SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 00755

INTERIM REPORT 2023

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Long Tianyu
(Appointed on 16 June 2023)
Mr. He Haiyang
(Resigned on 16 June 2023)

Non-executive Directors

Ms. Wang Zheng
Mr. Huang Jiawei
Mr. Zou Yang
(Appointed on 24 August 2023)
Mr. Cui Di
(Resigned on 24 August 2023)

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Wang Yuzhou

COMMITTEES

Audit Committee

Mr. Wang Yuzhou *(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. Cao Hailiang
Mr. Wang Yuzhou

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	
	Notes	2023 *HK$'000*	2022 *HK$'000*
Revenue	*6*	194,884	195,177
Cost of sales		(87,984)	(103,521)
Gross profit		106,900	91,656
Other income, gains and expenses		106,783	1,894
Net impairment losses on financial assets		–	(4,825)
Selling and marketing expenses		(20,171)	(31,231)
Administrative expenses		(48,372)	(95,220)
Gain on disposal of an investment property		–	570
Finance costs	*7*	(333,076)	(458,344)
Loss before income tax		(187,936)	(495,500)
Income tax (expense)/credit	*8*	(1)	26,234
Loss for the period		(187,937)	(469,266)
Loss for the period attributable to:			
– Owners of the Company		(187,127)	(469,246)
– Non-controlling interests		(810)	(20)
		(187,937)	(469,266)
Loss per share			
– Basic	*10*	HK$(1.26) cents	HK$(3.15) cents
– Diluted	*10*	HK$(1.26) cents	HK$(3.15) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023 *HK$'000*	2022 *HK$'000*
Loss for the period	(187,937)	(469,266)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	83,216	98,009
Other comprehensive income for the period, net of tax	83,216	98,009
Total comprehensive loss for the period	(104,721)	(371,257)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(94,855)	(361,284)
– Non-controlling interests	(9,866)	(9,973)
	(104,721)	(371,257)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		580,311	643,517
Investment properties	*11*	2,827,195	2,942,081
Financial assets at fair value through other comprehensive income		69,208	69,940
Amount due from an associate		–	–
Properties under development	*12*	689,682	726,619
Pledged bank deposits	*14*	1,047	582
Total non-current assets		4,167,443	4,382,739
Current assets			
Properties under development and completed properties held-for-sale	*12*	184,826	195,669
Inventories		1,321	1,435
Trade and other receivables and prepayments	*13*	279,816	354,699
Deposits for properties under development		13,369	15,787
Amounts due from former subsidiaries	*17*	1,361,842	1,281,285
Amount due from an associate		–	–
Financial assets at fair value through profit or loss ("**FVPL**")		8,007	8,337
Tax prepayments		19,825	14,396
Pledged bank deposits	*14*	–	119,840
Cash and bank balances		86,808	151,834
Total current assets		1,955,814	2,143,282
Total assets		6,123,257	6,526,021

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET – CONTINUED

	Notes	Unaudited As at 30 June 2023 HK$'000	Audited As at 31 December 2022 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		297,587	297,587
Reserves		2,430,013	2,337,741
Accumulated losses		(1,837,145)	(1,650,018)
		890,455	985,310
Non-controlling interests		194,090	203,956
Total equity		1,084,545	1,189,266
LIABILITIES			
Non-current liabilities			
Borrowings	16	730,200	285,615
Lease liabilities		27,253	42,556
Deferred income tax liabilities		212,885	222,819
Total non-current liabilities		970,338	550,990
Current liabilities			
Trade and other payables	15	1,137,365	1,121,004
Contract liabilities		14,796	22,299
Financial guarantee contracts provision	18	137,997	144,437
Amounts due to former subsidiaries	17	1,469,380	1,383,454
Amounts due to minority owners of subsidiaries		108,131	113,177
Borrowings	16	1,049,172	1,851,960
Lease liabilities		47,517	40,728
Tax payables		104,016	108,706
Total current liabilities		4,068,374	4,785,765
Total liabilities		5,038,712	5,336,755
Total equity and liabilities		6,123,257	6,526,021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2023 (audited)	297,587	2,337,741	(1,650,018)	985,310	203,956	1,189,266
Loss for the period	–	–	(187,127)	(187,127)	(810)	(187,937)
Exchange differences arising on translation of foreign operations	–	92,272	–	92,272	(9,056)	83,216
Total comprehensive loss for the period	–	92,272	(187,127)	(94,855)	(9,866)	(104,721)
Balance at 30 June 2023 (unaudited)	297,587	2,430,013	(1,837,145)	890,455	194,090	1,084,545
Balance at 1 January 2022 (audited)	297,587	2,315,814	(4,632,089)	(2,018,688)	226,352	(1,792,336)
Loss for the period	–	–	(469,246)	(469,246)	(20)	(469,266)
Exchange differences arising on translation of foreign operations	–	107,962	–	107,962	(9,953)	98,009
Total comprehensive loss for the period	–	107,962	(469,246)	(361,284)	(9,973)	(371,257)
Balance at 30 June 2022 (unaudited)	297,587	2,423,776	(5,101,335)	(2,379,972)	216,379	(2,163,593)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash inflow/(outflow) from operations	268,635	(250,592)
Interest received	740	14,606
Interest paid	(257,110)	(80,810)
Income tax refunded/(paid)	10,562	(17,386)
Net cash inflow/(outflow) from operating activities	22,827	(334,182)
Cash flows from investing activities		
Residual consideration received from disposal of subsidiaries	48,102	–
Proceeds from disposal of property, plant and equipment	751	–
Proceeds from disposal of investment properties	–	1,844
Acquisition of financial assets at FVPL	–	(2,486)
Purchases of property, plant and equipment	(256)	(5,066)
Net cash inflow/(outflow) from investing activities	48,597	(5,708)
Cash flows from financing activities		
Repayment of borrowings	(254,583)	(300,424)
Principal elements of lease payments	(5,120)	(7,157)
Proceeds from borrowings	–	395,553
Decrease in pledged bank deposits – net	119,443	99,165
Net cash (outflow)/inflow from financing activities	(140,260)	187,137
Net decrease in cash and cash equivalents	(68,836)	(152,753)
Cash and cash equivalents at beginning of the period	151,834	315,349
Effect of foreign exchange rate changes	3,810	25,659
Cash and cash equivalents at end of the period	86,808	188,255
Cash and cash equivalents at end of the period representing cash and bank balances as stated in the consolidated statement of financial position	86,808	174,202
representing bank balances and cash attributable to assets of Disposal Group classified as held-for-sale	–	14,053
	86,808	188,255

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") 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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 2429-2430, 24/F., Sun Hung Kai Centre, 30 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 to as the Group. The Group has operations mainly in the People's Republic of China (the "**PRC**").

This interim condensed consolidated financial statements is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. This interim condensed consolidated financial statements was approved for issue on 24 August 2023 by the board (the "**Board**") of directors (the "**Directors**").

This interim condensed consolidated financial statements has not been audited but has been reviewed by the audit committee of the Board (the "**Audit Committee**") of the Company.

2 BASIS OF PREPARATION

This interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), 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$188 million during the six-month period ended 30 June 2023. As at 30 June 2023, the Group's total equity attributable to owners of the Company amounted to HK$890 million and its current liabilities exceeded its current assets by HK$2,113 million. At the same date, the Group's total borrowings amounted to HK$1,779 million (including the current portion of HK$1,049 million). Except for the borrowings of HK$252 million and related interest payable of HK$66 million which are unsecured, the Group's remaining borrowings were collaterised by the Group's hotel properties and investment properties recorded at a total carrying amount of HK$2,651 million together with fixed deposits amounting to HK$1 million. As at 30 June 2023, the Group had total cash and bank balances of HK$87 million (including restricted bank balances of HK$16 million).

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern basis – CONTINUED

As at 30 June 2023, the Group was unable to repay borrowings and interest payables from a financial institution according to the repayment schedule (the "**Lender of the Qingdao Defaulted Borrowing**") with total principal amounts of HK$643 million (the "**Qingdao Defaulted Borrowing**") and related interest payable of HK$418 million. In addition to the Qingdao Defaulted Borrowing and related interest payable, borrowing of HK$208 million (the "**Defaulted Restructured Borrowing**") and interest payable of HK$66 million from an associated company of a shareholder (the "**Associated Company**") was defaulted since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Associated Company on 31 December 2020. Such non-repayments are collectively referred to as the "**Default Events**". As a result, the entire outstanding principal and interest payables of these borrowings of HK$1,335 million would be immediately repayable if requested by the Lender of the Qingdao Defaulted Borrowing and the Associated Company. Defaulted borrowings in the sum of HK$851 million were classified as current liabilities as at 30 June 2023.

No repayment was made by the Group between 1 July 2023 and the approval date of this interim condensed consolidated financial statements. As at 30 June 2023, the Group's Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing and related interest payables totalled HK$1,335 million. Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2023 might be significantly affected under such circumstance.

In respect of the Qingdao Defaulted Borrowing, Qingdao Zendai Thumb Commercial Development Co., Ltd. (青島証大大拇指商業發展有限公司) ("**Qingdao Zendai**"), an indirect wholly-owned subsidiary of the Group, received an enforcement order (the "**Order**") issued by the Intermediate People's Court of Lanzhou (the "**Court**") in June 2022 following the Group's failure to reach a mutually acceptable settlement plan on outstanding principal of RMB594 million (equivalent to approximately HK$643 million) and interest and surcharge payables of RMB387 million (equivalent to approximately HK$418 million) as at 30 June 2023 with the Lender of the Qingdao Defaulted Borrowing. According to the Order:

(a) Bank deposit of HK$12 million of Qingdao Zendai as at 30 June 2023 shall continue to be frozen and allocate to settle the Qingdao Defaulted Borrowing;

(b) The Lender of the Qingdao Defaulted Borrowing has priority right for claim to the proceeds from any discounted disposal or auction or sale of the pledged properties of Qingdao Zendai including investment properties of HK$930 million and property, plant and equipment of HK$105 million as at 30 June 2023;

(c) The Lender of the Qingdao Defaulted Borrowing shall have priority right of claim to the proceeds from 60% pledged equity interest of Hainan Huayi Real Estate Co., Ltd. (海南華意置業有限公司);

(d) Shanghai Zendai Real Estate Co., Ltd. (上海証大置業有限公司), guarantor of the Qingdao Defaulted Borrowing (the "**Guarantor of Qingdao Defaulted Borrowing**"), which is a subsidiary of the Group, shall be jointly and severally liable for the outstanding sum of the Qingdao Defaulted Borrowing; and

(e) the Court shall be entitled to seal, seize, auction and sell the equivalent assets of Qingdao Zendai and the Guarantor of Qingdao Defaulted Borrowing if the balance of bank deposit of Qingdao Zendai is insufficient to settle the outstanding sum of the Qingdao Defaulted Borrowing.

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern basis – CONTINUED

Up to the approval date of this interim condensed consolidated financial statements, no settlement plan has been reached by the Group with the Lender of the Qingdao Defaulted Borrowing despite of the Group's continuous effort in negotiating with the Lender of the Qingdao Defaulted Borrowing for a mutually acceptable resolution over the Qingdao Defaulted Borrowing.

The above conditions indicate the existence of material uncertainties which 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:

(a) the Group will continue its ongoing efforts to convince the lenders of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, except for the Qingdao Defaulted Borrowing, there is no indication that the Associated Company has any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Lender of the Qingdao Defaulted Borrowing for a mutually acceptable resolution over the Qingdao Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing), and financing the continuing construction of properties under development;

(c) the Group is in the process of resuming the construction and pre-sale of a property development project in Haimen (the "**Haimen Project**") of a former subsidiary pursuant to a service agreement entered into between the Group and the Associated Company. The Group is expected to receive percentage-based service fee income based on the sales proceeds from the Haimen Project;

(d) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(e) 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.

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 2023. 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

2 BASIS OF PREPARATION – CONTINUED

2.1 Going concern basis – CONTINUED

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 Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing;

(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 the improvement strength of policy adjustment; (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 and the Haimen Project, 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; and

(d) 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 successfully controlling 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 these interim condensed consolidated financial statements.

3 ACCOUNTING POLICIES

The accounting policies applied in this interim condensed consolidated financial statements are consistent with those of the Group's annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

3 ACCOUNTING POLICIES – CONTINUED

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 2023 and adopted by the Group for the first time in this interim condensed consolidated financial statements:

HKFRS 17 – Insurance Contracts and the Related Amendments

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 8 – Definition of Accounting Estimates

Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The adoption of the abovementioned amended 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 condensed consolidated financial statements requires the 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 statements, the significant judgements made by the 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 2022.

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 statements 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 2022.

There have been no significant changes in the risk management policies since the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – CONTINUED

5.2 Liquidity risk

Since the last annual financial report, except for repayment of borrowings as disclosed in Note 16, 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 and other receivables (excluding prepayments)
- Amounts due from former subsidiaries
- Pledged bank deposits
- Cash and cash equivalents
- Amount due from an associate
- Borrowings
- Trade and other payables, excluding tax payables
- Amounts due to former subsidiaries
- 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

The 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, amounts due from former subsidiaries and head office and corporate assets, all of which are managed on a centralised basis.

6 SEGMENT INFORMATION – CONTINUED

Total segment liabilities mainly exclude unallocated borrowings, amounts due to former subsidiaries, financial guarantees provision and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

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

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2023 and 2022 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 2023 (Unaudited)				
Total segment revenue	1,132	138,370	56,333	195,835
Inter-segment revenue	–	(951)	–	(951)
Revenue from external customers (i)	1,132	137,419	56,333	194,884
Profit before income tax	7,908	19,454	15,665	43,027
Six months ended 30 June 2022 (Unaudited)				
Total segment revenue	14,507	137,723	44,181	196,411
Inter-segment revenue	–	(1,234)	–	(1,234)
Revenue from external customers (i)	14,507	136,489	44,181	195,177
Loss before income tax	(39,834)	(1,270)	(1,668)	(42,772)

(i) For the six month period ended 30 June 2023, revenue of sales of properties of HK$1,132,000 (six month ended 30 June 2022: HK$14,507,000) was recognised at a point in time. The revenue from hotel operations, properties management and agency services of HK$126,207,000 (six month ended 30 June 2022: HK$107,576,000) were recognised over time. Rental income of HK$67,545,000 (six month ended 30 June 2022: HK$73,094,000) 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 2023 (Unaudited)				
Total segment assets	813,007	3,218,412	627,947	4,659,366
Total segment assets include: Additions to non-current assets (i)	252	4	–	256
Total segment liabilities	1,860,894	1,204,145	62,588	3,127,627
As at 31 December 2022 (Audited)				
Total segment assets	886,888	3,283,157	685,945	4,855,990
Total segment assets include: Additions to non-current assets (i)	7,427	22,815	5,523	35,765
Total segment liabilities	2,250,703	1,080,961	57,446	3,389,110

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

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

	Unaudited Six months ended 30 June 2023 *HK$'000*	Unaudited Six months ended 30 June 2022 *HK$'000*
Profit/(loss) before income tax for reportable segment	43,027	(42,772)
Unallocated bank interest income	220	–
Unallocated interest income and guarantee fee income from former subsidiaries	80,557	–
Finance costs	(333,076)	(458,344)
Unallocated head office and corporate income and expenses	21,336	5,616
Loss before income tax	(187,936)	(495,500)

6 SEGMENT INFORMATION – CONTINUED

(c) Reconciliation of reportable segment assets and liabilities

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Reportable segment assets	4,659,366	4,855,990
Pledged bank deposits	1,047	120,422
Amounts due from former subsidiaries	1,361,842	1,281,285
Unallocated head office and corporate assets	101,002	268,324
Total assets	6,123,257	6,526,021
Reportable segment liabilities	3,127,627	3,389,110
Amounts due to former subsidiaries	1,469,380	1,383,454
Financial guarantee contracts provision	137,997	144,437
Unallocated borrowings	262,078	266,447
Unallocated head office and corporate liabilities	41,630	153,307
Total liabilities	5,038,712	5,336,755

7 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2023 *HK$'000*	2022 *HK$'000*
Interest expenses:		
Bank borrowings	35,401	61,303
Other borrowings *(Note)*	291,524	393,495
Interest and finance charges paid/payable for lease liabilities	2,540	3,546
Guarantee fee expense	3,611	–
	333,076	458,344

Note: Interest expenses on other borrowings include the provision for late payment surcharges in connection with the delay in the repayment of certain other borrowings as mentioned in Note 16(c) of HK$92,838,000 (six month ended 30 June 2022: HK$33,465,000) and interest expense on amounts due to former subsidiaries of HK$82,316,000 (six months ended 30 June 2022: Nil).

8 INCOME TAX EXPENSE/(CREDIT)

Majority of the group's entities are subjected to the PRC Enterprise Income Tax ("**EIT**"), 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 2023 and 2022. 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 2023 and 2022.

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current income tax:		
– PRC EIT	1	360
– PRC LAT	–	(26,594)
Income tax expense/(credit)	1	(26,234)

9 DIVIDEND

No dividend was proposed for the six months ended 30 June 2023 and 2022.

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$187,127,000 (six months ended 30 June 2022: HK$469,246,000) and weighted average number of 14,879,351,515 (six months ended 30 June 2022: 14,879,351,515) ordinary shares in issue during the period.

Since there was no dilutive ordinary shares during the six months ended 30 June 2023 and 2022, diluted loss per share is equal to basic loss per share.

11 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
At the beginning of the period	**2,942,081**	5,380,718
New leases entered	–	3,944
Disposals	–	(1,844)
Transfer to assets classified as held-for-sales	–	(1,973,538)
Exchange differences	(114,886)	(236,576)
At the end of the period	**2,827,195**	3,172,704

For all investment properties, their current use equates to the highest and best use. The Group's finance department includes a team that reviews 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.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
Properties under development		
– Beyond a normal operating cycle included under non-current assets	**689,682**	726,619
Completed properties held-for-sale	**184,826**	195,669
	874,508	922,288

As at 30 June 2023, the accumulated impairment provision on properties under development and completed properties held-for-sale amounted to HK$55,754,000 (As at 31 December 2022: HK$58,356,000).

As at 30 June 2023, there were no properties under development and completed properties held-for-sales (As at 31 December 2022: with carrying amount of HK$326,192,000) 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 the reporting period are still classified under current assets if they are expected to be realised within the Group's normal operating cycle. As at 30 June 2023, properties under development of HK$689,682,000 (As at 31 December 2022: HK$726,619,000) which are not expected to be developed within the Group's normal business cycle are therefore classified as non-current assets.

13 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited As at 30 June 2023	Audited As at 31 December 2022
	HK$'000	*HK$'000*
Trade receivables	**65,277**	67,407
Less: provision for loss allowance	**(5,689)**	(5,468)
Trade receivables – net	**59,588**	61,939
Other receivables	**275,234**	351,237
Deposits	**488**	310
	275,722	351,547
Less: provision for loss allowance	**(63,512)**	(66,476)
Other receivables – net	**212,210**	285,071
Prepayments for turnover tax	**8,018**	7,689
	279,816	354,699

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 2023	Audited As at 31 December 2022
	HK$'000	*HK$'000*
Within 3 months	**51,042**	53,026
More than 3 months but less than 12 months	**6,157**	5,926
More than 12 months	**8,078**	8,455
	65,277	67,407

14 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure certain borrowings granted to the Group. Pledged bank deposits carry interest ranging from 0.3% to 1.54% (As at 31 December 2022: ranging from 0.3% to 2%) per annum during the period.

15 TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group as at 30 June 2023 are trade payables of HK$133,556,000 (As at 31 December 2022: HK$219,071,000). 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 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Within 3 months	**13,824**	55,968
More than 3 months but less than 12 months	**18,100**	20,486
More than 12 months	**52,703**	91,370
	84,627	167,824
Retention money	**48,929**	51,247
	133,556	219,071

16 BORROWINGS

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Secured or guaranteed *(Note b)*:		
Bank borrowings	**928,811**	1,099,625
Borrowings from other financial institutions	**850,561**	1,037,950
	1,779,372	2,137,575
Less: amounts repayable within one year included in current liabilities *(Note c)*	**(1,049,172)**	(1,851,960)
Total non-current borrowings	**730,200**	285,615

16 BORROWINGS – CONTINUED

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

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Within 1 year	1,049,172	1,851,960
More than 1 year, but not exceeding 2 years	267,015	34,645
More than 2 years, but not exceeding 5 years	320,716	103,934
After 5 years	142,469	147,036
Total borrowings	1,779,372	2,137,575

Movements in borrowings (including those under liabilities classified as held-for-sale) are analysed as follows:

	Unaudited Six months ended 30 June	
	2023 *HK$'000*	2022 *HK$'000*
At the beginning of the period	2,137,575	6,976,483
Proceeds of new borrowings	–	395,553
Repayments of borrowings *(Note d)*	(283,521)	(300,424)
Exchange differences	(74,682)	(309,630)
At the end of the period	1,779,372	6,761,982

(a) As at 30 June 2023, the Group's borrowings bear interests at rates ranged from 4.5% to 24% (As at 31 December 2022: 4.5% to 24%) per annum.

(b) As at 30 June 2023, borrowings of HK$1,526,643,000 (As at 31 December 2022: HK$1,871,128,000) were secured by certain hotel properties, investment properties (Note 11), pledged bank deposits (Note 14) and certain equity interests of the subsidiaries of the Group. In addition, borrowings of HK$689,873,000 (As at 31 December 2022: HK$722,152,000) was continued to be guaranteed by former subsidiaries upon the completion of the Myway Disposal (as defined in Note 19).

(c) As at 30 June 2023, the current borrowings included (i) the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing of RMB787,345,000 (equivalent to approximately HK$850,561,000); and (ii) the other borrowings (which are not yet overdue or defaulted but with contractual repayment dates prior to 30 June 2024) of RMB183,850,000 (equivalent to approximately HK$198,611,000).

(d) Included in the repayment during the six-month period ended 30 June 2023 were HK$28,938,000 repayment by a former subsidiary on behalf of the Group and HK$152,939,000 repayment of certain defaulted borrowings by the Group.

17 AMOUNTS DUE FROM/TO FORMER SUBSIDIARIES

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Amounts due from former subsidiaries *(Note i)*	2,215,722	2,175,013
Less: provision for loss allowance	(853,880)	(893,728)
Amounts due from former subsidiaries	1,361,842	1,281,285

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Amounts due to former subsidiaries *(Note i)*	1,469,380	1,383,454

(i) Prior to completion of the Myway Disposal, the Group and the former subsidiaries maintained inter-company balances. As these inter-company balances involved many different business entities of the Group and each of them had its own tax, operational and cashflow concerns for the repayment of these balances, it was impracticable for the relevant parties to settle all the outstanding balances before completion. Having considered the liquidity needs of the Group, amounts due from and to former subsidiaries were retained after the Myway Disposal.

According to the Myway Disposal agreement, the amounts due from and to former subsidiaries are unsecured, interest-bearing at the rate of 11.9% per annum and repayable in full on or before 31 December 2024. In the event that the balances have not been repaid in full as at 31 December 2024, the Group has the right to extend the maturity date by not more than three years. As at 30 June 2023, the gross amounts due from and due to the former subsidiaries were HK$2,215,722,000 and HK$1,469,380,000 respectively (As at 31 December 2022: HK$2,175,013,000 and HK$1,383,454,000, respectively).

18 FINANCIAL GUARANTEES

(a) Financial guarantees in respect of mortgage facilities for certain properties purchasers

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Guarantees in respect of mortgage facilities for certain purchasers	4,381	4,586

As at 30 June 2023 and 31 December 2022, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain properties purchasers of the Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective properties purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted properties 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 properties purchasers obtain the "property title certificate" which is then to be pledged with the banks.

The Group has not recognised any expected credit loss provision in connection with the aforesaid financial guarantee contracts as the Directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

(b) Financial guarantees issued in respect of borrowings and interest payables of former subsidiaries

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Financial guarantees issued	137,997	144,437

The Group had undertaken to indemnify certain lenders of former subsidiaries for borrowings and related interest payables to the maximum extent of HK$1,056,507,000 (As at 31 December 2022: HK$1,105,808,000) and HK$441,166,000 (As at 31 December 2022: HK$359,811,000) respectively. As at 30 June 2023, provision for these financial guarantees amounted to HK$137,997,000 (As at 31 December 2022: HK$144,437,000) has been recognised.

19 RELATED PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed elsewhere in the interim condensed consolidated financial statements, 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	
	2023	2022
	HK$'000	*HK$'000*
Short-term benefits	3,286	5,453
Post-employment benefits	268	371
	3,554	5,824

(b) Balances and transactions with related parties

(i) At the end of December 2022, the Group completed the disposal of the entire equity interest in Myway Developments Limited, a wholly-owned subsidiary of the Company and its subsidiaries (collectively the "**Former Subsidiaries**") to Power Rider Enterprises Corp., ("**Power Rider**"), an associated company of a substantial Shareholder (the "**Myway Disposal**").The Group charges the former subsidiaries a guarantee fee equivalent to 1% of the guaranteed amount per annum from the date of Myway Disposal until the date of release of these guarantees. Guarantee fee income of HK$4,320,000 was recognised for the six months ended 30 June 2023 (six month ended 30 June 2022: Nil).

(ii) As at 30 June 2023, borrowings of HK$689,873,000 (2022: HK$722,152,000) were secured by former subsidiaries. From the date of Myway Disposal until the date of release of these guarantees, the former subsidiaries charge the Group a guarantee fee equivalent to 1% of the guaranteed amount per annum from the date of Myway Disposal until the date of release of these guarantees. Guarantee fee expense of HK$3,611,000 was recognised for the six months ended 30 June 2023 (six month ended 30 June 2022: Nil).

(iii) According to the Myway Disposal agreement, amounts due from and to former subsidiaries are interest-bearing at the rate of 11.9% per annum. Interest income of HK$76,237,000 (included under "other income, gains and expenses") and interest expenses of HK$82,316,000 were recognised for the six months ended 30 June 2023 (six month ended 30 June 2022: Nil).

20 COMMITMENTS

	Unaudited As at 30 June 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
Commitments in respect of properties under development and investment properties		
– contracted for or authorised but not provided	67,997	64,674

21 LEASES

As at 30 June 2023 and 31 December 2022, 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 2023 *HK$'000*	Audited As at 31 December 2022 *HK$'000*
As lessor:		
Rental receivables in respect of investment properties		
Not later than 1 year	119,461	145,057
Later than 1 year and not later than 5 years	275,099	312,885
Later than 5 years	15,121	29,183
	409,681	487,125

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Board of Directors of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby presents the interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 (the "**Period**" , the "**reporting period**" or "**Period under Review**").

During the Period under Review, the Group recorded a revenue of approximately HK$194,884,000, representing a decrease of HK$293,000 as compared with a revenue of approximately HK$195,177,000 for the same period in 2022. As the Group's projects are mainly at their planning stages, as well as the revenue of the Group for the Period was mainly attributed to property rental and management service and hotel operations.

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$187,127,000, representing a decrease of approximately 60% as compared with the same period last year (loss of approximately HK$469,246,000 for the same period last year). Basic loss per share of the Company (the "**Share**") was HK$1.26 cents (basic loss per Share of HK$3.15 cents for the same period last year). During the Period under Review, the Group recorded a decrease in loss, mainly attributable to the significant decrease in administrative expenses, selling and marketing expenses and finance costs.

Business Review

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

With the development and operation for multiple types of properties including residential, office buildings and complexes, Shanghai Zendai is committed to providing cities with a better living space and high-quality commercial operation services. 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, revenue from hotel, property rental and management services constituted the Group's main source of revenue. Affected by the COVID-19 control policies, there was an improvement in the overall revenue of the Group as compared with the same period last year.

In the first half of 2023, the Chinese market experienced an economic vitality recovery as the effects of the COVID-19 pandemic gradually mitigated, but the foundation of the recovery was not yet solid. In the second quarter, the recovery gradually shifted from a strong one to a weak one. When it comes to the real estate sector, a temporary recovery was followed by a decrease in sales as a result of the sluggish confidence in real estate investment. The momentum of long-term housing demand further weakened with strong wait-and-see sentiment on the market. In terms of commercial properties, there was a recovery of market demand for shop leasing in key cities in the first half of 2023. Thanks to this, the rents stabilized for high streets stabilized, and rallied for shopping malls, while the rent of office space declined as a result of decline in affordability of tenants of these spaces. Regarding property management, less projects were supplied, and the growth rate of external expansion tended to be conservative. Some property service companies focused on selling non-profit projects, and the profitability of the industry further declined.

The Group continuously improved capital and cost management, and further optimized its capital structure so as to alleviate its debt payment pressure through loan extension and debt restructuring. Efforts were made to improve the profitability of high-quality assets, which brought about more sound cash flow, thus ensuring the stable operation and development of various businesses. In focusing on the development of the three key business segments, namely property development, commercial property and hotel management and property management services, in the first half of 2023, the Group identified that it will continue to operate its core assets as follows: the Group will remain cautious about property development while focusing on promoting those existing planned projects to align with market situation; and will continue prioritizing the commercial property and hotel management, as well as property management services, as key business of the Group. Further, the Group will actively leverage characteristics of properties under its management and integrate high-quality resources related to those properties in order to create a stable profit engine for the development of the Group. At the same time, the Group will continue to enhance the core competitiveness in the new segments (being property development and management and business management), and proactively monitor new market opportunities so as to develop new driving force for the profit growth.

Development details of each business segment are set out below:

Operations of Commercial Properties and Hotels Business

Adhering to the commercial operation brands such as "Zhengda Thumb Plaza" and "Himalaya Center", the Group continued to strengthen its business management capabilities for enhancing its business brand value. In the context of the impact of the COVID-19 epidemic and policies, the Group actively adjusted its business plan, and strengthened investment attraction and project promotion, which ensured the vitality and popularity of project operations.

During the Period under Review, the operating revenue from commercial property and hotel operations in total amounted to approximately RMB176,709,000 (equivalent to approximately HK$200,004,000). Approximately 72% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 58%. Details of the operation of each commercial property and hotel project during the six-month period ended 30 June 2023 are as follows:

Commercial project name	City	Interest attributable to the Group	Leasable area	Occupancy rate during the Period	(unaudited) Revenue during the Period	
			(square metres)		*(RMB'000)*	*(HK$'000)*
Shanghai "Zendai Thumb Plaza"	Shanghai	100%	43,759	88%	39,062	44,211
Shanghai Himalayas Center*	Shanghai	45%	28,499	42%	9,270	10,492
Qingdao "Zendai Thumb Plaza"	Qingdao	100%	46,986	71%	11,462	12,973
Zendai Nantong Yicheng Thumb Plaza	Nantong	100%	37,399	85%	5,392	6,103
Yangzhou Commercial Project	Yangzhou	80%	14,644	100%	3,762	4,258
Total			215,841	72%	68,948	78,037

Hotel project name	City	Business model	Floor area	Number of guest room	Occupancy rate during the Period	(unaudited) Revenue during the Period	
			(Square metres)			*(RMB'000)*	*(HK$'000)*
Grand Mercure Shanghai Century Park	Shanghai	Cooperation	28,952	326	65%	30,897	34,971
Jumeirah Himalayas Hotel Shanghai*	Shanghai	Cooperation	60,452	414	48%	57,990	65,634
Himalayas Qingdao Hotel	Qingdao	Proprietary	27,914	208	68%	18,874	21,362
Total			117,318	948	58%	107,761	121,967

* *The property is held by Shanghai Zendai Himalayas Company Ltd.* (上海証大喜瑪拉雅有限公司), an associate of the Group.*

Property Management Service

In terms of property management service, the Group has extended its business presence to 10 large and medium-sized cities under its service philosophy of "keep pace with the times, serve the best, focus on quality, and create impressions". The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the Period under Review, Shanghai Zendai managed more than 30 property management projects with a total area of over 2.6 million square metres.

During the Period under Review, the total area under management of the Group was 1,163,831 square metres, with operating revenue of RMB61,735,000 (equivalent to approximately HK$69,874,000).

	Floor area *(Square metres)*	(unaudited) Revenue during the Period *(RMB'000)*	*(HK$'000)*
Shanghai Headquarters and others	125,090	29,340	33,207
Kunshan Branch	107,625	1,724	1,951
Nanjing Branch	633,437	18,501	20,941
Qingdao Branch	63,298	1,881	2,129
Qingpu Branch	86,774	2,795	3,163
Yantai Branch	35,000	35	40
Huamu Branch	112,607	7,459	8,443
Total	**1,163,831**	**61,735**	**69,874**

Property Development Projects

Affected by the macroeconomic environment and the Group's own capital structure, the property development business is being adjusted and optimized. Given that the market was on a sustained downward trajectory following a short recovery attributable to the end of COVID-19 and economic policy adjustments, the Group further adjusted its business plan to respond to the market situation and the national policies. The Group's major projects to be developed are as follows:

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). The project will be completed in three phases.

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, which is still in the planning stage.

Prospects and Future Plans for Material Investments

In the first half of 2023, the real estate industry bottomed off and started stabilizing as the impact of the COVID-19 was gradually mitigating, despite the overall recovery was lower than market expectations. Since the second quarter, the sales and investment of commodity housing in China have weakened, demonstrating that the policy loosening did not fully work in the real estate market. Moreover, business development of the Group will be challenging for the second half of 2023 as there has been macroeconomic pressure on both international and domestic fronts amid the tightening international political and economic situation.

Based on the new starting point of strategic transformation and development, the Group will continue to take reducing risks, stabilizing operations, promoting innovation and seeking development as the guiding principles for its development, and will embrace more development ideas, and carry out operations in a down-to-earth manner to seek progress while maintaining stability, so as to clarify new directions and paths for the Group's medium and long-term development. On the basis of continuous optimization of the capital structure, the Group will continue to optimize the asset allocation in response to key operational risks to eliminate local risks. The Group will also continue to focus on developing a new asset-light development model in which team-based development and operation of management services will be put into a core business position. By doing so, the Group could systematically promote the empowerment and transformation of the management team and the upgrading of the management mechanism to ensure growth of business in two aspects. The Group will actively summarize the operational experience of property development and commercial property management focusing on improving the core competitiveness of new segments with the Group's characteristics and effective profitability. Further efforts will be made to strengthen the brand power and profitability of core projects so as to develop engines that could contribute regular profits to the Group.

Under the guidance of national policies and new market trends, the Group will continue to improve its commercialization capabilities under new consumption and new scenarios, and will strive to explore new opportunities for the next stage of development to contribute to urban development and social advancement.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2023, the Group had a financial position with net assets value of approximately HK$1,085 million (As at 31 December 2022: approximately HK$1,189 million). Net current liabilities amounted to approximately HK$2,113 million (As at 31 December 2022: approximately HK$2,642 million) with current ratio increasing from 0.45 times as at 31 December 2022 to approximately 0.48 times as at 30 June 2023. 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 bank balances, 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 2023, the Group had consolidated borrowings of approximately HK$1,779 million, of which HK$1,049 million was repayable within one year and HK$730 million was repayable more than one year. As at 30 June 2023, borrowings of the amount of HK$1,779 million (As at 31 December 2022: HK$1,971 million) bear interest at fixed interest rates ranging from 4.5% to 24% per annum (As at 31 December 2022: ranging from 4.5% to 24% per annum). As at 30 June 2023, the Group's cash and bank balances (including restricted bank balances of HK$16 million) and pledged bank deposits were approximately HK$88 million (As at 31 December 2022: HK$272 million). The gearing ratio of the Group increased from 2.09 times as at 31 December 2022 to 2.12 times as at 30 June 2023 (basis: net debt, 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:

(a) the Group will continue its ongoing efforts to convince the lenders of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, except for the Qingdao Defaulted Borrowing, there is no indication that the Associated Company has any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Lender of the Qingdao Defaulted Borrowing for a mutually acceptable resolution over the Qingdao Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing), and financing the continuing construction of properties under development;

(c) the Group is in the process of resuming the construction and pre-sale of the Haimen Project of a former subsidiary pursuant to a service agreement entered into between the Group and the Associated Company. The Group is expected to receive percentage-based service fee income based on the sales proceeds from the Haimen Project;

(d) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(e) 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.

Significant uncertainties exist as to whether the 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 Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Qingdao Defaulted Borrowing and Defaulted Restructured Borrowing;

(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 the improvement strength of policy adjustment; (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 and the Haimen Project, 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; and

(d) 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 successfully controlling 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 statements.

* *Capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the interim condensed consolidated financial statements in this interim report.*

Segment Information

Sales of properties

The turnover of this segment for the Period under Review was approximately HK$1,132,000 (same period in 2022: HK$14,507,000). 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$137,419,000 (same period in 2022: HK$136,489,000), which remained stable overall.

Hotel operations

The turnover of this segment for the Period under Review was HK$56,333,000 (same period in 2022: HK$44,181,000). The increase was due to increase in occupancy rate after covid-19 epidemic fade away.

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 2023 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 30 June 2023 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 utilise any financial instruments to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Employees

As at 30 June 2023, the Group employed approximately 505 employees (31 December 2022: 592 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 interim report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the Period under Review.

Provision and Contingent Liabilities

	(unaudited) As at 30 June 2023 *HK$'000*	(audited) As at 31 December 2022 *HK$'000*
Financial guarantee issued in respect of borrowings and interest payables of former subsidiaries	137,997	144,437

The Group had undertaken to indemnify certain lenders of former subsidiaries for borrowings and related interest payables to the extent of HK$1,056,507,000 and HK$441,166,000. As at 30 June 2023, the provision for these financial guarantee contracts amounted to HK$137,997,000.

In addition, as at 30 June 2023, the Group provided guarantees to the extent of approximately HK$4,381,000 to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, except for the amount of HK$137,997,000 provision for financial guarantee contracts for borrowings and interest payables of former subsidiaries recognised, the credit risk exposures of these guarantee contracts were insignificant at initial recognition and as at the end of the Period under Review.

Pledge of Assets

As at 30 June 2023, 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:

	(unaudited) *HK$'000*
Property, plant and equipment	557,535
Investment properties	2,093,601
Pledged bank deposits	1,047
	2,652,183

As at 30 June 2023, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

Litigation

In June 2022, the Group received an enforcement order (the "**Order**") issued by the Intermediate People's Court of Lanzhou*（蘭州市中級人民法院）against Qingdao Zendai Thumb Commercial Development Co., Ltd.*（青島証大大拇指商業發展有限公司）(the "**Qingdao Thumb**"), Nanjing Lifang Real Estate Co., Ltd.*（南京立方置業有限公司）("**Nanjing Lifang**"), Shanghai Zendai Real Estate Co., Ltd.*（上海証大置業有限公司）and Mei Yi International Ltd. (collectively the "**Defendants**"). Except for Nanjing Lifang (one of the former subsidiaries disposed of in the Myway Disposal), all of the Defendants are indirect wholly-owned subsidiaries of the Company. The Order arose from the event of default of the loan owed by Qingdao Thumb to the Lender of the Qingdao Defaulted Borrowing (the principal and liquidated damages is approximately RMB707 million (equivalent to approximately HK$827 million) in total). As at the date of this interim report, principal amount of RMB594 million (equivalent to approximately HK$643 million) remained overdue and outstanding. Details of the Order were disclosed in the announcement of the Company dated 21 June 2022. The Company will pay close attention to the subsequent enforcement procedures and seek a resolution through active communications and coordination.

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

Save as disclosed, there were no material events subsequent to the Period under Review which would materially affect the Group's operating and financial performance as at the date of this interim report.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2023, none of the Directors and chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 of Hong Kong Limited pursuant to 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**").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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 2023	Approximate percentage of the issued share capital as at 30 June 2023
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) *(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. (Note 2)	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("**COAMI**") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
	Person having a security interest	2,678,283,273 (L)	18.00%
		5,381,531,754 (L)	36.17%

Name	Nature of interests	Number of Shares interested as at 30 June 2023	Approximate percentage of the issued share capital as at 30 June 2023
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
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 2023, 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 2023, 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. COAMI entered into a security deed with Nantong Sanjian Holding (HK) Co., Limited, pursuant to which COAMI obtained security interests in 2,678,283,273 Shares of the Company.

3. As at 30 June 2023, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 73.53% 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 2023, 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 which was valid for a period of 10 years and had expired on 25 June 2022 (the "**Scheme**"), for the primary purpose of providing incentives to directors and eligible persons. As at 30 June 2023, no share option had been granted or awarded or agreed to be granted or awarded to any person under the Scheme. Since the expiry of the Scheme, the Company has not adopted any new share 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 2022 annual report of the Company except as stipulated below:

With effect from 1 July 2023, the annual emolument for the position of non-executive Directors have been adjusted to Zero.

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 2023 and considered that the Company has complied with all applicable accounting standards and requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company confirms that, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2023.

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 six-month period ended 30 June 2023.

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.