



SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755



2020 INTERIM REPORT

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BOARD AND COMMITTEES**BOARD***Executive Directors*

Mr. Wang Letian (*Chairman*)
Mr. Qin Renzhong
Mr. He Haiyang
Mr. Tang Jian

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun
Mr. Wu Junao

Independent non-executive Directors

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

COMMITTEES*Audit Committee*

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

Remuneration Committee

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

Nomination Committee

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	436,421	994,464
Cost of sales		<u>(331,998)</u>	<u>(849,305)</u>
Gross profit		104,423	145,159
Other gains – net		8,563	14,468
Net impairment losses on financial assets		(21,006)	(5,783)
Selling and marketing expenses		(49,656)	(71,857)
Administrative expenses		(137,266)	(172,846)
Change in fair value of investment properties		(44,927)	(16,553)
Share of results of an associate		–	(12,461)
Finance costs	7	<u>(339,801)</u>	<u>(399,100)</u>
Loss before income tax		(479,670)	(518,973)
Income tax credit/(expense)	8	<u>9,232</u>	<u>(9,865)</u>
Loss for the period		<u>(470,438)</u>	<u>(528,838)</u>
Loss for the period attributable to:			
– Owners of the Company		(467,911)	(470,446)
– Non-controlling interests		<u>(2,527)</u>	<u>(58,392)</u>
		<u>(470,438)</u>	<u>(528,838)</u>
Loss per share			
– Basic	10	<u>HK\$(3.14)cents</u>	<u>HK\$(3.16)cents</u>
– Diluted	10	<u>HK\$(3.14)cents</u>	<u>HK\$(3.16)cents</u>

The notes on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the period	<u>(470,438)</u>	<u>(528,838)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(29,092)	(2,811)
Items that will not be reclassified subsequently to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	<u>(4,529)</u>	<u>–</u>
Other comprehensive loss for the period, net of tax	<u>(33,621)</u>	<u>(2,811)</u>
Total comprehensive loss for the period	<u><u>(504,059)</u></u>	<u><u>(531,649)</u></u>
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(499,190)	(473,820)
– Non-controlling interests	<u>(4,869)</u>	<u>(57,829)</u>
Total comprehensive loss for the period	<u><u>(504,059)</u></u>	<u><u>(531,649)</u></u>

The notes on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		984,215	1,004,676
Investment properties	11	3,144,274	3,250,502
Financial assets at fair value through other comprehensive income		32,020	37,304
Amounts due from an associate		238,992	244,797
Deferred income tax assets		2,332	3,302
Pledged bank deposits	14	394,751	549,957
Total non-current assets		<u>4,796,584</u>	<u>5,090,538</u>
Current assets			
Properties under development and completed properties held-for-sale	12	11,329,363	10,982,091
Inventories		2,331	2,749
Contract assets		15,230	18,242
Trade receivables, other receivables and prepayments	13	342,090	344,136
Deposits for properties under development		4,192	1,836
Amounts due from an associate		–	10,386
Financial assets at fair value through profit or loss		21,757	24,049
Tax prepayments		330,692	274,003
Pledged bank deposits	14	339,939	895,094
Cash and cash equivalents		443,020	510,151
Total current assets		<u>12,828,614</u>	<u>13,062,737</u>
Total assets		<u>17,625,198</u>	<u>18,153,275</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
– CONTINUED

		Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital		297,587	297,587
Reserves		2,691,440	2,722,719
Accumulated losses		(1,878,804)	(1,410,893)
		<u>1,110,223</u>	<u>1,609,413</u>
Non-controlling interests		<u>56,274</u>	<u>61,143</u>
Total equity		<u>1,166,497</u>	<u>1,670,556</u>
LIABILITIES			
Non-current liabilities			
Borrowings and loans	16	2,037,351	3,005,212
Lease liabilities		48,953	76,244
Deferred income tax liabilities		677,604	708,867
Other payables		2,747	5,855
Total non-current liabilities		<u>2,766,655</u>	<u>3,796,178</u>
Current liabilities			
Trade and other payables	15	3,202,944	2,670,050
Contract liabilities		5,247,913	4,665,769
Amounts due to minority owners of subsidiaries		110,598	112,857
Amounts due to a related party	17	930,589	–
Borrowings and loans	16	3,902,499	4,909,250
Lease liabilities		38,921	36,066
Tax payables		258,582	292,549
Total current liabilities		<u>13,692,046</u>	<u>12,686,541</u>
Total liabilities		<u>16,458,701</u>	<u>16,482,719</u>
Total equity and liabilities		<u>17,625,198</u>	<u>18,153,275</u>

The notes on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

	Unaudited												
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Foreign exchange reserve HK\$'000	Other revaluation reserve HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	297,587	2,164,682	1,074	157,315	68,541	353,746	278,464	(1,410,893)	(308,728)	7,625	1,609,413	61,143	1,670,556
Loss for the period	-	-	-	-	-	-	-	(467,911)	-	-	(467,911)	(2,527)	(470,438)
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,529)	-	-	-	(4,529)	-	(4,529)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(26,750)	-	(26,750)	(2,342)	(29,092)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,529)	(467,911)	(26,750)	-	(499,190)	(4,869)	(504,059)
Balance at 30 June 2020	297,587	2,164,682	1,074	157,315	68,541	353,746	273,935	(1,878,804)	(335,478)	7,625	1,110,223	56,274	1,166,497
Balance at 1 January 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	278,464	(532,867)	(262,310)	7,625	2,713,857	74,386	2,788,243
Loss for the period	-	-	-	-	-	-	-	(470,446)	-	-	(470,446)	(38,392)	(528,838)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(3,374)	-	(3,374)	563	(2,811)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(470,446)	(3,374)	-	(473,820)	(37,829)	(511,649)
Balance at 30 June 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	278,464	(823,313)	(265,684)	7,625	2,240,037	16,557	2,256,594

The notes on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash inflow from operations	545,460	266,269
Interest received	1,640	3,482
Interest paid	(266,237)	(402,677)
Income tax paid	(103,062)	(164,056)
Net cash inflow/(outflow) from operating activities	177,801	(296,982)
Cash flows from investing activities		
Net proceeds on disposal of financial assets at fair value through profit or loss	1,796	–
Purchases of property, plant and equipment	(271)	(6,072)
Proceeds from disposal of property, plant and equipment	1,433	5,605
Purchases of financial assets at fair value through profit or loss	–	(14,930)
Dividends received from financial assets at fair value through other comprehensive income	–	2,595
Net cash inflow/(outflow) from investing activities	2,958	(12,802)
Cash flows from financing activities		
Decrease/(increase) in pledged bank deposits – net	685,221	(128,659)
Proceeds from borrowings and loans	342,163	2,096,543
Repayment of borrowings and loans	(1,237,506)	(1,941,931)
Principal elements of lease payments	(20,317)	(11,477)
Net cash (outflow)/inflow from financing activities	(230,439)	14,476
Net decrease in cash and cash equivalents	(49,680)	(295,308)
Cash and cash equivalents at beginning of the period	510,151	843,049
Effect of foreign exchange rate changes	(17,451)	(2,502)
Cash and cash equivalents at end of the period	443,020	545,239
Non-cash financing activities		
Increase in amounts due to a related party	938,190	730,720

The notes on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

This interim condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 28 August 2020 by the Board of Directors (the "Board").

This interim condensed consolidated financial information has not been audited but has been reviewed by the Audit Committee of the Company.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and any public announcements made by the Company during the interim reporting period.

2.1 Going concern considerations

As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately HK\$863.43 million and the Group's current assets primarily comprise of properties under development and completed properties held-for-sale of approximately HK\$11,329.4 million (portion of these properties may remain unsold in the next 12 months from 30 June 2020) while the Group's current liabilities primarily comprise of contract liabilities, current borrowings and loans and trade and other payables of approximately HK\$5,247.9 million, HK\$3,902.5 million and HK\$3,202.9 million respectively.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Board has continued in monitoring the Group's recovery from the business down turn as a result of the epidemic of Coronavirus Disease 2019 ("COVID-19") outbreak and also assessed the impact of the proposed disposal of the Group's interest in a subsidiary which hold a property project in Haimen together with the shareholder's loans as advanced to the subsidiary (an estimated disposal proceeds of approximately HK\$1,733.0 million) has not been approved in the special general meeting on 29 May 2020.

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern considerations – CONTINUED

By taking into account the factors above, the Board has cautiously considered the Group's future working capital, operation results and available sources of financing (including the secured unutilised facility amounts and also a financing facility to be renewed by a financial institution amounting to approximately HK\$1,160 million in total) to assess whether the Group has sufficient working capital to meet its current requirement and continue as a going concern for at least of 12 months from 30 June 2020. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and future potential financing arrangements, show that the Group should be able to operate within the level of its current facilities. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information. Further information on the Group's borrowings and loans is given in Note 16.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the Group's annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2020 and adopted by the Group for the first time in 2020 interim condensed consolidated financial information:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7.

The adoption of the abovementioned amendments and revised conceptual framework did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

New and amended standards and annual improvements issued but not yet applied by the Group

Certain new and amended standards and annual improvements have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no significant changes in the risk management policies since year ended 31 December 2019.

5.2 Liquidity risk

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

5.3 Fair value of financial assets and liabilities measured at amortised cost

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

- Trade receivables and other receivables (excluding prepayments)
- Pledged bank deposits
- Cash and cash equivalents
- Amounts due from an associate
- Borrowings and loans
- Trade and other payables, excluding tax payables
- Amounts due to minority owners of subsidiaries
- Amounts due to a related party
- Lease liabilities

5.4 Fair value estimation

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

6 SEGMENT INFORMATION

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

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

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

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

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

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

6 SEGMENT INFORMATION – CONTINUED

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2020 and 2019 respectively.

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

	Unaudited			
	Sales of properties HK\$'000	Properties rental, management and agency services HK\$'000	Hotel operations HK\$'000	Total HK\$'000
Six months ended 30 June 2020 (Unaudited)				
Total segment revenue (i)	253,262	169,672	22,909	445,843
Inter-segment revenue	–	(9,422)	–	(9,422)
Revenue from external customers	253,262	160,250	22,909	436,421
(Loss)/profit before income tax	(123,105)	25,843	(26,817)	(124,079)
Six months ended 30 June 2019 (Unaudited)				
Total segment revenue (i)	742,981	192,353	70,422	1,005,756
Inter-segment revenue	–	(11,292)	–	(11,292)
Revenue from external customers	742,981	181,061	70,422	994,464
(Loss)/profit before income tax	(160,832)	55,434	1,292	(104,106)

- (i) For the six month period ended 30 June 2020, revenue of sales of properties of HK\$60,422,000 was recognised at a point in time, the remaining revenue of sales of properties of HK\$192,840,000 was recognised over time. The revenue from hotel operations, properties management and agency services of HK\$106,125,000 were recognised over time. Rental income of HK\$77,034,000 was recognised on a straight-line basis over the term of respective leases.

6 SEGMENT INFORMATION – CONTINUED

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

	Sales of properties <i>HK\$'000</i>	Properties rental, management and agency services <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2020 (Unaudited)				
Total segment assets	<u>12,199,999</u>	<u>3,723,481</u>	<u>943,017</u>	<u>16,866,497</u>
Total segment assets include: Additions to non-current assets (i)	39	216	33,350	33,605
Total segment liabilities	<u>12,756,823</u>	<u>1,131,419</u>	<u>100,756</u>	<u>13,988,998</u>
As at 31 December 2019 (Audited)				
Total segment assets	<u>11,964,388</u>	<u>3,726,213</u>	<u>986,956</u>	<u>16,677,557</u>
Total segment assets include: Additions to non-current assets (i)	6,808	25,130	455	32,393
Total segment liabilities	<u>13,221,327</u>	<u>773,197</u>	<u>64,454</u>	<u>14,058,978</u>

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

- (b) Reconciliation of reportable segment loss before income tax

	<u>Unaudited</u>	
	<u>Six months ended 30 June</u>	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax for reportable segment	(124,079)	(104,106)
Unallocated bank interest income	11	25
Finance costs	(339,801)	(399,100)
Unallocated head office and corporate expenses	<u>(15,801)</u>	<u>(15,792)</u>
Loss before income tax	<u>(479,670)</u>	<u>(518,973)</u>

6 SEGMENT INFORMATION – CONTINUED

(c) Reconciliation of reportable segment assets and liabilities

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Reportable segment assets	16,866,497	16,677,557
Pledged bank deposits	734,690	1,445,051
Head office and corporate assets	24,011	30,667
Total assets	17,625,198	18,153,275
Reportable segment liabilities	13,988,998	14,058,978
Unallocated borrowings and loans	2,065,204	2,110,019
Unallocated head office and corporate liabilities	404,499	313,722
Total liabilities	16,458,701	16,482,719

7 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest expenses		
Bank borrowings	98,305	131,913
Other borrowings	290,417	336,954
Interest and finance charges paid/payable for lease liabilities	4,261	–
Less: amounts capitalized in properties under development at a capitalization rate of 7.27% (2019: 6.7%) per annum	(53,182)	(69,767)
Finance costs – net	339,801	399,100

8 INCOME TAX (CREDIT)/EXPENSE

Majority of the group entities are subjected to the PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the six months ended 30 June 2020 and 2019. Other group entities are subjected to rates of taxation prevailing in the countries in which the respective group entities operate.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2020 and 2019.

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

8 INCOME TAX (CREDIT)/EXPENSE – CONTINUED

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax:		
– PRC enterprise income tax expense	763	9,556
– PRC land appreciation tax	5,198	9,783
Deferred income tax credit	(15,193)	(9,474)
Income tax (credit)/expense	<u>(9,232)</u>	<u>9,865</u>

9 DIVIDEND

No dividend was proposed for the six months ended 30 June 2020 and 2019.

10 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the period attributable to owners of the Company of HK\$467,911,000 (six months ended 30 June 2019: HK\$470,446,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2019: 14,879,352,000) ordinary shares in issue during the period.

Since there was no dilutive ordinary shares during the six months ended 30 June 2020 and 2019, diluted loss per share is equal to basic loss per share.

11 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
At beginning of the period	3,250,502	3,292,205
Additions	–	13,858
Fair value loss	(44,927)	(16,553)
Exchange differences	(61,301)	(1,750)
At end of the period	<u>3,144,274</u>	<u>3,287,760</u>

The Group's investment properties were valued at 30 June 2020 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

11 INVESTMENT PROPERTIES – CONTINUED

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief accountant. Discussions of valuation processes and results are held between the chief accountant, the valuation team and valuer at least once every year. As at 30 June 2020, the fair values of investment properties have been determined based on the valuation performed by Cushman & Wakefield (except for leased properties in Nanjing and Qingdao, the fair value of which have been determined based on the valuation performed by the management).

At the end of each financial reporting period, the finance department:

- verifies all major inputs to the independent valuation report;
- Assess properties/right-of-use assets valuations movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

There have been no changes in the valuation techniques since the previous financial year end.

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Properties under development	7,260,691	9,836,619
Completed properties held-for-sale	<u>4,068,672</u>	<u>1,145,472</u>
	<u>11,329,363</u>	<u>10,982,091</u>

During the period ended 30 June 2020, impairment provision of HK\$10,986,000 has been recognised for properties under development located in the PRC which is mainly attributable to the change in estimated net realisable value of these properties by reference to the current market condition.

As at 30 June 2020, the accumulated impairment provision on properties under development and completed properties held-for-sale amounted to HK\$17,048,000 (At 31 December 2019: HK\$6,194,000).

As at 30 June 2020, certain properties under development and completed properties held-for-sales with carrying amount of HK\$2,427,550,000 (At 31 December 2019: HK\$2,476,444,000) are pledged to banks to secure certain borrowings and loans granted to the Group.

Properties under development and completed properties held-for-sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and completed properties held-for-sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK\$8,114,113,000 (At 31 December 2019: HK\$8,235,879,000).

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	70,115	47,453
Less: provision for loss allowance	<u>(2,038)</u>	<u>(851)</u>
Trade receivables – net	<u>68,077</u>	<u>46,602</u>
Other receivables	245,776	310,255
Deposits	<u>17,127</u>	<u>17,274</u>
	262,903	327,529
Less: provision for loss allowance	<u>(127,830)</u>	<u>(131,354)</u>
Other receivables – net	<u>135,073</u>	<u>196,175</u>
Prepayments for turnover tax	<u>138,940</u>	<u>101,359</u>
	<u><u>342,090</u></u>	<u><u>344,136</u></u>

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

The aging analysis of trade receivables based on the date of services provided at the end of reporting period is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 3 months	57,482	41,210
More than 3 months but less than 12 months	7,075	782
More than 12 months	<u>3,520</u>	<u>4,610</u>
	<u><u>68,077</u></u>	<u><u>46,602</u></u>

14 PLEDGED BANK DEPOSITS

Certain pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.28% (At 31 December 2019: ranging from 0.30% to 2.00%) per annum.

15 TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$2,072,417,000 (31 December 2019: HK\$1,672,034,000). The aging analysis of trade payables based on date of services/goods received at the end of reporting period is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 3 months	1,829,654	1,426,855
More than 3 months but less than 12 months	5,251	11,299
More than 12 months	<u>133,900</u>	<u>150,278</u>
	1,968,805	1,588,432
Retention money	<u>103,612</u>	<u>83,602</u>
	<u><u>2,072,417</u></u>	<u><u>1,672,034</u></u>

16 BORROWINGS AND LOANS

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Secured		
Bank borrowings	1,834,883	2,603,029
Borrowings from other financial institutions	<u>2,865,642</u>	<u>4,045,214</u>
	<u><u>4,700,525</u></u>	<u><u>6,648,243</u></u>
Unsecured		
Borrowings from other financial institutions	<u>1,239,325</u>	<u>1,266,219</u>
	5,939,850	7,914,462
Less: amounts repayable within one year included in current liabilities	<u>(3,902,499)</u>	<u>(4,909,250)</u>
Total non-current borrowings and loans	<u><u>2,037,351</u></u>	<u><u>3,005,212</u></u>

16 BORROWINGS AND LOANS – CONTINUED

At the end of reporting period, the borrowings and loans were repayable as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within one year	3,902,499	4,909,250
More than one year, but not exceeding two years	1,104,945	1,201,073
More than two years, but not exceeding five years	433,063	1,235,369
After five years	499,343	568,770
	<u>5,939,850</u>	<u>7,914,462</u>

Movements in borrowings are analysed as follows:

	<u>Unaudited</u>	
	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the period	7,914,462	6,968,786
Proceeds of new borrowings	342,163	2,096,543
Repayments of borrowings (Note 17)	(2,175,696)	(2,672,651)
Exchange differences	(141,079)	16,708
	<u>5,939,850</u>	<u>6,409,386</u>

- (a) As at 30 June 2020, the Group's borrowings and loans bear an average interest rate of 11.59% (As at 30 June 2019: 9.35%) per annum.
- (b) As at 30 June 2020, RMB1,536,357,000 (equivalent to approximately HK\$1,682,020,000) were already mature and remained unsettled. These loans from a third party asset management company bear interests at fixed rates ranging from 12.0% to 12.1% per annum. As at the date of this financial information, the Group is still in the process of negotiating with the third party for the renewal of the loans.

17 AMOUNTS DUE TO A RELATED PARTY

During the six months ended 30 June 2020, borrowing of the Group of RMB850,000,000 (equivalent to approximately HK\$930,589,000) was matured and repaid by a shareholder, China Orient Asset Management (International) Holding Limited ("COAMI"), on behalf of the Group. The balance due to COAMI is unsecured, bears interest at a fixed rate of 12% per annum and is repayable on demand. As of the date of approval of this interim condensed consolidated financial information, the Group is still in the process of negotiating the repayment term with COAMI.

18 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020 <i>HK\$ '000</i> (Unaudited)	As at 31 December 2019 <i>HK\$ '000</i> (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	<u>503,980</u>	<u>596,772</u>

As at 30 June 2020 and 31 December 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received as included in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

19 COMMITMENTS

	As at 30 June 2020 <i>HK\$ '000</i> (Unaudited)	As at 31 December 2019 <i>HK\$ '000</i> (Audited)
Commitments in respect of properties under development and investment properties		
– contracted for or authorized but not provided	<u>3,535,411</u>	<u>4,380,299</u>
Commitments for acquisition of subsidiaries		
– contracted for but not provided (i)	<u>1,627,654</u>	<u>1,662,975</u>

- (i) In August 2015, the Group entered into six equity transfer agreements with a third party to acquire the entire equity interests of six project companies that possess 13 land parcels located in Nanjing, the PRC. As of 30 June 2020, the equity interests of two project companies which owns 4 parcels of land were transferred to the Group. The equity interests of the remaining four project companies have not been transferred to the Group and the corresponding consideration of RMB1,486,700,000 (equivalent to HK\$1,627,654,000) (At 31 December 2019: RMB1,486,700,000 (equivalent to HK\$1,662,975,000)) have not been paid.

20 LEASES

As at 30 June 2020 and 31 December 2019, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	148,133	162,250
Later than one year and not later than five years	365,875	438,610
Later than five years	140,003	115,269
	<u>654,011</u>	<u>716,129</u>

21 RELATED PARTY TRANSACTIONS

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

(a) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term benefits	14,767	14,918
Post-employment benefits	190	218
	<u>14,957</u>	<u>15,136</u>

(b) For the six months ended 30 June 2020, the service fee relating to the guarantees provided by COAMI amounting to HK\$7,303,000 (Six months ended 30 June 2019: HK\$41,503,000) was accrued by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The board of directors of Shanghai Zendai Property Limited (the “Company” or “Shanghai Zendai”) hereby announces the interim results of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2020 (the “period” or “period under review”).

During the period under review, the Group recorded a turnover of approximately HK\$436,421,000, representing a significant decrease of HK\$558,043,000 as compared with approximately HK\$994,464,000 for the same period in 2019. The turnover recorded a significant decrease due to the fact that the outbreak of new coronavirus disease had a certain impact on the overall business. Meanwhile, the key projects of the Group, being the third phase of the “Nanjing Himalayas Center” project and the second phase project Riverside Mansion (濱江閱公館) of “Riverside Thumb Plaza” in Nanjing, are still in the stage of pre-sale, and it is expected that they could be delivered to buyers and the turnover shall be recognised in the second half of 2020. The turnover of the Group for the period was mainly attributed to:

- revenue recognition of service apartments, commercial units and office buildings of the first and second phases of Nanjing Himalayas Center
- revenue recognition of the apartments and commercial units of the first and second phases of Riverside Thumb Plaza in Nanjing
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the “Shareholders”) was approximately HK\$467,911,000, representing a decrease of approximately 0.5% as compared with the same period of last year (loss for the same period of last year: approximately HK\$470,446,000). Basic loss per share of the Company (the “Share”) was HK\$3.14 cents (basic loss per Share for the same period in 2019: HK\$3.16 cents). The Group recorded a decrease in loss for the period, mainly attributable to the decrease in finance costs, administrative expenses, selling and marketing expense which offset the effect arising from the decline in turnover and gross profit during the period.

Business Review

At the beginning of 2020, the unexpected outbreak of the novel coronavirus caused great impact on the social economy. During this special period, Shanghai Zendai continued to stick to its job, comprehensively promoting epidemic prevention and control work by leveraging its professional and attentive services.

During the period, projects of Nanjing Himalayas Center and projects of “Riverside Thumb Plaza” in Nanjing remained the main focus of sales, constituting important drivers for the Group’s future turnover growth and the project in Shanghai, which has been in operation for years, experienced smooth and steady growth.

The Group pursued a disposal of the project in Yantai by way of a public tender in August 2020, a further step to realising the development strategy of gradually stripping off its business from non-core developing areas. While actively seeking for any opportunity that can enable it to strip off its projects from these cities, and operating under such an asset-light business strategy, the Group is capable of concentrating resources and efforts in extensively exploring development potential in Nanjing, Shanghai and other cities, and continually deploying and planning for quality and industry benchmarking commercial and residential property projects. Further details are set out below.

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the “Plaza”) is an integrated commercial complex in a prime location adjacent to Shanghai’s Century Park and the Lujiazui financial district. As at 30 June 2020, the Group still owns 40,333 square metres of commercial space and 430 underground car parking spaces in the Plaza. As at 30 June 2020, more than 92% of the commercial space in the Plaza has been leased. Rental received during the period was approximately RMB35,424,000 (equivalent to approximately HK\$39,099,000).

Grand Mercure Shanghai Century Park

The Group’s five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the “Grand Mercure” brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four storey ancillary building and one level of basement. During the period under review, the average occupancy rate of the hotel was 36%, and total income of the hotel amounted to approximately RMB11,980,000 (equivalent to approximately HK\$13,223,000).

Shanghai Himalayas Center

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

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the period under review was 30%, with a total revenue of approximately RMB27,930,000 (equivalent to approximately HK\$30,828,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded "Best Business Hotel of 2019" by Meituan Hotel, Expedia group – Best Customer Engagement and Tripadvisor – Certificate of Excellence 2019. Shang-High Cuisine Restaurant was awarded as Ctrip Gourmet List Selected Restaurant in 2019 by Ctrip and as an one-star restaurant by Michelin Guide Shanghai.

During the period under review, an average of approximately 33% of the commercial space of the shopping centre in Himalayas Center with a leasable area of 28,409 square metres was leased, with a rental income of approximately RMB13,503,000 (equivalent to approximately HK\$14,904,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres with a total saleable area of 132,380 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space, 70,283 square metres of office building, 13,964 square metres of car-parking space and 24,532 square metres of hotel. As at 30 June 2020, the majority of the first phase of the project had been sold. Cumulative areas of 20,164 square metres, 3,317 square metres, 68,068 square metres, 3,705 square metres and 24,532 square metres of service apartments, commercial space, office building, car-parking space and hotel had been sold respectively, generating a total contract value of RMB340,574,000 (equivalent to approximately HK\$375,909,000), RMB129,031,000 (equivalent to approximately HK\$142,418,000), RMB1,210,730,000 (equivalent to approximately HK\$1,336,347,000), RMB31,377,000 (equivalent to approximately HK\$34,632,000) and RMB364,640,000 (equivalent to approximately HK\$402,472,000) respectively. During the period, a total amount of RMB9,917,000 (equivalent to approximately HK\$10,946,000) was recognised as turnover.

The second phase of the project covers a gross floor area of approximately 208,488 square metres, with a total saleable area of 144,860 square metres, including 52,677 square metres of service apartments, 16,648 square metres of commercial space, 50,199 square metres of office building and 25,336 square metres of underground car-parking space. During the period under review, total contracted areas of underground car-parking space amounting to 976 square metres were sold, generating a total contract value of RMB8,174,000 (equivalent to approximately HK\$9,022,000). During the period, the delivered areas of service apartments, commercial space, office building and car-parking space were 161 square metres, 173 square metres, 150 square metres and 3,629 square metres respectively, with a total contract value of RMB2,926,000 (equivalent to approximately HK\$3,230,000), RMB4,323,000 (equivalent to approximately HK\$4,772,000), RMB2,505,000 (equivalent to approximately HK\$2,765,000) and RMB31,377,000 (equivalent to approximately HK\$34,632,000) respectively. During the period, a total amount of RMB39,267,000 (equivalent to approximately HK\$43,341,000) was recognised as turnover. As at 30 June 2020, the majority of the second phase of the project had been sold. The cumulative areas of 52,583 square metres, 16,557 square metres, 50,199 square metres and 3,629 square metres of service apartments, commercial space, office building and underground car parking space had been sold respectively, generating a total contract value of RMB1,004,258,000 (equivalent to approximately HK\$1,108,453,000), RMB615,754,000 (equivalent to approximately HK\$679,640,000), RMB885,366,000 (equivalent to approximately HK\$977,225,000) and RMB31,377,000 (equivalent to approximately HK\$34,632,000) respectively.

The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. The third phase of the project commenced pre-sale in the first half of 2018, with a total saleable area of 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the period under review, total contracted areas of office building of 5,156 square metres were sold, generating a total contract value of RMB98,120,000 (equivalent to approximately HK\$108,300,000). As at 30 June 2020, the cumulative areas of 14,188 square metres and 40,888 square metres of service apartments and office building had been sold respectively, generating a total contract value of RMB349,700,000 (equivalent to approximately HK\$385,982,000) and RMB786,149,000 (equivalent to approximately HK\$867,714,000) respectively. The third phase of the project is expected to be delivered in the second half of 2020.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, with a site area of approximately 13,220 square metres. The land has a total saleable area of 85,487 square metres, comprising 77,374 square metres of apartments, 3,786 square metres of commercial space and 4,327 square metres of underground car-parking space. As at 30 June 2020, the majority of the project had been sold, cumulative areas of 77,374 square metres, 3,104 square metres and 3,027 square metres of apartments, commercial space and underground car-parking space had been sold respectively, generating a total contract value of RMB1,927,083,000 (equivalent to approximately HK\$2,127,023,000), RMB136,793,000 (equivalent to approximately HK\$150,986,000) and RMB47,901,000 (equivalent to approximately HK\$52,871,000) respectively. During the period, a total amount of RMB911,000 (equivalent to approximately HK\$1,006,000) was recognised as turnover.

The Second Phase of “Riverside Thumb Plaza” in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, with a site area of approximately 26,318 square metres. The land has a total saleable areas of 160,307 square metres, including 132,965 square metres of apartments, 6,745 square metres of commercial space and 20,597 square metres of office building. During the period under review, the total contracted areas of apartments, commercial space and office building of 75 square metres, 1,897 square metres and 438 square metres were sold respectively, generating a total contract value of RMB1,145,000 (equivalent to approximately HK\$1,264,000), RMB39,237,000 (equivalent to approximately HK\$43,308,000) and RMB6,520,000 (equivalent to approximately HK\$7,196,000). As at 30 June 2020, cumulative areas of 132,965 square metres, 5,773 square metres and 18,625 square metres of apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB4,211,051,000 (equivalent to approximately HK\$4,647,959,000), RMB254,343,000 (equivalent to approximately HK\$280,732,000) and RMB348,956,000 (equivalent to approximately HK\$385,161,000) respectively. During the period, the delivered areas of commercial space were 247 square metres, with a total contract value of RMB7,629,000 (equivalent to approximately HK\$8,421,000). During the period, a total amount of RMB77,981,000 (equivalent to approximately HK\$86,072,000) was recognised as turnover.

The Third Phase of “Riverside Thumb Plaza” in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale started in October 2019. During the period under review, the total contracted areas of apartments and commercial space of 8,439 square metres and 237 square metres were sold respectively, generating a total contract value of RMB309,873,000 (equivalent to approximately HK\$342,023,000) and RMB11,353,000 (equivalent to approximately HK\$12,531,000) respectively. As at 30 June 2020, cumulative areas of 42,904 square metres and 237 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,603,727,000 (equivalent to approximately HK\$1,770,118,000) and RMB11,353,000 (equivalent to approximately HK\$12,531,000) respectively. The project is expected to be delivered in the first half of 2022.

The Fourth Phase of “Riverside Thumb Plaza” in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into office building and commercial space with a gross floor area of approximately 102,504 square metres, including 79,455 square metres of office building and 23,094 square metres of commercial space. Construction of the project commenced in January 2019 and the pre-sale is planned to start in the fourth quarter of 2020.

Other Cities

Qingdao Zendai Thumb Plaza

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

As at 30 June 2020, a cumulative area of 63,203 square metres of service apartments had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK\$1,023,121,000).

As at 30 June 2020, around 91% of the commercial space (with a leasable area of 46,499 square metres) was leased, with a rental income of RMB12,860,000 (equivalent to approximately HK\$14,194,000) during the period.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the period was 34%, with a total income of RMB8,775,000 (equivalent to approximately HK\$9,685,000).

Zendai Nantong Yicheng Thumb Plaza

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

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 91% had been leased as at 30 June 2020, with a rental income of RMB1,401,000 (equivalent to approximately HK\$1,546,000) during the period.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which has been sold. As at 30 June 2020, a total cumulative contracted area of 71,585 square metres (including 41,065 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total cumulative contract value of RMB848,855,000 (equivalent to approximately HK\$936,926,000). During the period under review, an area of 451 square metres of detached villas was delivered with a total contract value of RMB11,082,000 (equivalent to approximately HK\$12,232,000). During the period, a total amount of RMB11,082,000 (equivalent to approximately HK\$12,232,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 228 square metres of commercial space were sold during the period under review, generating a total contract value of RMB4,380,000 (equivalent to approximately HK\$4,834,000). As at 30 June 2020, a cumulative area of 33,563 square metres of residential properties and 6,923 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK\$633,341,000) and RMB105,696,000 (equivalent to approximately HK\$116,662,000) respectively.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 30 June 2020, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

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

Residential Projects in China

Shanghai

Zendai Xizhen Thumb Plaza

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

The first phase of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). As at 30 June 2020, the total cumulative residential and commercial areas of 23,084 square metres and 22,527 square metres had been sold respectively, generating a total contract value of RMB442,587,000 (equivalent to approximately HK\$488,507,000) and RMB469,705,000 (equivalent to approximately HK\$518,438,000) respectively. Residential properties with areas of 58 square metres were delivered during the period with a total contract value of RMB1,265,000 (equivalent to approximately HK\$1,396,000). During the period, a total amount of RMB1,205,000 (equivalent to approximately HK\$1,330,000) was recognised as turnover.

The second phase of the project has a gross floor area of approximately 70,525 square metres, which consists of resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres). The portion of the resort hotel was sold and delivered in 2018. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 30 June 2020, a cumulative area of resort villas of 35,100 square metres had been sold, generating a total contract value of RMB573,677,000 (equivalent to approximately HK\$633,198,000).

Other Cities

“Zendai Garden-Riverside Town” in Haimen

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

The first parcel of land is to be developed in two parts.

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

“Multiflora Garden”, the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. Phase III has a saleable area of approximately 91,817 square metres. As at 30 June 2020, a total cumulative area of 78,375 square metres had been sold, generating a total cumulative contract value of RMB464,499,000 (equivalent to approximately HK\$512,692,000). During the period, an area of 679 square metres was delivered with a total contract value of RMB4,639,000 (equivalent to approximately HK\$5,120,000). During the period, a total amount of RMB4,639,000 (equivalent to approximately HK\$5,120,000) was recognised as turnover.

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

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 30 June 2020, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK\$254,355,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 30 June 2020, a cumulative area of 79,780 square metres was sold, generating a total contract value of RMB359,490,000 (equivalent to approximately HK\$396,788,000). During the period, an area of 89 square metres involving a contract value of RMB399,000 (equivalent to approximately HK\$440,000) was delivered. During the period, a total amount of RMB399,000 (equivalent to approximately HK\$440,000) was recognised as turnover.

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

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, has been developed into a commercial plaza with a total area of 45,514 square metres.

A Parcel of Land in Yantai Development Zone

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

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

In the first half of 2020, after experiencing steady development in the second half of 2019 and the impact brought by the COVID-19 outbreak in early 2020, as well as guided by the key concept of “housing is for living, not for speculation and targeted policies for cities,” the real estate market is returning to normal operation on the whole after a quarter of decline and with the improved epidemic prevention and control.

Looking forward, the Group will continue to adhere to the development strategy of “extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities”, concentrate on studies on market trends and demands, and optimise and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The Group will actively capture market trends and further develop core strategic areas such as Nanjing and Shanghai to fully explore local market demands, while keeping search for development opportunities to arrange and deploy real estate projects that act as the industry benchmark. Also, the Group will steadily improve the quality of property management services, replicate the Group’s experience through an asset-light model, strive to seek opportunities for business strategic cooperation with third-party developers, and provide business management output services to expand its business.

The Group has always adhered to the differentiated brand strategy of “Architecture • Art • Life” while maintaining development. The Group not only provides cities with high quality living spaces, but also strives to pursue humanist spirits, focus on social values and give all our property projects their respective individualized elements and cultural connotation. In the future, Shanghai Zendai will keep adjusting its industry structure to adapt to the new movements of urban development. While striving to discover the brand value of its existing projects, the Group will seek cooperation opportunities and actively capture market trends, expand market with sustainable development potential by integrating its own strengths, thus rewarding its shareholders and the society.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2020, the Group had a financial position with net assets value of approximately HK\$1,166 million (31 December 2019: approximately HK\$1,671 million). Net current liabilities amounted to approximately HK\$863 million (31 December 2019: net current assets amounted to approximately HK\$376 million) with current ratio decreasing from 1.03 times at 31 December 2019 to approximately 0.94 times at 30 June 2020. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the interim condensed consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2020, the Group had consolidated borrowings and loans of approximately HK\$5,940 million, of which HK\$3,903 million was repayable within one year and HK\$2,037 million was repayable more than one year. As at 30 June 2020, borrowings of the amount of HK\$4,522 million (31 December 2019: HK\$6,391 million) bear interest at fixed interest rates ranging from 4.77% to 18.15% per annum (31 December 2019: ranging from 4.77% to 18.15% per annum). As at 30 June 2020, the Group's bank balances and cash including pledged bank deposits were approximately HK\$1,178 million (31 December 2019: HK\$1,955 million). The gearing ratio of the Group increased from 3.84 times at 31 December 2019 to 5.31 times at 30 June 2020 (basis: net debts, which is defined as total amounts of borrowings and loans, amounts due to minority owners of subsidiaries, amounts due to a related party and lease liabilities less cash and cash equivalents and pledged bank deposits, divided by equity attributable to owners of the Company).

Segment Information

Sales of properties

The turnover of this segment for the period was approximately HK\$253,262,000 (2019: HK\$742,981,000). The decrease was primarily due to the substantial decrease in the areas of the property delivered to purchasers.

Properties rental, management and agency services

The turnover of this segment for the period was approximately HK\$160,250,000 (2019: HK\$181,061,000). The decrease was due to rent concessions provided to the tenants as well as the reduction of mall activities were held during the epidemic.

Hotel operations

The turnover of this segment for the period was HK\$22,909,000 (2019: HK\$70,422,000). The decrease was due to the decline of occupancy rate as result of outbreak of the novel coronavirus.

Foreign Currency and Interest Rates Exposures and Hedging

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 30 June 2020 were mainly denominated in RMB and HK\$. Bank borrowings of the Group as at 30 June 2020 were mainly denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

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

Employees

As at 30 June 2020, the Group employed approximately 909 employees (31 December 2019: 955 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 30 June 2020 is:

The Group disposed of 70% equity interests in 煙台証大大拇指置業有限公司 (Yantai Zendai Thumb Property Co., Ltd.*) by way of public tender through the Alibaba Auction Platform (the "Disposal"). The minimum bid price for the Disposal was RMB33,000,000 (equivalent to approximately HK\$36,130,000), whereas the consideration (being the final consideration of the Disposal) shall depend on the final bid price to be offered by the successful bidder and in any event shall be no less than the minimum bid price. On 19 August 2020, the Company was notified by the Alibaba Auction Platform that the Disposal was won by Yantai Zhengtong Real Estate Co., Ltd* ("Zhengtong Real Estate") (煙台市正通置業有限公司) at a consideration of RMB33,000,000 (equivalent to approximately HK\$36,130,000). On 4 September 2020, the Company was notified by the third-party auction agent of Alibaba Auction Platform that the remaining balance of the Consideration has not been paid by Zhengtong Real Estate as required and the tender has been terminated. Further details of the transaction are set out in the announcements of the Company dated 11 August 2020, 19 August 2020, 24 August 2020 and 7 September 2020.

CONTINGENT LIABILITIES

Please refer to note 18 of the condensed consolidated interim financial information of this report in relation to the details of financial guarantees. In the opinion of the Board, the fair value of guarantee contracts is insignificant at initial recognition.

PLEDGE OF ASSETS

As at 30 June 2020, the carrying amounts of following assets of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	<i>HK\$'000</i>
Property, plant and equipment	910,846
Investment properties	2,638,203
Properties under development and completed properties held-for-sale	2,427,550
Pledged bank deposits	734,513
	<hr/>
	6,711,112
	<hr/> <hr/>

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 30 June 2020, the interests and short positions of the directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are set out below:

Name of Director	Name of Company	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 30 June 2020
Mr. Tang Jian	The Company	10,000,000 (L)	Beneficial owner	0.07%

(L) denotes long position

Save as disclosed above, none of the directors of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 30 June 2020.

PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2020, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares interested as at 30 June 2020	Approximate percentage of the issued share capital as at 30 June 2020
Nantong Sanjian Holding (HK) Co., Limited (Note 1)	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) (Note 1)	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. (Note 2)	Beneficial owner	2,703,248,481 (L)	18.17%

Name	Nature of interests	Number of shares interested as at 30 June 2020	Approximate percentage of the issued share capital as at 30 June 2020
Cheer Link Global Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Dong Yin Development (Holdings) Limited <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management Co., Ltd. ("COAMC") <i>(Note 2)</i>	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Alliance Properties Limited <i>(Note 3)</i>	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd <i>(Note 3)</i>	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd <i>(Note 3)</i>	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Co., Ltd <i>(Note 3)</i>	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited <i>(Note 3)</i>	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	2,255,335,000 (L)	15.16%

Name	Nature of interests	Number of shares interested as at 30 June 2020	Approximate percentage of the issued share capital as at 30 June 2020
Fosun International Holdings Ltd. (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang (Note 3)	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) denotes long position

Notes:

- As of 30 June 2020, Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) .
- As of 30 June 2020, COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.
- As of 30 June 2020, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 71.09% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Fosun Industrial Investment Co., Ltd, which had approximately 99.71% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 30 June 2020, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2019 Annual Report of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and considered that the Company has complied with all applicable accounting standards and requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2020.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the the six-month period ended 30 June 2020 except the deviations as stipulated below.

Under the code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Mr. Ma Yun and Mr. Wu Junao, non-executive directors of the Company, were appointed to fill casual vacancies on 23 April 2020 and should have retired at the adjourned special general meeting held on 29 May 2020. Pursuant to Bye-law 86(2) of the bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Therefore, Mr. Ma Yun and Mr. Wu Junao retired and were re-elected at the annual general meeting of the Company held on 18 June 2020 (the “AGM”).

Under the code provision E.1.2 of the CG Code, the chairman of the Board (the “Chairman”) and the chairman of the nomination committee or his representative should attend the Company’s AGM. Due to the new coronavirus pandemic and in light of the regulations introduced by the government in Hong Kong, the Chairman and the chairman of the nomination committee and his representative did not attend the AGM. Pursuant to Bye-law 63 of the bye-laws of the Company, Mr. How Sze Ming, an independent non-executive director of the Company, was elected by the directors of the Company to chair the AGM. The auditors of the Company were also in attendance at the AGM.

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

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