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

2021 INTERIM REPORT

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Mr. He Haiyang
Ms. Li Zhen

Non-executive Directors

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

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Chu Chi Wen
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu

COMMITTEES

Audit Committee

Mr. Chu Chi Wen *(Chairman)*
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu

Remuneration Committee

Mr. Chen Shuang, *JP (Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Chu Chi Wen
Mr. Cao Hailiang

Nomination Committee

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue	*6*	430,793	436,421
Cost of sales		(284,752)	(331,998)
Gross profit		146,041	104,423
Other income, gains and losses – net		5,947	8,563
Net impairment losses on financial assets		–	(21,006)
Selling and marketing expenses		(32,522)	(49,656)
Administrative expenses		(137,486)	(137,266)
Gain on disposal of an investment property		91,605	–
Change in fair value of investment properties		13,566	(44,927)
Finance costs	*7*	(434,676)	(339,801)
Loss before income tax		(347,525)	(479,670)
Income tax (expense)/credit	*8*	(6,176)	9,232
Loss for the period		(353,701)	(470,438)
Loss for the period attributable to:			
– Owners of the Company		(342,133)	(467,911)
– Non-controlling interests		(11,568)	(2,527)
		(353,701)	(470,438)
Loss per share			
– Basic	*10*	HK$(2.30)cents	HK$(3.14)cents
– Diluted	*10*	HK$(2.30)cents	HK$(3.14)cents

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	
	2021	2020
	HK$'000	*HK$'000*
Loss for the period	(353,701)	(470,438)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	57,163	(29,092)
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	–	(4,529)
Other comprehensive income/(loss) for the period, net of tax	57,163	(33,621)
Total comprehensive loss for the period	(296,538)	(504,059)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(285,875)	(499,190)
– Non-controlling interests	(10,663)	(4,869)
	(296,538)	(504,059)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,045,965	1,044,046
Investment properties	*11*	5,534,324	5,493,108
Financial assets at fair value through other comprehensive income		20,622	20,388
Amount due from an associate		109,534	108,295
Properties under development	*12*	804,112	795,016
Deferred income tax assets		18,286	18,079
Pledged bank deposits	*14*	97,140	248,624
Total non-current assets		7,629,983	7,727,556
Current assets			
Properties under development and completed properties held-for-sale	*12*	5,790,550	5,896,666
Inventories		2,278	2,309
Contract assets		7,232	7,356
Trade receivables, other receivables and prepayments	*13*	459,323	332,157
Deposits for properties under development		29,116	5,190
Financial assets at fair value through profit or loss		21,197	23,613
Tax prepayments		292,833	257,494
Pledged bank deposits	*14*	221,051	228,700
Cash and cash equivalents		214,701	230,800
Total current assets		7,038,281	6,984,285
Total assets		14,668,264	14,711,841

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET – CONTINUED

	Notes	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		297,587	297,587
Reserves		2,391,599	2,335,341
Accumulated losses		(2,903,799)	(2,561,666)
		(214,613)	71,262
Non-controlling interests		222,862	233,525
Total equity		8,249	304,787
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	2,114,793	2,746,429
Lease liabilities		61,054	76,054
Deferred income tax liabilities		671,623	664,509
Other payables		610,919	604,716
Total non-current liabilities		3,458,389	4,091,708
Current liabilities			
Trade and other payables	*15*	3,528,341	3,096,741
Contract liabilities		1,993,772	2,041,191
Amounts due to minority owners of subsidiaries		121,795	120,417
Borrowings	*16*	4,805,325	4,289,486
Lease liabilities		39,414	31,774
Tax payables		712,979	735,737
Total current liabilities		11,201,626	10,315,346
Total liabilities		14,660,015	14,407,054
Total equity and liabilities		14,668,264	14,711,841

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 2021	297,587	2,164,682	1,074	157,315	68,541	353,746	(146,299)	(2,561,666)	(271,343)	7,625	71,262	233,525	304,787
Loss for the period	–	–	–	–	–	–	–	(342,133)	–	–	(342,133)	(11,568)	(353,701)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	56,258	–	56,258	905	57,163
Total comprehensive loss for the period	–	–	–	–	–	–	–	(342,133)	56,258	–	(285,875)	(10,663)	(296,538)
Balance at 30 June 2021	297,587	2,164,682	1,074	157,315	68,541	353,746	(146,299)	(2,903,799)	(215,085)	7,625	(214,613)	222,862	8,249
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

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	
	2021	2020
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash inflow from operations	72,131	545,460
Interest received	3,385	1,640
Interest paid	(130,028)	(266,237)
Income tax paid	(64,273)	(103,062)
Net cash (outflow)/inflow from operating activities	(118,785)	177,801
Cash flows from investing activities		
Net proceeds on disposal of financial assets at fair value through profit or loss	2,676	1,796
Purchases of property, plant and equipment	(11,305)	(271)
Proceeds from disposal of property, plant and equipment	120	1,433
Proceeds from disposal of investment properties	103,605	–
Net cash inflow from investing activities	95,096	2,958
Cash flows from financing activities		
Decrease in pledged bank deposits – net	163,960	685,221
Proceeds from borrowings	82,605	342,163
Repayment of borrowings	(240,766)	(1,237,506)
Principal elements of lease payments	(7,741)	(20,317)
Net cash outflow from financing activities	(1,942)	(230,439)
Net decrease in cash and cash equivalents	(25,631)	(49,680)
Cash and cash equivalents at beginning of the period	230,800	510,151
Effect of foreign exchange rate changes	9,532	(17,451)
Cash and cash equivalents at end of the period	214,701	443,020
Non-cash financing activities		
Increase in amount due to a related party	–	938,190

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 31 August 2021 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 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), and any public announcements made by the Company during the interim reporting period.

2.1 Going concern basis

The Group reported a net loss of HK$354,000,000 during the six months ended 30 June 2021. As at 30 June 2021, the Group's negative equity attributable to owners of the Company amounted to HK$215,000,000 and its current liabilities exceeded its current assets by HK$4,163,000,000. At the same date, the Group's total borrowings amounted to HK$6,920,000,000. Except for the borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of RMB2,620,000,000 (equivalent to approximately HK$3,149,000,000) which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$7,396,000,000 together with fixed deposits amounting to HK$301,000,000. As at 30 June 2021, the Group had total unrestricted cash and cash equivalents of HK$215,000,000.

During the six-month period ended 30 June 2021, the Group was unable to repay borrowings from two financial institutions (the "**Lenders of Defaulted Borrowings**") with principal amounts totalling RMB981,000,000 (equivalent to approximately HK$1,179,000,000) (the "**Defaulted Borrowings**") and related interest of RMB55,000,000 (equivalent to approximately HK$66,000,000) (such non-repayments are referred to as the "**Default Events**"). Subsequent to the reporting period, one of the financial institutions has filed a lawsuit with the court for the Defaulted Borrowings with principal amounts of RMB180,000,000 (equivalent to approximately HK$216,000,000).

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern basis – CONTINUED

The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of RMB1,518,000,000 (equivalent to approximately HK$1,824,000,000) as at 30 June 2021. These amounts, including borrowings of RMB421,000,000 (equivalent to approximately HK$506,000,000) with original contractual repayment dates beyond 30 June 2022, were classified under current liabilities as at 30 June 2021 as they are due upon demand if requested by the respective lenders.

On 11 May 2021, Shenzhen Court of International Arbitration ordered the Group to return an amount due to a company of RMB48,000,000 (equivalent to approximately HK$58,000,000) and the corresponding liquidated damages, which the Group did not repay when it was due.

The above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

i. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and the Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest of these borrowings. Save for the above-mentioned, one of the financial institutions which has filed a lawsuit with the court for the relevant Defaulted Borrowings, based on the latest communications with other lenders, there is no indication that they have any current intention to take action against the Group to demand immediate payment;

ii. the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment of the Defaulted Borrowings), and financing the continuing construction of properties and repaying one of the overdue other payables;

iii. the Group will seek to accelerate the construction as well as pre-sale and sale of its properties under development. In particular, in the second half of 2021, the Group plans to launch the pre-sale of properties in two development projects with a recorded carrying amount totalling RMB1,981,000,000 (equivalent to approximately HK$2,381,000,000) as at 30 June 2021;

iv. on 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd., a wholly-owned subsidiary of the Group signed a land resumption agreement with Haimen District Government in respect of compensation for the resumption of a parcel of industrial land of 133,336 square metres. The Group recorded a compensation income of RMB106,000,000 (equivalent to approximately HK$126,000,000), which was used to replenish the liquidity of the Group; and

v. the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern basis – CONTINUED

The Directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 30 June 2021. The Directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

a. successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings and a creditor of one of the overdue other payables, despite the anticipated operating results for 2021 and the negative equity attributable to owners of the Company as mentioned above, such that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repaying the Defaulted Borrowings;

b. successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and whether increased regulation such as the "Three Red Lines" financial supervisory rules for real estate companies, or other restrictions are applicable to the Group and/or these financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

c. successfully accelerating the construction as well as pre-sale and sale of its properties under development, particularly those two development projects that the Group plans to launch a pre-sale in the second half of 2021 and timely collection of the relevant sales proceeds; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections;

d. the Group is actively revitalising its existing assets and increasing its cash inflows, which shall be used to repay its overdue borrowings, etc.; and

e. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as its ability to successfully control administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this interim condensed consolidated financial information.

3 ACCOUNTING POLICIES

The accounting policies applied in this interim condensed consolidated financial information are consistent with those of the Group's annual financial statements for the year ended 31 December 2020, 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 2021 and adopted by the Group for the first time in this interim condensed consolidated financial information:

- COVID-19-related Rent Concessions – amendment to HKFRS 16
- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The adoption of the abovementioned amendments and revised standards 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 2020.

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 2020.

There have been no significant changes in the risk management policies since the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – CONTINUED

5.2 Liquidity risk

Since the last annual financial report, there was no 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
- Amount due from an associate
- Borrowings
- Trade and other payables, excluding tax payables
- Amounts due to minority owners of subsidiaries
- 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 unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

6 SEGMENT INFORMATION – CONTINUED

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.

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020 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 2021 (Unaudited)				
Total segment revenue (i)	204,260	179,619	47,313	431,192
Inter-segment revenue	–	(399)	–	(399)
Revenue from external customers	204,260	179,220	47,313	430,793
(Loss)/profit before income tax	(17,699)	107,927	7,986	98,214
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)

(i) For the six month period ended 30 June 2021, revenue of sales of properties of HK$204,260,000 was recognised at a point in time. The revenue from hotel operations, properties management and agency services of HK$133,004,000 were recognised over time. Rental income of HK$93,529,000 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 *HK$'000*	Properties rental, management and agency services *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
As at 30 June 2021 (Unaudited)				
Total segment assets	9,647,054	3,942,917	737,121	14,327,092
Total segment assets include: Additions to non-current assets (i)	3,191	6	–	3,197
Total segment liabilities	9,418,091	893,945	137,521	10,449,557
As at 31 December 2020 (Audited)				
Total segment assets	7,248,959	5,942,924	1,025,332	14,217,215
Total segment assets include: Additions to non-current assets (i)	2,009	21,428	37,063	60,500
Total segment liabilities	10,238,449	954,286	149,778	11,342,513

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

(b) Reconciliation of reportable segment loss before income tax

	Unaudited	
	Six months ended 30 June	
	2021 *HK$'000*	2020 *HK$'000*
Profit/(loss) before income tax for reportable segment	98,214	(124,079)
Unallocated bank interest income	–	11
Finance costs	(434,676)	(339,801)
Unallocated head office and corporate expenses	(11,063)	(15,801)
Loss before income tax	(347,525)	(479,670)

6 SEGMENT INFORMATION – CONTINUED

(c) Reconciliation of reportable segment assets and liabilities

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Reportable segment assets	14,327,092	14,217,215
Pledged bank deposits	318,191	477,324
Head office and corporate assets	22,981	17,302
Total assets	14,668,264	14,711,841
Reportable segment liabilities	10,449,557	11,342,513
Unallocated borrowings	3,763,829	2,490,622
Unallocated head office and corporate liabilities	446,629	573,919
Total liabilities	14,660,015	14,407,054

7 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2021 *HK$'000*	2020 *HK$'000*
Interest expenses		
Bank borrowings	75,057	98,305
Other borrowings	355,791	290,417
Interest and finance charges paid/payable for lease liabilities	3,828	4,261
Less: amounts capitalized in properties under development at a capitalization rate of Nil% (2020: 7.27%) per annum	–	(53,182)
Finance costs – net	434,676	339,801

8 INCOME TAX EXPENSE/(CREDIT)

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 2021 and 2020. Other group entities are subject 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 2021 and 2020.

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 EXPENSE/(CREDIT) – CONTINUED

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Current income tax:		
– PRC enterprise income tax expense	481	763
– PRC land appreciation tax	5,695	5,198
Deferred income tax credit	–	(15,193)
Income tax expense/(credit)	6,176	(9,232)

9 DIVIDEND

No dividend was proposed for the six months ended 30 June 2021 and 2020.

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$342,133,000 (six months ended 30 June 2020: HK$467,911,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2020: 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 2021 and 2020, diluted loss per share is equal to basic loss per share.

11 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
At beginning of the period	5,493,108	3,250,502
Disposals	(12,000)	–
Termination of leases	(13,823)	–
Fair value gain/(loss)	13,566	(44,927)
Exchange differences	53,473	(61,301)
At end of the period	5,534,324	3,144,274

The Group's investment properties were valued at 30 June 2021 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.

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 head of finance department. Discussions of valuation processes and results are held between the head of finance department, the valuation team and valuer at least once every year. As at 30 June 2021, the fair values of investment properties have been determined based on the valuation performed by Cushman & Wakefield.

11 INVESTMENT PROPERTIES – CONTINUED

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

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Properties under development		
– Within a normal operating cycle included under current assets	**4,313,128**	4,757,010
– Beyond a normal operating cycle included under non-current assets	**804,112**	795,016
Completed properties held-for-sale	**1,477,422**	1,139,656
	6,594,662	6,691,682

During the six months period ended 30 June 2021, impairment provision of HK$11,991,000 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 2021, the accumulated impairment provision on properties under development and completed properties held-for-sale amounted to HK$55,869,000 (At 31 December 2020: HK$43,336,000).

As at 30 June 2021, certain properties under development and completed properties held-for-sales with carrying amount of HK$1,112,750,000 (At 31 December 2020: HK$2,258,415,000) are pledged to banks to secure certain borrowings 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 still classified under current assets if they are expected to be realized within the Group's normal operating cycle. As of 30 June 2021, properties under development of HK$804,112,000 (At 31 December 2020: HK$795,016,000 which are not expected to be developed within the Group's normal business cycle are therefore classified as non-current assets.

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$6,288,722,000 (At 31 December 2020: HK$6,217,585,000).

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Trade receivables	66,210	64,807
Less: provision for loss allowance	(1,571)	(1,421)
Trade receivables – net	64,639	63,386
Other receivables	442,069	298,638
Deposits	6,398	18,732
	448,467	317,370
Less: provision for loss allowance	(171,535)	(169,595)
Other receivables – net	276,932	147,775
Prepayments for turnover tax	117,752	120,996
	459,323	332,157

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:

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Within 3 months	48,481	57,152
More than 3 months but less than 12 months	15,915	2,097
More than 12 months	1,814	5,558
	66,210	64,807

14 PLEDGED BANK DEPOSITS

Certain pledged bank deposits represent deposits pledged to banks to secure certain borrowings granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (At 31 December 2020: ranging from 0.30% to 2.28%) per annum.

15 TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$2,974,739,000 (At 31 December 2020: HK$2,096,234,000). The aging analysis of trade payables based on date of services/goods received at the end of the reporting period is as follows:

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Within 3 months	2,740,861	1,818,038
More than 3 months but less than 12 months	22,925	15,721
More than 12 months	100,361	98,998
	2,864,147	1,932,757
Retention money	110,592	163,477
	2,974,739	2,096,234

Other payables included an amount due to a company, an independent third party, of RMB48,000,000 (equivalent to approximately HK$58,000,000) and the corresponding liquidated damages as mentioned in Note 2.1, which the Group did not repay when due.

16 BORROWINGS

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Secured or guaranteed		
Bank borrowings	1,926,592	1,682,871
Borrowings from other financial institutions (Note b)	4,993,526	5,353,044
	6,920,118	7,035,915
Less: amounts repayable within one year included in current liabilities (Note c)	(4,805,325)	(4,289,486)
Total non-current borrowings	2,114,793	2,746,429

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

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Within one year	4,805,325	4,289,486
More than one year, but not exceeding two years	266,579	639,550
More than two years, but not exceeding five years	389,111	1,881,001
After five years	1,459,103	225,878
Total borrowings	6,920,118	7,035,915

16 BORROWINGS – CONTINUED

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
At the beginning of the period	**7,035,915**	7,914,462
Proceeds of new borrowings	**82,605**	342,163
Repayments of borrowings	**(240,766)**	(2,175,696)
Exchange differences	**42,364**	(141,079)
At the end of the period	**6,920,118**	5,939,850

(a) As at 30 June 2021, the Group's borrowings bear an average interest rate of 10.74% (At 30 June 2020: 11.59%) per annum.

(b) As at 30 June 2021, these balances included borrowings from the Shareholder and Associated Parties of RMB2,620,000,000 (equivalent to approximately HK$3,149,000,000) which are unsecured. Pursuant to the Debt Restructuring Agreement signed on 31 December 2020, the Company's largest shareholder and its ultimate holding company as well as certain related individuals (collectively the "**Guarantors**") have provided guarantees to the Shareholder and Associated Parties in respect of the restructured borrowings and the Guarantors have the right to agree or decline the rights of the Shareholder and the Associated Parties to demand immediate payment of the restructured borrowings if any cross-default of these borrowings occurs due to the defaults of any other borrowings of the Group. The Guarantors have confirmed that they will not offer consent to the lenders of the restructured borrowings to enforce such rights. The Company and certain subsidiaries of the Group have also provided counter indemnity to the Guarantors for a portion of the restructured borrowings with principal amounts of RMB832,000,000 (equivalent to approximately HK$999,000,000).

(c) As at 30 June 2021, the current borrowings included (i) the Defaulted Borrowings and the Cross-Defaulted Borrowings of RMB981,000,000 (equivalent to approximately HK$1,179,000,000) and of RMB1,518,000,000 (equivalent to approximately HK$1,824,000,000) respectively; and (ii) the other borrowings (which are not yet overdue or defaulted but with contractual repayment dates prior to 30 June 2022) of HK$1,802,000,000.

17 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2021 and 31 December 2020:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK$'000	*HK$'000*
Guarantees in respect of mortgage facilities for certain purchasers	**281,393**	1,219,919

As at 30 June 2021 and 31 December 2020, 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.

18 COMMITMENTS

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
Commitments in respect of properties under development and investment properties		
– contracted for or authorized but not provided	1,507,237	2,883,815
Commitments for acquisition of subsidiaries		
– contracted for but not provided (i)	1,786,727	1,766,516

(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 2021, 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$1,786,727,000) (At 31 December 2020: RMB1,486,700,000 (equivalent to HK$1,766,516,000)) have not been paid.

19 LEASES

As at 30 June 2021 and 31 December 2020, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties as follows:

	Unaudited As at 30 June 2021 *HK$'000*	Audited As at 31 December 2020 *HK$'000*
As leasor:		
Rental receivables in respect of investment properties		
Not later than one year	158,493	149,473
Later than one year and not later than five years	369,137	346,241
Later than five years	70,392	108,822
	598,022	604,536

20 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	
	2021 *HK$'000*	2020 *HK$'000*
Short-term benefits	9,507	14,767
Post-employment benefits	952	190
	10,459	14,957

(b) For the six months ended 30 June 2021, the service fee relating to the guarantees provided by a shareholder, China Orient Asset Management (International) Holding Limited amounting to HK$Nil (six months ended 30 June 2020: HK$7,303,000) 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 2021 (the "**period**" or "**period under review**").

During the period under review, the Group recorded a turnover of approximately HK$430,793,000, representing a decrease of HK$5,628,000 as compared with approximately HK$436,421,000 for the same period in 2020. As two of the Group's projects, namely the third phase office building 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 at their closing stages, the turnover recorded a decrease. The turnover of the Group for the period was mainly attributed to:

- revenue recognition of the third phase office building of the "Nanjing Himalayas Center" project
- revenue recognition of the second phase project Riverside Mansion (濱江閱公館) 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$342,133,000, representing a decrease of approximately 27% as compared with the same period in 2020 (loss for the same period in 2020: approximately HK$467,911,000). Basic loss per share of the Company (the "**Share**") was HK$2.3 cents (basic loss per Share for the same period in 2020: HK$3.14 cents). The Group recorded a decrease in loss for the period under review, mainly attributable to the impact of the decrease in selling and marketing expenses, increase in gross profit and fair value gain on the investment properties during the period.

Business Review

Shanghai Zendai developed a domestic business presence with Shanghai as the centre and radiating nationwide relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management.

During the period under review, with the development and operation for multiple types of properties including residential, office buildings, art hotels, art galleries and complexes, Shanghai Zendai has become a famous comprehensive urban developer in the industry. Shanghai Zendai has developed a product series with the core brands of Himalayas Center, Thumb Plaza and Mandarin Palace, and has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

During the period under review, the third phase office building of the "Nanjing Himalayas Center", the second phase of Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza" in Nanjing and other projects have been continuously delivered. The projects are all at their closing stages, and the areas of the property to be delivered to purchasers have decreased. The hotel operation, rental and property management income recorded growth, and the overall turnover of the Group recorded a slight decline.

In the first half of 2021, on the basis of maintaining the continuous optimisation of the capital structure, the Group strengthened project operations, improved asset operation efficiency, strengthened cash flow management, actively responded to internal and external challenges, and achieved stable progress and good operation of various projects. Meanwhile, the Group adhered to the city deep cultivation strategy, focusing on exploiting the potential development of core cities in the Yangtze River Delta and other economically invigorating regions and continued to focus on opportunities of high-quality projects. Details are set out below:

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "**Plaza**") is the first community complex standard case created by the Group in China in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district, and it has developed into a platform at the forefront of integration of the individual culture, fine art and trendy commerce. As at 30 June 2021, the Group owns 40,334 square metres of commercial space and 430 underground car parking spaces in the Plaza. As at 30 June 2021, more than 98% of the commercial space in the Plaza has been leased. Rental received during the period under review was approximately RMB34,958,000 (equivalent to approximately HK$41,850,000).

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai Century Park is located in the Shanghai Zendai Thumb 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 55%, and total income amounted to approximately RMB20,709,000 (equivalent to approximately HK$24,792,000).

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, the Shanghai Himalayas Center was rated as one of the nine "designed for China" buildings by China Central Television, and was awarded the title of "Top Ten Contemporary Chinese Buildings" by the latest authoritative selection in 2014. It is a landmark within the Pudong New District. The Shanghai Himalayas Center is an amalgam of the five-star hotel (Jumeirah Himalayas Hotel Shanghai), contemporary art galleries (the Himalayas Art Museum), multifunctional auditorium (the DaGuan Theatre), business center and creative office. 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 53%, with a total revenue of approximately RMB59,253,000 (equivalent to approximately HK$70,936,000). The Jumeirah Himalayas Hotel Shanghai draws inspiration from the essence of Chinese culture, combining traditional and modern styles. 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 45% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 28,499 square metres was leased, with a rental income of approximately RMB14,783,000 (equivalent to approximately HK$17,698,000).

Nanjing

Nanjing Himalayas Center

Nanjing Himalayas Center was designed by Ma Yansong, who is a world-renowned architect. It is another humanistic and artistic peak created by the Group following Shanghai Himalayas Center. The project comprises five business mode, including experience-based shopping malls, intercontinental hotels, commercial buildings, hotel apartments and commercial complex 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 2021, the majority of the first phase of the project had been sold. Cumulative areas of 20,164 square metres, 3,317 square metres, 68,112 square metres, 3,774 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$407,728,000), RMB129,031,000 (equivalent to approximately HK$154,474,000), RMB1,210,991,000 (equivalent to approximately HK$1,449,773,000), RMB28,122,000 (equivalent to approximately HK$33,667,000) and RMB364,640,000 (equivalent to approximately HK$436,539,000) respectively. During the period, a total amount of RMB988,000 (equivalent to approximately HK$1,183,000) 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 144,847 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 25,323 square metres of underground car-parking space. During the period under review, total contracted areas of commercial space and underground car-parking space amounting to 91 square metres and 67 square metres were sold respectively, generating a total contract value of RMB3,700,000 (equivalent to approximately HK$4,430,000) and RMB610,000 (equivalent to approximately HK$730,000) respectively. During the period under review, the delivered areas of commercial space were 217 square metres, with a total contract value of RMB10,969,000 (equivalent to approximately HK$13,132,000). During the period, a total amount of RMB10,979,000 (equivalent to approximately HK$13,144,000) was recognised as turnover. As at 30 June 2021, the majority of the second phase of the project had been sold. The cumulative areas of 52,583 square metres, 16,648 square metres, 50,199 square metres and 3,723 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$1,202,276,000), RMB619,454,000 (equivalent to approximately HK$741,597,000), RMB885,366,000 (equivalent to approximately HK$1,059,941,000) and RMB32,207,000 (equivalent to approximately HK$38,558,000) 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 87,109 square metres, including 14,922 square metres of service apartments, 54,519 square metres of office building and 17,668 square metres of underground car-parking space. During the period under review, total contracted areas of office building and underground car-parking space of 1,066 square metres and 2,113 square metres were sold respectively, generating a total contract value of RMB11,300,000 (equivalent to approximately HK$13,528,000) and RMB19,645,000 (equivalent to approximately HK$23,519,000) respectively. During the period, the delivered areas of office building was 5,365 square metres, with a contract value of RMB91,426,000 (equivalent to approximately HK$109,453,000). During the period under review, a total amount of RMB87,072,000 (equivalent to approximately HK$104,241,000) was recognised as turnover. As at 30 June 2021, the cumulative areas of 14,081 square metres, 52,773 square metres and 2,113 square metres of service apartments, office building and underground car-parking space had been sold respectively, generating a total contract value of RMB347,101,000 (equivalent to approximately HK$415,542,000), RMB993,361,000 (equivalent to approximately HK$1,189,227,000) and RMB19,645,000 (equivalent to approximately HK$23,519,000) respectively.

The First Phase of "Riverside Thumb Plaza" in Nanjing

"Riverside Thumb Plaza" in Nanjing is the flagship complex of Gulou Riverside CBD built by the Group based on in-depth exploration of the characteristics of Nanjing and Riverside CBD. The project comprises apartments, buildings and commercial space. The project is being developed in four phases. The first phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC, 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 2021, the majority of the project had been sold. The cumulative areas of 77,374 square metres, 3,507 square metres, and 3,245 square metres of apartments, commercial space and underground car-parking space had been sold respectively, generating a total contract value of RMB1,926,989,000 (equivalent to approximately HK$2,306,942,000), RMB144,893,000 (equivalent to approximately HK$173,462,000) and RMB51,251,000 (equivalent to approximately HK$61,356,000) respectively. During the period under review, a total amount of RMB664,000 (equivalent to approximately HK$795,000) was recognised as turnover.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The second phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC, with a site area of approximately 26,318 square metres. The land has a total saleable area of 166,395 square metres, comprising 132,969 square metres of apartments, 6,745 square metres of commercial space, 20,597 square metres of office building and 6,084 square metres of underground car-parking space. As at 30 June 2021, cumulative areas of 132,969 square metres, 6,232 square metres, 20,225 square metres and 4,830 square metres of apartments, commercial space, office building and underground car-parking space had been sold respectively, generating a total contract value of RMB4,211,186,000 (equivalent to approximately HK$5,041,525,000), RMB263,130,000 (equivalent to approximately HK$315,013,000), RMB374,577,000 (equivalent to approximately HK$448,434,000) and RMB87,514,000 (equivalent to approximately HK$104,770,000) respectively. During the period under review, total contracted areas of commercial space, office building and underground car-parking space of 439 square metres, 89 square metres and 139 square metres were sold respectively, generating a total contract value of RMB8,787,000 (equivalent to approximately HK$10,520,000), RMB636,000 (equivalent to approximately HK$761,000) and RMB2,660,000 (equivalent to approximately HK$3,184,000) respectively. During the period under review, the delivered areas of apartments, commercial space and office building were 403 square metres, 73 square metres and 2,410 square metres, with a total contract value of RMB13,256,000 (equivalent to approximately HK$15,870,000), RMB2,619,000 (equivalent to approximately HK$3,135,000) and RMB40,786,000 (equivalent to approximately HK$48,828,000) respectively. During the period under review, a total amount of RMB56,661,000 (equivalent to approximately HK$67,833,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The third phase of the project is located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province, the PRC 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 of 72 square metres were sold, generating a total contract value of RMB2,729,000 (equivalent to approximately HK$3,267,000). As at 30 June 2021, cumulative areas of 43,046 square metres and 522 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,609,405,000 (equivalent to approximately HK$1,926,739,000) and RMB27,035,000 (equivalent to approximately HK$32,366,000), respectively. The project is expected to commence delivery in the first quarter of 2022.

The Fourth Phase of "Riverside Thumb Plaza" in Nanjing

The fourth phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC. 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 102,549 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.

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 and a total gross floor area of 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 2021, a cumulative area of 63,203 square metres had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,109,722,000).

As at 30 June 2021, around 87% of the commercial space (with a leasable area of 46,555 square metres) was leased, with a rental income of RMB14,782,000 (equivalent to approximately HK$17,697,000) during the period under review.

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 74%, with a total income of RMB18,811,000 (equivalent to approximately HK$22,520,000).

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 90% had been leased as at 30 June 2021, with a rental income of RMB3,134,000 (equivalent to approximately HK$3,751,000) during the period under review.

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 2021, 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$1,016,231,000).

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 (including 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 (including 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. As at 30 June 2021, a cumulative area of 33,563 square metres of residential properties and 7,152 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK$686,949,000) and RMB109,546,000 (equivalent to approximately HK$131,146,000) respectively.

Zendai Yantai Thumb Plaza

Zendai Yantai Thumb Plaza is jointly developed by the Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*). The project is located at E-9 District, Yantai Development Zone, Yantai, Shandong Province. Shanghai Zendai holds 70% equity interests in the Yantai Thumb Project. The project occupies an area of 26,476 square metres, and is expected to have a total gross floor area of approximately 150,000 square metres with commercial area of approximately 45,000 square metres, office buildings of approximately 35,000 square metres, serviced apartments of approximately 26,000 square metres and residential area of approximately 45,000 square metres. The project is still under planning stage.

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 2021, the remaining area of 15,082 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.

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. The project is located near the old town and the cultural park, and enjoys a unique ecological beauty. With a total gross floor area of approximately 169,004 square metres, the project was developed in two phases.

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). On the commercial level, the Group has introduced diversified business layout with international cinemas, mid-to-high end restaurants and supermarkets as occupants, aiming to provide a young, convenient and quality living area for the surrounding population. As at 30 June 2021, 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$529,854,000) and RMB469,705,000 (equivalent to approximately HK$562,319,000) respectively. During the period under review, the delivered areas of commercial space were 507 square metres, with a total contract value of RMB8,452,000 (equivalent to approximately HK$10,119,000). During the period, a total amount of RMB8,071,000 (equivalent to approximately HK$9,663,000) 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 2021, 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$686,794,000). As at 30 June 2021, all resort villas have been completed and delivered.

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 planned to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres. The construction of the project commenced in February 2014 but has been suspended due to changes in market conditions in the early stage, and it is expected to resume work in the second half of 2021.

"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 2021, 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$556,088,000). During the period under review, an area of 661 square metres was delivered with a total contract value of RMB4,665,000 (equivalent to approximately HK$5,585,000). During the period, a total amount of RMB4,443,000 (equivalent to approximately HK$5,319,000) 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 2021, a cumulative area of 51,270 square metres was sold, generating a total cumulative contract value of RMB230,452,000 (equivalent to approximately HK$275,893,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed in two phases into small high-rise residential properties with ancillary commercial space with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,360 square metres. As at 30 June 2021, a cumulative area of 79,783 square metres was sold, generating a total contract value of RMB359,504,000 (equivalent to approximately HK$430,390,000).

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

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

In addition, the project has yet to develop residential land covering a site area of 370,664 square meters and a gross floor area of 638,460 square meters, and 7,998 square meters of educational land, 31,266 square meters of medical land, 18,067 square meters of commercial land, and 6,933 square meters of hotel land. In the future, the Group will continue to develop and build high-end improved residential products covering a full product line of high-rise, bungalows, stacked villass, townhouses and other products. Relying on various commercial, medical, education and other living facilities, the project will form a high-quality residential community in the region. Partial projects on the second parcel of land are expected to commence pre-sale in the second half of 2021.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

In the first half of 2021, the central government of the PRC maintained its regulatory objectives of "housing is for living, not for speculation" and "stabilising land prices, housing prices and expectations", and intensively introduced various regulatory policies to stabilise market expectations, with further focus on the supply-side. The property market as a whole continued the trend seen at the end of last year. In the second half of the year, maintaining stability will remain the key for the property market, with "housing is for living, not for speculation" remains the main theme and targeted policies for cities will be more refined and quantified.

In the future, the domestic population is expected to continue to gather in large city clusters under the impetus of economic and industrial development and household registration policies, and the property markets in such areas may have more potential and resilience with the support of the population. In view of this, the focus of development of property enterprises will continue to be on the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing and other large city clusters in the future.

Going forward, the Group will continue to adhere to the development strategy of "focusing on core cities and digging deep into five strategic areas", accurately grasp the releasing pace of market demand, concentrate various favorable resources to grow more sophisticated and stronger and enhance the brand value. In terms of regional layout, the Group will insist on deepening its regional and city cultivation, and on the basis of ensuring continuous optimisation of its capital structure, the Group will continue to optimise its assets deployment and land reserve structure, establish exemplary projects in cities and promote the implementation of more quality projects. Lastly, the Group will continue to strengthen its business management, improve the income level of commercial properties; take new opportunities for property management development and establish a brand of property management services; enhance internal management efficiency, reduce operating costs, and strengthen its operational innovation capabilities and market competitiveness.

The Group will always adhere to "building" and "operation" as two major brand strategy pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. In the second half of the year, the Group will continue to improve its operation and management to achieve sustained, stable and high-quality development of the Group in an era of management incentives. In the future, Shanghai Zendai will continue to enhance its commercialisation capabilities under new consumption and new scenarios, and fully discover the brand value of its existing projects. At the same time, the Group will deepen its core business deployment, focus on core cities and city clusters, strengthen market cycle judgment, explore market opportunities and strengthen business cooperation, so as to maintain balanced and high-quality development of the Group's various businesses and become a comprehensive urban developer with competitive advantages and strong capabilities.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2021, the Group had a healthy financial position with net assets value of approximately HK$8 million (31 December 2020: approximately HK$305 million). Net current liabilities amounted to approximately HK$4,163 million (31 December 2020: approximately HK$3,331 million) with current ratio decreasing from 0.68 times at 31 December 2020 to approximately 0.63 times at 30 June 2021. 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 2021, the Group had consolidated borrowings of approximately HK$6,920 million, of which HK$4,805 million was repayable within one year and HK$2,115 million was repayable more than one year. As at 30 June 2021, borrowings of the amount of HK$6,860 million (31 December 2020: HK$5,785 million) bear interest at fixed interest rates ranging from 4.75% to 14.99% per annum (31 December 2020: ranging from 4.75% to 18.15% per annum). As at 30 June 2021, the Group's bank balances and cash including restricted bank deposits were approximately HK$532 million (31 December 2020: HK$708 million). The gearing ratio of the Group decreased from 92 times at 31 December 2020 to -31 times at 30 June 2021 (basis: net debts, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and cash equivalents and pledged bank deposits, divided by equity attributable to owners of the Company).

Mitigation Measures and Uncertainties Related to Going Concern

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

i. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and the Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest of these borrowings. Save for the one of the financial institutions which has filed a lawsuit with the court for the relevant Defaulted Borrowings, based on the latest communications with other lenders, as at 30 June 2021 there is no indication that they have any current intention to take action against the Group to demand immediate payment;

ii. the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment of the Defaulted Borrowings), and financing the continuing construction of properties and repaying one of the overdue other payables;

iii. the Group will seek to accelerate the construction as well as pre-sale and sale of its properties under development. In particular, in the second half of 2021, the Group plans to launch the pre-sale of properties in two development projects with a recorded carrying amount totalling RMB1,981,000,000 (equivalent to approximately HK$2,381,000,000) as at 30 June 2021;

iv. on 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd., a wholly-owned subsidiary of the Group signed a land resumption agreement with Haimen District Government in respect of compensation for the resumption of a parcel of industrial land of 133,336 square metres. The Group recorded a compensation income of RMB106,000,000 (equivalent to approximately HK$126,000,000), which was used to replenish the liquidity of the Group; and

v. the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditures.

Significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

a. successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings and a creditor of one of the overdue other payables, despite the anticipated operating results and the possible negative equity attributable to owners of the Company as mentioned above, such that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repaying the Defaulted Borrowings;

b. successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and whether increased regulation such as the "Three Red Lines" financial supervisory rules for real estate companies, or other restrictions are applicable to the Group and/or these financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

c. successfully accelerating the construction as well as pre-sale and sale of its properties under development, particularly those two development projects that the Group plans to launch a pre-sale in the second half of 2021 and timely collection of the relevant sales proceeds; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections;

d. the Group is actively revitalising its existing assets and increasing its cash inflows, which shall be used to repay its overdue borrowings, etc.; and

e. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as its ability to successfully control administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this interim condensed consolidated financial information.

Segment Information

Sales of properties

The turnover of this segment for the period under review was approximately HK$204,260,000 (same period of 2020: HK$253,262,000). The decrease was primarily due to the decrease in the areas of the property to be delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the period under review was approximately HK$179,220,000 (same period in 2020: HK$160,250,000). The increase was due to containment of COVID-19 in the PRC, increase in malls activities and rental.

Hotel operations

The turnover of this segment for the period under review was HK$47,313,000 (same period in 2020: HK$22,909,000). The increase was due to the substantial increase in occupancy rate as a result of containment of COVID-19 in the PRC.

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 2021 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 30 June 2021 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 2021, the Group employed approximately 978 employees (31 December 2020: 926 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 year 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 PERIOD

On 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd.* (海門証大創意投資發展有限公司)("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from Nantong Haimen People's Government Haimen Subdistrict Office* (南通市海門區人民政府海門街道辦事處)(the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 square metres, at a consideration of a compensation of RMB106,000,000 (equivalent to approximately HK$126,000,000) payable by the Local Authority to Zendai Creative. More details of the transaction were set out in the announcement of the Company dated 2 August 2021.

CONTINGENT LIABILITIES

Please refer to note 17 of the interim condensed consolidated 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 2021, the carrying amounts of following assets of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	HK$'000
Property, plant and equipment	1,028,723
Investment properties	5,254,176
Properties under development and completed properties held-for-sale	1,112,750
Pledged bank deposits	301,440
	7,697,089

LITIGATION

(1) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$198,000,000). As at the date of this report, the remaining balance of RMB48,000,000 (equivalent to approximately HK$58,000,000) has not been repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees.

(2) In 2018, a subsidiary of the Company entered into a "Trust Loan Contract" with a financial institution and obtained multiple installment loans. As at the date of this report, the remaining balance of RMB180,000,000 (equivalent to approximately HK$216,000,000) has not been repaid when due. On 22 July 2021, the Company received a summon issued by the Intermediate People's Court of Lanzhou, in which the financial institution requested the return of the principal amount, interests, penalty interests and compound interests on the above outstanding amount totaling approximately RMB210,000,000 (equivalent to approximately HK$252,000,000). The management of the Company is actively negotiating solutions with the financial institution.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

As at 30 June 2021, none of the directors and chief executive's 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 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 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**").

PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2021, 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 2021	Approximate percentage of the issued share capital as at 30 June 2021
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	5,381,531,754 (L)	36.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Asset Management (International) Holding Limited ("**COAMI**") *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%

Name	Nature of interests	Number of shares interested as at 30 June 2021	Approximate percentage of the issued share capital as at 30 June 2021
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Asset Management Co., Ltd. ("**COAMC**") *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Co., Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) *denotes long position*

Notes:

1. As at 30 June 2021, Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司).

2. As at 30 June 2021, COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd.. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd..

3. As at 30 June 2021, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 72.14% 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 2021, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

The Company adopted a share option scheme on 26 June 2012 and is valid for a period of 10 years from July 2012 (the "**Scheme**"), for the primary purpose of providing incentives to directors and eligible persons. Under the Scheme, the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. As at 30 June 2021, no share option has been granted or awarded or agreed to be granted or awarded to any person under the scheme.

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 2020 Annual Report of the Company except as stipulated below:

As disclosed in the announcement of the Company dated 23 June 2021, due to change of personnel at the Group, with effect from 23 June 2021:

(1) Mr. Wang Letian has resigned as the chairman of the Board, the chairman of the nomination committee of the Board ("**Nomination Committee**") and an authorised representative of the Company for the purposes of the Listing Rules. Mr. Wang will remain an executive Director of the Company, a member of Nomination Committee and a member of the remuneration committee of the Board ("**Remuneration Committee**");

(2) Ms. Li Zhen has resigned as a member of the Nomination Committee. Ms. Li will remain an executive Director of the Company and a member of the Remuneration Committee; and

(3) Mr. Huang Yuhui has been appointed as the chairman of the Board, a member and the chairman of the Nomination Committee and an authorised representative of the Company for the purposes of the Listing Rules.

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 2021 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 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 2021.

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 2021 except the deviations as stipulated below.

Under the code provision E.1.2 of the CG Code, the chairman of the audit 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 of the audit committee and his representative did not attend the AGM. Pursuant to Bye-law 63 of the bye-laws of the Company, Mr. Lau Yin Fung Terence, company secretary of the Company, was elected by the shareholders 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.