HK$'000
Revenue from other sources				
– Rental income	19,616	–	–	19,616
Revenue from contract with customers				
– Recognised over time	–	–	3,809	3,809
Segment revenue	19,616	–	3,809	23,425
Segment results	18,040	(2,200)	1,731	17,571
Other income				3,514
Corporate and other unallocated expenses				(10,118)
Net gain in fair value of investment properties				27,300
Share of results of an associate				3,462
Finance costs				(9,695)
Profit before taxation				32,034

Segment results represents the profit/(loss) from each segment without allocation of corporate and other unallocated expenses, net other (loss)/income, net (loss)/gain in fair value of investment properties, share of results of an associate, impairment loss on investment in an associate and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There was no inter-segment revenue for the periods reported.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 30 June 2020 (unaudited)

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Total HK$'000
Segment assets	**1,907,936**	**1,302,619**	**113**	**3,210,668**
Unallocated				**240,964**
Assets of disposal group classified as held for sale				**190,319**
Consolidated total assets				**3,641,951**
Segment liabilities	**25,037**	**714,002**	**–**	**739,039**
Unallocated				**1,084,020**
Liabilities associated with disposal group classified as held for sale				**1,008**
Consolidated total liabilities				**1,824,067**

At 31 December 2019 (audited)

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Total HK$'000
Segment assets	1,984,338	1,264,232	4,666	3,253,236
Unallocated				486,220
Consolidated total assets				3,739,456
Segment liabilities	28,148	619,374	–	647,522
Unallocated				1,108,640
Consolidated total liabilities				1,756,162

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments, financial assets at fair value through profit or loss, amount due from an associate, derivative financial instruments and cash and bank balances.

- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, certain lease liabilities, certain tax payables, convertible notes and its accrued interests, certain deferred tax liabilities and bank and certain other borrowings.

5. OTHER (LOSS)/INCOME, NET

	Unaudited	
	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Bank interest income	**629**	1,614
Change in fair value of derivative financial asset component of convertible notes (Note 21)	**(13)**	1,449
Change in fair value of financial assets at fair value through profit or loss (Note 13)	**(2,737)**	231
Compensation received from tenant	**511**	–
Government grants	**83**	–
Sundry income	**372**	220
	(1,155)	3,514

During the Interim Period, the Group recognised government grants of approximately HK$83,000 in respect of Covid-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

6. (LOSS)/PROFIT FROM OPERATIONS

	Unaudited	
	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
(Loss)/profit from operations is arrived at after charging/(crediting) the followings:		
Directors' emoluments	**1,542**	999
Other staff costs	**6,202**	6,610
Total staff costs	**7,744**	7,609
Depreciation of property, plant and equipment	**502**	423
Depreciation of right-of-use assets	**846**	556
Write-down of properties for sale to net realisable value (Note 14)	**32,933**	–
Impairment losses under expected credit loss model (Note 16)	**12,478**	–
Gross rental income from investment properties	**(17,487)**	(19,616)
Less: Direct operating expenses from investment properties that generated rental income during the period	**1,945**	1,576
	(15,542)	(18,040)

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Interest on bank and other borrowings	**62,240**	26,289
Effective interest expenses on convertible notes (Note 21)	**690**	611
Interest on lease liabilities	**104**	47
Total borrowing costs	**63,034**	26,947
Less: amount capitalised to properties for sale – properties under development	**(39,441)**	(17,252)
	23,593	9,695

8. TAXATION

	Unaudited	
	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Current tax		
Hong Kong profits tax		
– Provision for the period	**1,653**	2,699
The PRC		
– Enterprise income tax ("EIT")	**–**	95
	1,653	2,794
Deferred taxation		
– Charged/(credited) to the condensed consolidated statement of profit or loss and other comprehensive income	**557**	(86)
	2,210	2,708

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's operation in Hong Kong for both periods.

Under the law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the PRC subsidiaries of the Group are subjected to PRC EIT of a rate of 25%.

9. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the Interim Period (six months ended 30 June 2019: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Unaudited	
	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(153,861)**	29,326
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of income tax	**–**	525
Fair value gain on derivative financial assets component of convertible notes	**–**	(1,449)
(Loss)/earnings for purpose of diluted (loss)/earnings per share	**(153,861)**	28,402

	Unaudited	
	Six months ended 30 June 2020	Six months ended 30 June 2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,125,027,072**	1,125,027,072
Effect of dilutive potential ordinary shares:		
Convertible notes	**–**	13,715,710
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,125,027,072**	1,138,742,782

For the six months ended 30 June 2020, the Company's outstanding convertible notes were not included in the calculation of diluted loss per share because the effect of which were anti-dilutive.

The diluted earnings per share for the Interim Period and six months ended 30 June 2019 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

11. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 January 2020	1,921,600
Net loss in fair value recognised in the condensed consolidated statement of profit or loss and other comprehensive income	(42,200)
At 30 June 2020 (unaudited)	**1,879,400**

The fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019 was determined by valuations carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

The responsible valuers of Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and it has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market to assess the market value of the investment properties.

There have been no changes to the valuation techniques during the Interim Period.

The resulting decrease in fair value of investment properties of HK$42,200,000 (six months ended 30 June 2019: increase in fair value of HK$27,300,000) has been recognised directly in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period.

As at 30 June 2020, investment properties with a carrying amount in aggregate of HK$1,879,400,000 (31 December 2019: HK$1,921,600,000) were pledged as collateral for the Group's bank and certain other borrowings.

12. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

The investment in an associate is accounted for using equity method in the condensed consolidated financial statements.

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Cost of investment in an associate, unlisted	**246,114**	246,114
Share of results of an associate (Note (a))	**(25,919)**	(1,789)
Exchange adjustment	**(15,894)**	(12,203)
	204,301	232,122
Impairment loss recognised (Note (b))	**(37,827)**	(26,121)
	166,474	206,001
Amount due from an associate, net of allowance of credit loss (Note (c))	**42,770**	44,697

At 30 June 2020 and 31 December 2019, the Group has interests in the following associate:

Name	**Country of incorporation**	**Principal place of operation**	**Class of shares held**	**Proportion of nominal value of issued capital held by the Group**		**Principal activities**
				At 30 June 2020	At 31 December 2019	
Yitai	British Virgin Islands	The PRC	Ordinary shares	**49%**	49%	Investment holding

Notes:

(a) Share of results of an associate represented the Group's share of losses incurred by Yitai Group.

During the Interim period, the Group's share of loss of Yitai Group was approximately HK$24,130,000 (six months ended 30 June 2019: share of profit of approximately HK$3,462,000). Yitai Group didn't recognise any revenue from its presale of properties during the Interim Period as the possession of these properties have not been delivered to customers. Yitai Group only incurred uncapitalised pre-selling and administrative expenses and provision for impairment loss of other receivable under ECL model.

(b) The management of the Group carried out impairment assessment on the entire carrying amount of its interest in an associate as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its entire carrying amount. In determining the value in use of the interest in an associate, the Group has engaged an independent valuer to perform a valuation of the interest in an associates as at 30 June 2020 by using the value-in-use model by reference to the estimation of future cash flows covering a 2.5 year period expected to be generated from the associate. The key assumptions included a two and a half-year cash flows of which revenue is expected to be recognised by the associate in early 2021 upon completion of the associate's property development project and pre-tax discount rate of 11.07% to discount the cash flow projections to net present value. Based on the assessment, the entire carrying amount of investment in an associate is below its recoverable amount. Hence, impairment against the Group's interest in an associate is considered necessary.

12. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Notes: (Continued)

(b) (Continued)

As at 30 June 2020, the carrying amount of the Group's interest in an associate was approximately HK$178,180,000 which was higher than its recoverable amount of approximately HK$166,474,000. Impairment loss on investment in an associate of approximately HK$11,706,000 was therefore provided as at the end of the Interim Period. The impairment was driven by the decline in selling prices of the properties held by Yitai Group.

(c) Amount due from an associate of RMB48,510,000 (equivalent to approximately HK$53,107,000) was unsecured, non-interest bearing and shall be repayable (i) on demand after obtaining of the 竣工驗收備案表 (acceptance form of construction completion*) issued by 中國地方城市建議局 (local urban construction bureau*) to Jinhua Mingrui Real Estate Development Co., Limited* ("Jinhua Mingrui") and (ii) in any event before distribution of dividends of Jinhua Mingrui. With reference to the valuation results prepared by an independent valuer, a further impairment loss under ECL model of approximately RMB971,000 (equivalent to approximately HK$1,071,000) was recognised as at 30 June 2020 as compared with those made on 31 December 2019 of approximately RMB8,471,550 (equivalent to approximately HK$9,457,000). The ECL rate assigned is more or less the same as that provided as at 31 December 2019. Increase in impairment in Interim Period was mainly attributable to unfavorable factors affecting the adjusted ECL rate assigned including but not limited to the decrease in China GDP for the year 2020.

Details of assessment on the ECL were set out in Note 16 to the condensed consolidated financial statements.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Unlisted equity investments	**28,288**	31,615

During the year ended 31 December 2019, the Group entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of RMB42,500,000 (equivalent to approximately HK$48,314,000) for the registered capital of an investment entity which is independent of the Company. The timing of capital contribution of the investment is due on or before 1 January 2050. The investment entity is principally engaged in investment management and equity investments, The Group is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity. As at 30 June 2020, the Group had invested RMB29,840,000 (equivalent to approximately HK$32,668,000) to the investment entity, the outstanding capital contribution commitment amounted to RMB12,660,000 (equivalent to approximately HK$13,859,000).

As at 30 June 2020, the fair value of financial assets at fair value through profit or loss revalued by an independent professional valuer was RMB25,840,000 (equivalent to approximately HK$28,288,000) (31 December 2019: RMB28,320,000 (equivalent to approximately HK$31,615,000)). Fair value loss of RMB2,480,000 (equivalent to approximately HK$2,737,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the Interim Period.

14. PROPERTIES FOR SALE

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Properties under development (Notes (a) and (b))	**871,431**	819,203
Completed properties (Note (c))	**23,452**	23,914
	894,883	843,117

Notes:

(a) With reference to the valuation report prepared by an independent valuer, as at 30 June 2020, the net realisable value of properties under development was lower than its carrying amount. Therefore, write-down of properties for sale – properties under development of approximately HK$32,933,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period.

(b) At 30 June 2020, properties under development with an aggregate carrying amount of approximately HK$871,431,000 (31 December 2019: approximately HK$819,203,000) were pledged to a financial institution in the PRC as collateral of the Group's other borrowings.

(c) At 30 June 2020, certain completed properties within an aggregate carrying amount of approximately HK$20,702,000 (31 December 2019: approximately HK$21,110,000) were pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Rental receivables	(i)	**367**	1,247
Property project management service receivables	(ii)	**4,541**	4,630
		4,908	5,877
Less: allowance for credit losses		**(43)**	(22)
		4,865	5,855
Prepaid construction costs		**153,084**	167,583
Security deposits for financing arrangements	(iii)	**760**	5,006
Deposit paid for acquisition of a land parcel	(iv)	**–**	194,010
Deposit paid for acquisition of a subsidiary, net of allowance for credit losses	(v)	**58,896**	71,277
Other receivables, deposits and prepayments, net of allowance for credit losses		**32,249**	28,494
		249,854	472,225

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(i) The amount represents rental receivables for leasing of investment properties.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these rental receivables. The rental receivables are payable in advance by tenants.

The ageing analysis of the Group's rental receivables is as follows:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
0 to 30 days	**299**	559
31 to 60 days	**14**	473
61 to 90 days	**30**	214
91 to 180 days	**10**	1
181 to 365 days	**14**	–
	367	1,247

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(ii) The project management fee shall be payable within 12 days from end of each quarter. The ageing analysis of the Group's property project management service receivables net of allowance of credit losses in aggregate of approximately HK$43,000 presented based on the invoice dates, is as follows:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
61 to 90 days	**–**	2,121
91 to 180 days	**–**	2,487
181 to 365 days	**4,498**	–
	4,498	4,608

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(iii) The amounts are deposited in a financial institution in the PRC for securing the other borrowings of the Group. Such deposits will be refunded to the Group upon final repayments of the respective other borrowings.

(iv) The amount represents deposit paid to 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC, at a cash consideration of RMB347,580,000 (equivalent to approximately HK$380,518,000). As at 30 June 2020, such amount were reclassified to assets classified as held for sale. For details, please refer to Note 18 to the condensed consolidated financial statements.

(v) The amount represented deposits paid for acquisition of a subsidiary which holds a hotel in Zhoushan City of RMB66,800,000 (equivalent to approximately HK$73,130,000) (31 December 2019: RMB66,800,000 (equivalent to approximately HK$74,572,000)).

As at 30 June 2020, the reassessed amount of deposit paid for acquisition of a subsidiary, net of allowance for credit losses by an independent professional valuer was approximately RMB53,798,000 (equivalent to approximately HK$58,896,000) (31 December 2019: approximately RMB63,849,000 (equivalent to approximately HK$71,277,000)). As a result, an impairment loss under ECL model of approximately RMB10,051,000 (equivalent to approximately HK$11,094,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period. The impairment loss under ECL model was mainly driven by the ruined credit rating of Foshan Sansheng Real Estate Co., Limited* ("Foshan Sansheng"), the recipient of deposits paid for acquisition of a subsidiary at the end of the Interim Period.

(vi) Details of assessment on the ECL were set out in Note 16 to the condensed consolidated financial statements.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Unaudited Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Impairment loss recognised in respect of		
– trade receivables	**21**	–
– other receivables	**292**	–
– deposits paid for acquisition of a subsidiary (note 15(v))	**11,094**	–
– amount due from an associate (note 12(c))	**1,071**	–
	12,478	–

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Interim Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the Interim Period, the Group provided impairment allowance of approximately HK$12,478,000 (six months ended 30 June 2019: Nil).

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (Note 21)	**76**	89

18. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 7 April 2020, the Group and Dongtou Property entered into a conditional sale and purchase agreement (the "Agreement"), pursuant to which the Group conditionally agreed to sell and Dongtou Property conditionally agreed to purchase the sale interest, representing the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group), at the consideration of RMB177,270,000 (equivalent to approximately HK$193,200,000).

On 30 June 2020, the Agreement was terminated and the Group and Dongtou Property still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with Dongwang Project Management, entered into the New Disposal Agreement on 30 June 2020.

Pursuant to the New Disposal Agreement, the Group conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the sale interest, which represents the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group) at the consideration of RMB180,248,710 (equivalent to approximately HK$196,471,000).

Major classes of assets and liabilities of Hangzhou Minglun at the end of the Interim Period were as follows:

Major classes of assets and liabilities

	Unaudited 30 June 2020 HK$'000
Deposit and other receivables	**190,262**
Cash and bank balances	**57**
Total assets classified as held for sale	**190,319**
Other payables	**1,008**
Total liabilities classified as held for sale	**1,008**

19. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Trade payables (note (a))	**44,021**	37,406
Rental deposits received	**11,098**	11,851
Contract liabilities (note (b))	**80,861**	40,993
Other payables and accrued expenses	**78,053**	45,992
	214,033	136,242
Advance rental received	**535**	295
	214,568	136,537
Less: non-current portion of other payables and deposits	**(7,193)**	(7,494)
Current portion	**207,375**	129,043

Notes:

(a) Ageing analysis of trade payables as at the end of the Interim Period, based on the invoice date, is as follows:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
0 – 30 days	**10,542**	29,479
31 – 90 days	**1,827**	1,896
91 – 180 days	**1,838**	2,659
181 – 365 days	**29,485**	2,709
More than 365 days	**329**	663
	44,021	37,406

(b) Contract liabilities represent proceeds received from pre-sale of properties at the end of the reporting period.

20. BANK AND OTHER BORROWINGS

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Bank loans, secured	**1,017,319**	1,040,371
Other loans, secured	**563,882**	550,569
	1,581,201	1,590,940
Less: current portion	**(1,581,201)**	(591,750)
Non-current portion	**–**	999,190

The carrying amount of the above bank and other borrowings are repayable as follows:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
On demand or within one year	**1,581,201**	591,750
Within a period of more than one year but within two years	**–**	41,202
Within a period of more than two years but within five years	**–**	957,988
	1,581,201	1,590,949
Less: Amounts due within one year shown under current liabilities	**(1,581,201)**	(591,750)
Amounts shown under non-current liabilities	**–**	999,190

The bank and other borrowings are secured by the Group's assets which were set out in the section "Charges on Group Assets" of this report.

On 11 June 2020, the Group received three demand letters (collectively, the "Demand Letters") from the legal advisers of Hang Seng Bank Limited ("HSB") demanding for prepayment of an aggregate of HK$197,837,500 on or before 11 July 2020, in order to restore the loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of facilities given by HSB to the open market value of the property used as security for the relevant facilities) to a specified percentage pursuant to the terms of the relevant facilities. The related outstanding amount of HK$976,139,000 were reclassified from non-current liabilities to current liabilities due to this technical breach of a financial covenant.

Up to the date of this report, the Company is in the process of complying with the waiver conditions set forth by HSB.

21. CONVERTIBLE NOTES

The Company issued convertible notes in an aggregate value HK$125,000,000 on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the Issue Date and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible note. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of convertible notes. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on the Maturity Date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
Risk-free rate	**0.206%**	1.85%
Expected life	**0.44 years**	0.94 years
Expected volatility	**96.15%**	62.07%
Expected dividend yield	**0%**	0%

21. CONVERTIBLE NOTES (Continued)

The movements of equity component, liability component and redemption option derivative of the convertible notes for the Interim Period are set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative component HK$'000	Total HK$'000
At 1 January 2020	9,845	5,619	(89)	15,375
Effective interest charged (Note 7)	690	–	–	690
Interest payable	(92)	–	–	(92)
Change in fair value of derivative financial asset component of convertible notes (Note 5)	–	–	13	13
At 30 June 2020	**10,443**	**5,619**	**(76)**	**15,986**

As at 30 June 2020, the outstanding principal of the convertible notes was HK$11,000,000 (31 December 2019: HK$11,000,000).

22. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited 30 June 2020 '000	Audited 31 December 2019 '000	**Unaudited 30 June 2020 HK$'000**	Audited 31 December 2019 HK$'000
Authorised:				
Ordinary of shares of HK$0.1 each	**2,000,000**	2,000,000	**200,000**	200,000
Issued and fully paid	**1,125,027**	1,125,027	**112,502**	112,502

23. RESERVES

Nature of reserves

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for exchange reserve.

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of an indirect wholly-owned subsidiary, Uptodate with the amount of approximately HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

During the year ended 31 December 2019, Uptodate was dissolved and its attributable contributions from shareholder of approximately HK$233,606,000 were transferred to retained profits.

24. FINANCIAL RISK MANAGEMENT

Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at Unaudited 30 June 2020 HK$'000	Fair value as at Audited 31 December 2019 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes	**76**	89	Level 3	The binomial option pricing model	Risk-free rate adopted was 0.206% (31 December 2019: 1.85%). Expected volatility of 96.15% (31 December 2019: 62.07%).
Financial assets at fair value through profit or loss	**28,288**	31,615	Level 3	Net asset value	N/A (note)

Note:

The Group has determined that the net asset value represents fair value at the end of the reporting period.

There were no transfers between Level 1 and 2 during the interim period.

Please refer to Note 21 for the fair value reconciliation of derivative financial asset component of convertible notes for the six months ended 30 June 2020.

24. FINANCIAL RISK MANAGEMENT (Continued)

Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

(a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate to their fair values.

	30 June 2020		31 December 2019	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**10,443**	**10,867**	9,845	10,994

25. OPERATING LEASES

The Group as lessor

At the end of the reporting period, the Group had contracted with the tenants for the following future minimum lease receivables:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Within one year	**22,459**	29,159
In the second to fifth year inclusive	**13,825**	24,071
	36,284	53,230

26. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following material related party transactions:

(a) During the six months ended 30 June 2020 and 2019, the Group entered into the following material related party transactions:

Related party relationship	Type of transaction	**Unaudited** **Six months ended 30 June 2020 HK$'000**	Six months ended 30 June 2019 HK$'000
Ultimate shareholder: China Cinda (HK)	Interest expenses	**544**	–
Companies that are members of a former shareholder, for which a former shareholder is the common ultimate shareholder: (Note)	Property project management service income		
– 佛山茂國房地產開發有限公司 (Foshan Maogao Property Development Development Limited*) ("Maogao Property")		**–**	1,499
– 佛山市萊福利房地產開發有限公司 (Foshan Laifuli Property Development Development Limited*) ("Laifuli Property")		**–**	997
– 鶴山市萬城房地產發展有限公司 (Heshan Wancheng Property Development Limited*) ("Wancheng Property")		**–**	995
– 博羅縣翠華達房地產有限公司 (Boluo Xian Cuihuada Property Limited*) ("Cuihuada Property")		**–**	318
		–	3,809

The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Loan from:		
China Cinda (HK)	**50,000**	–
Amounts due from:		
滁州三盛房地產開發有限公司 (Chuzhou Sansheng Property Development Limited*) ("Chuzhou Sansheng")	**–**	55
Sansheng Real Estate (Group) Company Limited ("Sansheng Real Estate")	**–**	17
	–	72
Amounts due to:		
Sansheng BVI	**–**	28
Shanghai Sansheng Hongye Investment (Group) Company Limited	**–**	2
Sansheng Real Estate	**–**	327
Gobal International Investment Limited	**–**	29
Chuzhou Sansheng	**–**	670
上海銘乾投資管理諮詢有限公司 (Shanghai Mingqian Investment Management Consultancy Limited*)	**–**	9
	–	1,065
Trade receivables:		
Maogao Property	**–**	1,642
Laifuli Property	**–**	1,181
Wancheng Property	**–**	1,227
Cuihuada Property	**–**	558
	–	4,608
Trade payables:		
上海鈺景園林股份有限公司 (Shanghai Yujingyuanlin Holdings Limited*)	**–**	963

* *For identification purpose only*

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties: (Continued)

During the Interim Period, the controlling shareholder was changed to China Cinda (HK). In this regard, the transactions and outstanding balances associated with the parties controlled by previous controlling shareholder for the six months ended 30 June 2019 and as at 31 December 2019 respectively, were no longer as material related party transactions during the Interim Period and at the end of the Interim Period respectively.

The above balances are unsecured, interest-free and has no fixed terms of repayment.

Other than the above balances with related parties and those disclosed elsewhere in this interim report, the Group had no material outstanding balances with related parties at the end of the Interim Period.

(c) The directors of the Company are identified as key management members of the Group and their compensation during the Interim Period is set out in Note 6.

27. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments:

	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Contracted, but not provided for:		
Construction and land development expenditure in respect of properties under development classified as held for sale	**208,850**	212,498
Consideration for acquisition of a land parcel (Note)	**190,259**	194,010
Capital contribution to a limited partnership	**13,859**	14,133
	412,968	420,641

Note: The amount is allocated to assets of disposal group classified as held for sale.

28. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been reclassified to conform with current period's presentation.