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SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 755)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors of Shanghai Zendai Property Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended	
		30 June	30 June
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		803,696	1,081,212
Cost of sales		(552,249)	(698,873)
Gross profit		251,447	382,339
Other income and gains	5	40,734	59,112
Distribution costs		(43,575)	(35,322)
Administrative expenses		(241,903)	(215,477)
Change in fair value of investment properties		10,576	61,677
Share of results of associates		(151,253)	(6,890)
Share of results of joint ventures		(18,822)	(14,249)
Finance costs		(162,964)	(110,995)
(Loss)/profit before tax (expense)/credit	6	(315,760)	120,195
Tax (expense)/credit	7	(38,076)	161,362
(Loss)/profit for the period		(353,836)	281,557

	<i>Notes</i>	Six months ended	
		30 June	30 June
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(40,273)	135,186
Release of other revaluation reserve on disposal of properties for sales held by associates		(739)	(11,668)
Tax expense related to release of other revaluation reserve		185	2,917
		<u>185</u>	<u>2,917</u>
Other comprehensive income for the period, net of tax		<u>(40,827)</u>	<u>126,435</u>
Total comprehensive income for the period		<u>(394,663)</u>	<u>407,992</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(337,884)	281,367
– Non-controlling interests		(15,952)	190
		<u>(353,836)</u>	<u>281,557</u>
Total comprehensive income attributable to:			
– Owners of the Company		(375,799)	404,126
– Non-controlling interests		(18,864)	3,866
		<u>(394,663)</u>	<u>407,992</u>
(Loss)/earnings per share			
– Basic	9	<u>HK(2.27) cents</u>	<u>HK2.26 cents</u>
– Diluted		<u>HK(2.27) cents</u>	<u>HK2.26 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		697,781	393,259
Investment properties		2,834,680	2,723,188
Payment for leasehold land held for own use under operating leases		636,561	617,316
Goodwill		37,322	37,600
Interests in associates		256,942	410,983
Interests in joint ventures		1,373,335	1,386,006
Available-for-sale investments		67,183	67,712
Total non-current assets		5,903,804	5,636,064
Current assets			
Properties under development and for sales		8,266,427	6,794,008
Inventories		2,667	1,982
Trade and other receivables	10	651,429	470,523
Deposits for property development		10,726	295,939
Amounts due from associates		1,256,225	1,075,479
Amounts due from joint ventures		1,039,182	685,509
Available-for-sale investments		2,645	2,665
Amounts due from related companies		16,322	16,256
Amounts due from minority owners of subsidiaries		31,734	36,379
Pledged bank deposits	11	1,129,685	1,571,342
Tax prepayments		131,819	135,328
Entrusted loan receivables		125,929	126,919
Cash and cash equivalents		1,352,631	942,721
Total current assets		14,017,421	12,155,050
Total assets		19,921,225	17,791,114

	<i>Notes</i>	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	12	1,095,127	1,319,155
Receipts in advance from customers		1,380,243	1,235,512
Amount due to an associate		152	–
Amount due to a joint venture		777,610	635,867
Amounts due to related companies		14,856	41,752
Amounts due to minority owners of subsidiaries		573,037	56,319
Bank loans		2,791,679	3,459,042
Tax payables		903,392	992,203
Total current liabilities		7,536,096	7,739,850
Net current assets		6,481,325	4,415,200
Total assets less current liabilities		12,385,129	10,051,264
Non-current liabilities			
Amount due to minority owner of a subsidiary		790,000	–
Bank loans	13	4,338,874	2,685,637
Deferred tax liabilities		578,471	581,069
Other payables		157,273	153,598
Total non-current liabilities		5,864,618	3,420,304
Total liabilities		13,400,714	11,160,154
TOTAL NET ASSETS		6,520,511	6,630,960
Capital and reserves attributable to owners of the Company			
Share capital		297,587	297,587
Reserves		5,825,122	5,928,562
Equity attributable to owners of the Company		6,122,709	6,226,149
Non-controlling interests		397,802	404,811
TOTAL EQUITY		6,520,511	6,630,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following amendment is relevant to the Group’s condensed consolidated financial statements:

Amendments to HKAS 32

Offsetting Financial Assets and Financial Liabilities

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

The Group has not early applied the following revised standards, amendments and interpretations that have been issued, potentially relevant to the Group, but are not yet effective.

HKFRS 9

Amendments to HKAS 19 (2011)

HKFRSs (Amendments)

HKFRSs (Amendments)

HKFRS 14

HKFRS 15

Financial Instrument³

Defined Benefit Plans: Employee Contribution¹

Annual Improvements 2010-2012 Cycle²

Annual Improvements 2011-2013 Cycle¹

Regulatory Deferral Account⁴

Revenue from Contracts with Customers⁵

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

Having assessed the impact of these revised standards, amendments and interpretations on the Group’s financial statements, the directors of the Company have so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these condensed consolidated financial statements requires management to make judgments, 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 these condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services. The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

Certain revenue 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 chief operating decision maker for assessment of segment performance.

Segment information is presented below:

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

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue from external sales	<u>535,224</u>	<u>845,765</u>	<u>74,891</u>	<u>72,066</u>	<u>189,763</u>	<u>157,659</u>	<u>3,818</u>	<u>5,722</u>	<u>803,696</u>	<u>1,081,212</u>
Reportable segment (loss)/profit before tax (expense)/credit	<u>(75,155)</u>	<u>165,962</u>	<u>(89,999)</u>	<u>(9,893)</u>	<u>47,643</u>	<u>98,392</u>	<u>(202)</u>	<u>(57)</u>	<u>(117,713)</u>	<u>254,404</u>
Other information										
Bank interest income	14,571	17,673	-	-	168	480	-	-	14,739	18,153
Interest income from other receivables	1,758	4,261	-	-	-	-	-	-	1,758	4,261
Interest income from entrusted loans receivables	5,367	8,215	-	-	-	-	-	-	5,367	8,215
Depreciation of property, plant and equipment	(2,156)	(2,677)	(15,440)	(7,654)	(1,016)	(812)	-	-	(18,612)	(11,143)
Amortisation of payment for leasehold land held for own use under operating leases	-	-	(11,417)	(10,792)	-	-	-	-	(11,417)	(10,792)
Write-down of property under development	-	(3,276)	-	-	-	-	-	-	-	(3,276)
Change in fair value of investment properties	-	-	-	-	10,576	61,677	-	-	10,576	61,677
Gain on disposal of a subsidiary	-	117	-	-	-	-	-	-	-	117
Gain on disposal of investment properties	-	-	-	-	8,960	4,928	-	-	8,960	4,928
Share of results of associates	(69,498)	(1,065)	(81,755)	(5,825)	-	-	-	-	(151,253)	(6,890)
Share of results of joint ventures	<u>(18,822)</u>	<u>(14,249)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,822)</u>	<u>(14,249)</u>

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

	Six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment (loss)/profit before tax (expense)/credit	(117,713)	254,404
Unallocated bank interest income	117	518
Dividend income from available-for-sale investment	1,698	1,736
Finance costs	(162,964)	(110,995)
Unallocated head office and corporate expenses	(36,898)	(25,468)
	(315,760)	120,195

(c) Total segment assets

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Sales of properties	13,912,232	11,722,836
Hotel operations	1,513,847	1,259,063
Properties rental, management and agency services	3,218,986	3,137,031
Travel and related services	2,234	1,397
Total segment assets	18,647,299	16,120,327
Unallocated		
– Pledged bank deposits	1,129,685	1,571,342
– Head office and corporate assets	144,241	99,445
Total assets	19,921,225	17,791,114

(d) Total segment liabilities

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Sales of properties	4,554,502	8,767,824
Hotel operations	25,017	32,597
Properties rental, management and agency services	798,283	447,518
Travel and related services	2,135	1,096
Total segment liabilities	5,379,937	9,249,035
Unallocated		
– Bank loans	8,000,885	1,900,885
– Head office and corporate liabilities	19,892	10,234
Total liabilities	13,400,714	11,160,154

5. OTHER INCOME AND GAINS

	Six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	14,856	18,671
Interest income from entrusted loans receivables	5,367	8,215
Interest income from other receivables	1,758	4,261
Gain on disposal of investment properties	8,960	4,928
Gain on disposal of a subsidiary	–	117
Dividend income from available-for-sale investment	1,698	1,736
Rental income (<i>note</i>)	3,919	5,200
Advertising income	–	2,923
Exchange difference, net	–	1,835
Others	4,176	11,226
	<u>40,734</u>	<u>59,112</u>

Note:

Rental income was derived from certain office units included in properties for sales, which the Group intends to sell subject to the tenancy agreements.

6. (LOSS)/PROFIT BEFORE TAX (EXPENSE)/CREDIT

	Six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax (expense)/credit has been arrived at after charging:		
Depreciation on property, plant and equipment	18,612	11,143
Amortisation of payment for leasehold land held for own use under operating leases	11,417	10,792
Write-down of property under development	–	3,276
	<u>–</u>	<u>3,276</u>

7. TAX EXPENSE/(CREDIT)

The amount of tax expense/(credit) in the condensed consolidated statement of comprehensive income represents:

	Six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)		
– tax for the period	11,801	13,746
– overprovision in respect of prior years	(4,951)	(13,395)
	6,850	351
Current tax – Land Appreciation Tax (“LAT”)		
– tax for the period	29,146	64,998
– under/(over) provision in respect of prior years (<i>note</i>)	596	(166,292)
	29,742	(101,294)
Deferred tax		
– current period	1,484	20,231
– attributable to decrease in tax rate	–	(80,650)
	1,484	(60,419)
	38,076	(161,362)

Note:

During the period ended 30 June 2013, two property development companies in Shanghai were subject to LAT calculated at a rate range from 5.3% to 5.5% on the proceeds from sales of properties, as agreed with the local tax authority which differed from the management’s estimated rate made in prior years, resulting in an overprovision of LAT in respect of prior years.

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the current and prior periods.

EIT

PRC subsidiaries of the Company are subject to EIT at 25% (six months ended 30 June 2013: 25%).

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between the PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including costs of land and development and construction expenditures.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2013: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per shares is based on the Group's loss for the period attributable to owners of the Company of approximately HK\$337,884,000 (profit for the six months ended 30 June 2013: HK\$281,367,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2013: 12,437,352,000) ordinary shares in issue during the period.

10. TRADE AND OTHER RECEIVABLES

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

Included in trade and other receivables of the Group are trade receivables of HK\$13,124,000 (31 December 2013: HK\$38,258,000). The aging analysis of trade receivables at the end of reporting period is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current	3,970	2,613
Less than 1 month past due	3,341	3,515
1 to 3 months past due	3,261	18,770
More than 3 months but less than 12 months past due	604	9,024
More than 12 months past due	1,948	4,336
Amount past due at end of reporting period but not impaired (<i>note</i>)	9,154	35,645
	13,124	38,258

Note:

The balance of HK\$9,154,000 (31 December 2013: HK\$35,645,000) was past due but not impaired. For past due but not impaired receivables relating to sales of properties, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales when the purchasers have default in repayment. For past due but not impaired receivables relating to properties rental, management and agency services, they related to a number of customers with good repayment history. Therefore, the management considered that no impairment loss is required to be recognised.

Included in the amount was an other receivable of approximately HK\$32,500,000 (31 December 2013: HK\$52,500,000) in relation to an agreement signed between the Group and an independent third party for a property development project. The Group paid approximately HK\$52,500,000 for the project pursuant to the terms of the agreement but the agreement was subsequently cancelled as agreed by both parties. The receivable of HK\$52,500,000 was due to be refundable to the Group on 31 December 2014 and which carried 10% interest per annum. The Group held seven artworks (31 December 2013: seven) as collateral for the receivable. The Group considers that the credit risk arising from the receivable is significantly mitigated by the artworks held as collateral, with reference to the estimated market value of the artworks at 30 June 2014.

11. PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represented deposits pledged to banks to secure bank loans granted to the Group. The pledged bank deposits carry interest ranging from 2.85% to 3.3% per annum (31 December 2013: ranging from 3.25% to 3.50% per annum).

12. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$819,442,000 (31 December 2013: HK\$1,054,627,000). The aging analysis of trade payables at the end of reporting period is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current or less than 1 month	612,942	872,951
1 to 3 months	14,398	31,069
More than 3 months but less than 12 months	10,354	10,283
More than 12 months	91,103	58,146
	728,797	972,449
Retention money	90,645	82,178
	819,442	1,054,627

The trade payables mainly represented accrued construction costs payable to contractors and the amounts will be paid upon the completion of cost verification process between the contractors and the Group.

13. BANK LOANS

Included in bank loans are loans of HK\$700,000,000 (31 December 2013: HK\$300,000,000) which carry a covenant that requires Mr. Dai Zhikang, the controlling shareholder and an executive director of the Company to beneficially own, directly or indirectly, 35% or more of the issued share capital and ownership interests in the Company and to remain as the single largest shareholder of the Company.

14. CONTINGENT LIABILITIES

The Group provided guarantees to the extent of HK\$304,271,000 at 30 June 2014 (31 December 2013: HK\$346,715,000) for customers in favour of banks in respect of mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

The Group also shared contingent liabilities of a joint venture arising from guarantees provided by the joint venture to banks to the extent of approximately HK\$45,841,000 (31 December 2013: HK\$23,272,000) in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the joint venture. These guarantees provided by the Group and the joint venture, to the banks would be released upon receiving the building ownership certificates 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, the fair value of guarantee contracts is insignificant at initial recognition.

15. LITIGATION

On 4 June 2012, Shanghai Zendai Land Company Limited (“Shanghai Zendai Land”), a wholly-owned subsidiary of the Company, was served a document of summons issued by Shanghai No. 1 Intermediate People’s Court (“the Court”) in relation to disputes on asset damage and compensation and breaching of pre-emptive rights in shareholding of Shanghai Haizhimen Property Management Co., Ltd. (“Shanghai Haizhimen”), the then associate of the Company, initiated by Zhejiang Fosun Commerce Development Limited (“Zhejiang Fosun”) (the “Claims”).

On 24 April 2013, the Court issued a first instance judgment (the “Judgment”) and granted an order to (i) invalidate the agreement on disposal of Shanghai Zendai Wudaokou Property Company Limited (“Shanghai Zendai Wudaokou”); (ii) invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to an independent third party (“Purchaser”), and, (iii) restate the ownership of Shanghai Zendai Wudaokou within 15 days after the effective date of the Judgment to the state prior to the transfer.

On 7 May 2013, an appeal (the “Appeal”) was lodged with the Higher People’s Court of Shanghai against the Judgment.

The Company’s PRC legal advisers have advised that since the Appeal has been duly lodged, the Judgment cannot be enforced and will not become effective pending the results of the Appeal. In addition, the Company’s PRC legal advisers consider that the legal grounds on which the Judgment was based are mistaken. Accordingly, the Company’s PRC legal advisers are of the view that there are valid grounds for the Appeal and that the Company has a reasonable chance to win the Appeal.

The Directors believe that the disposal of the equity interests of Shanghai Zendai Wudaokou does not constitute a breach of any pre-emptive rights based on the legal advice. As the Judgment will not become effective pending the results of the Appeal, the Directors consider that the Group does not control Shanghai Zendai Wudaokou and therefore it should not be consolidated in the Group’s interim condensed consolidated financial statements. Further, the Directors are of the opinion that it is not probable that the Group will incur any loss as a result of the Claims based on the legal advice.

In the event that the Appeal is unsuccessful, the agreement on Wudaokou Disposal and share transfer agreement in relation to the sale of Shanghai Zendai Wudaokou would be invalidated and ownership would revert to the Group. Should this happen, the Group may need to pay back the previously received consideration which amounted to RMB2,860,000,000 (equivalent to HK\$3,601,562,000) to the Purchaser. The Group would also obtain control of Shanghai Zendai Wudaokou. Adjustments would need to be made to the condensed consolidated financial statements to recognise the liability, if any, to the Purchaser and to recognise the assets and liabilities of Shanghai Zendai Wudaokou.

16. PLEDGE OF ASSETS

At the end of the reporting period, 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:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Property, plant and equipment	616,042	341,852
Payment for leasehold land held for own use under operating leases	636,561	617,316
Investment properties	2,446,310	2,473,761
Properties under development and for sales	1,561,925	1,118,894
Pledged bank deposits	1,129,685	1,571,342
	<u>6,390,523</u>	<u>6,123,165</u>

- (a) At 30 June 2014, the Group pledged certain properties under development and for sales with carrying amount of HK\$478,529,000 (31 December 2013: HK\$482,295,000) from its joint venture, 文廣証大南通文化投資發展有限公司, for a bank loan of the Group which has been fully withdrawn during the six months ended 30 June 2014.
- (b) At 30 June 2014, the Group pledged 100% equity interest in 香港証大南華商業投資有限公司 and Mei Yi International Limited, wholly owned subsidiaries of the Company, to secure a bank loan granted to the Group (31 December 2013: Nil).

17. EVENT AFTER REPORTING PERIOD

- (a) The Company participated in a tender for the sale shares of an investment holding company, the major asset of which comprises a land parcel located in Jiangsu Province, the PRC (the “Tender”). On 23 July 2014, the Company obtained an approval from an ordinary resolution of the shareholders on a special general meeting to participate in the Tender. According to the Tender, a refundable earnest money of RMB100,000,000 (equivalent to HK\$125,900,000) has been paid.

Details of the Tender were more particularly set out in the announcements of the Company dated 23 June 2014 and 7 July 2014.

- (b) On 7 July 2014 (“Withdrawal Date”), the Group draw down the shareholder’s loan (“Shareholder’s Loan”) amounted to RMB850,000,000 (equivalent to HK\$1,071,000,000) from Wisdom Mind Holding Corporation, which holds 20% of the interest of a subsidiary of the Group. The loan bears 12% interest per annum and is repayable in 36 months upon the Withdrawal Date.

Details of the Shareholder’s Loan were more particularly set out in the announcement of the Company dated 24 March 2014.

CHAIRMAN'S STATEMENT

Financial Results

The board of directors of Shanghai Zendai Property Limited (the "Company") is pleased to present the interim results of the Company and its subsidiaries (collectively the "Group") for the period ended 30 June 2014 (the "period" or "period under review").

Over the past two years, the Group experienced some delays in the development of its new projects, and land acquisitions were mainly taken place in 2013 and the first half of this year. As a result, new projects were still in the planning or development stages and could not launch into the market for sale and delivery in time. During the period under review, the Group's contracted sales and properties delivered were mainly from old projects, resulting in a substantial decrease in turnover of sales of properties as compared with the last corresponding period.

During the period, turnover of the Group amounted to approximately HK\$803,696,000, representing a decrease of 26% against approximately HK\$1,081,212,000 for the same period in 2013. The turnover was mainly attributed to:

- Delivery of residential properties in Qingdao Zendai Thumb Plaza
- Delivery of residential properties in Xizhen, Changchun, Jilin and Haimen
- Delivery of commercial space at Zendai Xizhen Thumb Plaza

During the period, loss attributable to shareholders of the Company (the "Shareholders") was approximately HK\$337,884,000, as compared with a profit of approximately HK\$281,367,000 for the same period of last year. Basic loss per share of the Company (the "Share") was HK2.27 cents (earnings in the first half of 2013: HK2.26 cents). Such loss was mainly due to:

- One-time reversal of HK\$166 million of land appreciation tax was recorded in the previous period, which was not recorded in this period
- Increase in share of net losses of associates and joint ventures
- Substantial increase of finance cost due to the increase of borrowings
- Substantial decrease in turnover of sales of properties due to decrease in properties delivered

Business Review

Over the past two years, with the strengthening of the regulation and control on the real estate industry by the central government, market speculation sentiment was suppressed and much volatility was seen in the industry. Entering into 2014, the market gradually stabilised but the downward trend continued amid the aftermath of the policy adjustment. However, individual cities gradually relaxed home purchase restriction policy in the period, meanwhile the People's Bank proposed a priority to satisfy loan demands from first-time home buyers, driving the market to gradually recover and causing the industry to enter into a mild adjustment period. In general, the overall performance of the property market in the first half of this year was less impressive than last year, but with the policy guideline of realising a long-term health development of the property market, it is believed that the market adjustment will be conducive to a sustainable operation of the market.

During the period under review, the Group continued to strengthen its position as an integrated developer of residential and commercial properties, progressively promote project development both domestically and abroad, and strategically develop a property portfolio which can cater for market needs. While broadening its sources of income, the Group also balanced various market risks effectively. Adhering to a prudent and aggressive strategy, the Group endeavoured to identify quality projects with high potential both domestically and abroad, with a view to expanding its land bank and continuously improving its diversified development.

“Himalayas Center” and “Riverside Thumb Plaza”, projects in Nanjing named by Shanghai Zendai’s boutique brand series, were both under construction in the period as scheduled. The transaction of the acquisition of Modderfontein project in South Africa, which the Group acquired in November 2013, was completed in March this year, and the Group held a project introduction conference in South Africa in April this year announcing the official launch of the project, which is now progressing well.

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Shanghai’s Century Park and the Lujiazui financial district. As at 30 June 2014, the area of retail shops in the Plaza owned by the Group covered a total gross floor area of 40,333 square metres with 430 underground car-parking spaces. As at 30 June 2014, more than 98% of the commercial space in the Plaza had been leased. Rental income recognised during the period was approximately RMB23,951,000 (equivalent to approximately HK\$30,256,000).

Radisson Blu Hotel Pudong Century Park

The Group’s five-star Radisson Blu Hotel is located in Zendai Thumb Plaza. The 18-storey hotel boasts a gross floor area of 31,529 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the “Radisson Blu” brand by Carlson Companies. The average occupancy rate of the hotel was 63% in the first half of 2014. Total income of the hotel during the period reached approximately RMB54,703,000 (equivalent to approximately HK\$69,105,000), down 6% as compared with the last corresponding period.

Himalayas Center

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

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group’s first hotel in Asia Pacific. The hotel boasts a total gross floor area of 60,452 square metres, providing 401 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with No. 7 metro line and is within walking distance to the maglev station. The average

occupancy rate of the hotel during the period under review was 66%, generating a total income of approximately RMB86,245,000 (equivalent to approximately HK\$108,950,000), representing an increase of 6% as compared with the last corresponding period. The high-quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the Jumeirah Himalayas Hotel Shanghai was named as the International Hotel of the Year in the European Hospitality Awards 2012, listed as one of the Top 100 Hotels in China by “Travel & Leisure” magazine, voted the 2012 Best in Design Hotel by “City Traveler” magazine, named as the Best New Opening Hotel in 2012 by “TimeOut” Shanghai magazine, listed into Conde Nast Traveler’s Hot List 2012, named as the Best Conference Hotel in Shanghai in the Extraordinary Journey Awards of “Oriental Morning Post”, named as the best MICE hotel in 2013 by “City Tour” magazine and “Shanghai Talk” magazine, and its restaurant was named as the Best Buffet Restaurant in 2013 by “TimeOut” magazine, named as the Best Chinese Restaurant in 2014 by “City Week” magazine and named as the Best Hotel Restaurant in 2014 by “DiningCity.CN”, and it was also listed as one of the Top 101 Premium Suites in 2014 by “Elite Travellers”.

During the period under review, around 64% of the commercial space of the Shopping Centre (leasable area of which was 23,200 square metres) was leased, generating a rental income of approximately RMB13,216,000 (equivalent to approximately HK\$16,695,000). The Himalayas Art Museum is the first large outdoor museum in the world and also the arts core of the Himalayas Center, an outdoor platform of contemporary and classical art; whereas the DaGuan Theatre contains a performing stage with a seating capacity of 1,100 and the official venue of the Shanghai International Film Festival.

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 is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a total gross floor area of approximately 151,066 square metres.

Phase I with a gross floor area of approximately 86,911 square metres will be developed into residential properties (41,976 square metres) and commercial areas (44,935 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to high-end restaurants and supermarkets. During the period under review, total residential and commercial saleable areas of 2,628 square metres and 1,611 square metres were sold respectively, generating a total contract value of RMB49,522,000 (equivalent to approximately HK\$62,560,000) and RMB26,820,000 (equivalent to approximately HK\$33,881,000) respectively. Residential and commercial areas of 1,420 square metres and 1,983 square metres were delivered respectively during the period, and a total contract value of RMB27,727,000 (equivalent to approximately HK\$35,026,000) and RMB63,012,000 (equivalent to approximately HK\$79,601,000) was recognised as turnover respectively. As at 30 June 2014, total residential and commercial saleable areas of 16,352 square metres and 10,968 square metres had been sold respectively, generating a total contract value of RMB315,905,000 (equivalent to approximately HK\$399,072,000) and RMB299,412,000 (equivalent to approximately HK\$378,236,000) respectively.

Construction of Phase II with a gross floor area of approximately 64,155 square metres commenced in the fourth quarter of 2013, with resort villas (39,455 square metres) and a resort hotel (24,700 square metres) to be erected. The resort villas will start pre-sale in the third quarter of 2014, and the whole project will be completed in 2015.

Other Cities

Nanjing Himalayas Center

The Group is planning to develop the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a gross floor area of approximately 631,000 square metres, marking an important advance in the Group's implementation of the development of "Thumb Integrated Commercial Projects". The project will be developed in two phases.

The first phase of the project has a total gross floor area of approximately 186,000 square metres, including 37,000 square metres of office building, 5,000 square metres of commercial space, 20,000 square metres of hotel, 58,000 square metres of service apartments and 66,000 square metres of underground car-park. Construction of the project started in September 2013 and pre-sale is expected to begin in the fourth quarter of 2014.

The second phase of the project is intended to be developed into service apartments, a commercial complex, commercial streets and office buildings, covering a total gross floor area of approximately 445,000 square metres, including 105,000 square metres of commercial space, 190,000 square metres of office building and 150,000 square metres of underground car-park. Construction of the project is scheduled to commence in the third quarter of 2014.

"Riverside Thumb Plaza" in Nanjing

In March 2014, the Group won the bid for a land parcel in Xiaguan District, Nanjing, Jiangsu Province, located at the west of Rehe Road and the north of Shiqiao Road, at a consideration of RMB902,300,000 (equivalent to approximately HK\$1,127,900,000). The land parcel with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 83,610 square metres, including 75,932 square metres of apartments and 7,678 square metres of commercial space. Construction of the project already commenced in June 2014 and pre-sale is expected to begin in the second quarter of 2015.

Qingdao Zendai Thumb Plaza

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

During the period under review, a total saleable area of service apartments of 3,890 square metres was sold, generating a total contract value of RMB48,844,000 (equivalent to approximately HK\$61,702,000). During the period, 9,775 square metres were delivered and a total contract value of RMB136,949,000 (equivalent to approximately HK\$173,003,000) was recognized as turnover. As at 30 June 2014, a total saleable area of 44,814 square metres had been sold, generating a contract value of RMB676,675,000 (equivalent to approximately HK\$854,820,000). As at 30 June 2014, more than 88% of the commercial space (leasable area of which was 49,968 square metres) was leased, generating a rental income of RMB11,571,000 (equivalent to approximately HK\$14,618,000) during the period. Construction of the hotel was completed in February 2014 and soft operation commenced in March 2014. The hotel is managed by the Group's own hotel management company with the Group's own Himalayas hotel brand.

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza occupies a total gross floor area of 281,912 square metres. Shanghai Zendai for its part owns 50% equity of the land parcel and is to assume a leading role in the management of the project. Due to its prime location, the project has been included among the “Key Cultural Industry Projects in Nantong City” and “Key Development Projects in Chongchuan District”. The project occupies a saleable and leasable area of approximately 264,974 square metres (including car-parking space and ancillary facilities of 43,516 square metres).

Construction is divided into three phases. The first phase comprises a leasable commercial area of approximately 38,816 square metres, of which 79% had been leased as at 30 June 2014. The second phase is an ancillary residential project with a total above-ground saleable area of approximately 71,912 square metres (with an underground area of 31,741 square metres). As at 30 June 2014, a total saleable area of 57,087 square metres (including 29,823 square metres of multi-storey apartments, 25,938 square metres of town houses and 1,326 square metres of detached houses) of the residential project had been sold, generating a total contract value of RMB685,953,000 (equivalent to approximately HK\$866,541,000), of which areas of 11,856 square metres (all were multi-storey apartments) were sold during the period, generating a total contract value of RMB67,961,000 (equivalent to approximately HK\$85,853,000). During the period under review, 8,597 square metres of residential properties (including 5,674 square metres of multi-storey apartments and 2,923 square metres of town houses) were delivered, generating a total contract value of RMB96,915,000 (equivalent to approximately HK\$122,429,000). The third phase is to cover a total area of approximately 122,505 square metres (with an underground area of 11,775 square metres), comprising a commercial area of 60,979 square metres in Phase 2 of Old Town, and a commercial area of 14,747 square metres and residential area of approximately 35,004 square metres in Old Town, New Port. The construction of Old Town, New Port was already commenced in May 2014, while the construction of Phase 2 of Old Town is expected to commence by the end of 2014.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, Jiangsu Province, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, is to have a total saleable area of approximately 81,200 square metres. The construction of Phase I was completed in 2010, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. During the period under review, the Group sold and delivered 1,989 square metres and 560 square metres of commercial space respectively, generating a total contract value and delivered amount of RMB46,490,000 (equivalent to approximately HK\$58,729,000) and RMB16,460,000 (equivalent to approximately HK\$20,793,000), respectively. As at 30 June 2014, a total saleable area of 2,382 square metres had been sold, generating a total contract value of RMB64,217,000 (equivalent to approximately HK\$81,123,000). Planning of Phase II is still underway.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

The Group is planning to develop a parcel of land in Changchun City, Jilin Province into a commercial property comprising retail shops, offices and service apartments. The project, with a site area of approximately 17,354 square metres, will comprise a total gross floor area of approximately 119,351 square metres, including 8,467 square metres of commercial space, 87,679 square metres of office space and 23,205 square metres of an underground car-park. Construction of the project started in May 2013 and pre-sale began in June 2014. During the period under review, a total saleable area of 1,361 square metres of commercial and office space was sold, generating a total contract value of RMB19,680,000 (equivalent to approximately HK\$24,861,000).

Residential Projects in China

Shanghai

Mandarin Palace

“Mandarin Palace”, the Group’s premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,347 square metres. The project is to be developed in two phases. The first phase comprises 47 villas with a total saleable area of 33,636 square metres, the construction of which was completed in 2011 and were all delivered. The second phase comprises seven villas with a total saleable area of 5,711 square metres. As at 30 June 2014, six villas with an area of 5,083 square metres had been sold, generating a total contract value of RMB299,538,000 (equivalent to approximately HK\$378,396,000).

Other Cities

“Zendai Garden-Riverside Town” in Haimen

The “Zendai Garden-Riverside Town” project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres. The first parcel is to be developed in two parts. “Dong Zhou Mansion”, the first part of the parcel, is being developed in two phases with Phase I offering 52 villas which were all sold out. Phase II of the “Dong Zhou Mansion” is to be developed into 94 villas with a total gross floor area of approximately 71,060 square metres, the construction of which already commenced in February 2014 and pre-sale permit is expected to be obtained in September 2014.

“Multiflora Garden”, the second part of the project, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 30 June 2014, an area of 6,814 square metres remained undelivered.

Besides, Phase III of Multiflora Garden has a total gross floor area of approximately 92,584 square metres and a saleable area of approximately 91,817 square metres. As at 30 June 2014, a total saleable area of 53,875 square metres had been sold, generating a total contract value of RMB339,493,000 (equivalent to HK\$428,869,000). During the period, a total saleable area of approximately 357 square metres was sold, generating a total contract value of RMB2,805,000 (equivalent to approximately HK\$3,543,000). During the period, an area of 2,996 square metres was delivered and a total contract value of RMB16,839,000 (equivalent to approximately HK\$21,272,000) was recognised as turnover in the period.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases. The first phase, 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 2014, a cumulative area of 48,366 square metres had been sold, generating a total contract value of RMB217,564,000 (equivalent to approximately HK\$274,841,000). An area of 465 square metres was sold during the period, generating a total contract value of RMB2,241,000 (equivalent to approximately HK\$2,831,000). During the period under review, an area of 1,345 square metres was delivered and a total contract value of RMB6,501,000 (equivalent to approximately HK\$8,213,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is to be developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 30 June 2014, an area of 46,648 square metres had been sold, generating a total contract value of RMB216,326,000 (equivalent to approximately HK\$273,277,000). During the period, an area of 14,427 square metres was sold, generating a total contract value of RMB68,640,000 (equivalent to approximately HK\$86,710,000). An area of 6,786 square metres involving a contract value of RMB31,854,000 (equivalent to approximately HK\$40,240,000) was delivered. The second phase offers a saleable area of approximately 112,694 square metres, the construction of which already commenced in February 2014 and pre-sale permit is expected to be obtained in September 2014.

The Phase III, named as Spanish Exotic Street with a site area of 5,319 square metres, is to be developed into a commercial plaza with a saleable area of 7,497 square metres.

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, is to be developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and will be completed in September 2014.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The first phase is to be developed in three parts. The construction of the first part, with a saleable area of 25,221 square metres, commenced in March 2011, and pre-sale started in the fourth quarter of 2012. The second and third parts of the first phase are still in the planning stage. The second phase has not yet been planned.

Parcel of land at Changpu Road, Langfang, Hebei Province

The Group owns a parcel of land with an area of 105,534 square metres at Longhe Industrial Zone, Langfang, Hebei Province, which will be developed into an integrated complex with high-end residential properties, commercial space and offices, with an estimated total saleable area of approximately 254,621 square metres. The project is to be developed in three phases and has commenced construction in May 2013.

The first phase will be developed into high-rise and multi-storey residential properties with a total saleable area of approximately 87,695 square metres, and pre-sale already started in March 2014. During the period under review, a total saleable area of 61,909 square metres was sold, generating a total contract value of RMB415,831,000 (equivalent to approximately HK\$525,304,000).

The commercial space of the second phase and residential properties of the third phase, with a saleable area of 79,674 square metres and 87,252 square metres respectively, are expected to launch for pre-sale in September 2014.

Parcel of Land at Longhe Industrial Zone in Langfang, Hebei Province

In January 2013, the Group succeeded in the bid for a parcel of land at Longhe Industrial Zone in Langfang, Hebei at a consideration of RMB123,000,000 (equivalent to approximately HK\$151,946,000). As the relatively high industrial output and high population density of Longhe Industrial Zone in Langfang will have a positive impact on the demand of housing, the Group is planning to develop the parcel of land with a site area of approximately 45,492 square metres into a residential property with a gross floor area of 121,484 square metres in order to cater for the local demand. Construction is expected to commence by the end of 2014.

Parcel of Land in Yantai Development Zone

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

Overseas Project

Residential project in New Zealand

Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, owns a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown Auckland and is intended to be developed as high-end residential development. The project, with a total gross floor area of approximately 170,000 square metres, can be developed into about 1,000 residential properties with a gross floor area of approximately 147,000 square metres, a 200-room hotel with a gross floor area of approximately 20,000 square metres, commercial space of 2,000 square metres and an office tower of 1,000 square metres. The project will be developed in phases. The first phase offers 37 land parcels which can be developed into residential properties with a total gross floor area of 7,400 square metres and buyers are mainly local builders in Auckland. As at 30 June 2014, a total of 32 land parcels including 5 parcels with houses to be built thereon with a total gross floor area of 6,400 square metres had been sold, generating a total contract value of approximately NZD12,665,000 (equivalent to approximately HK\$83,377,000). During the period, a total of 15 land parcels including 4 parcels with houses to be built thereon with a total gross floor area of 3,000 square metres were sold, generating a total contract value of approximately NZD6,800,000 (equivalent to approximately HK\$44,766,000). Land formation works of the project commenced in March 2013.

Modderfontein New City Smart City Project in Johannesburg, South Africa

In November 2013, the Group acquired a real estate development project located in Johannesburg, South Africa at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK\$838,170,000). The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, comprising certain land parcels and buildings with an area of approximately 1,600 hectares. The Modderfontein project will be developed into a new central city in Johannesburg, comprising nine major function

areas, namely central business district, international convention and exhibition centre, international residential community, trade logistics parks, light industrial parks, recreation centre, pension and retirement community, integrated education area and sports centre. The transaction was completed in the first quarter of 2014. The Group is now establishing a planning framework for the project, which is expected to develop in phases and will take more than 15 years to complete.

PROSPECTS

It is expected that the central government will further modestly adjust its regulatory policies on real estate industry in the second half of the year, and will help driving the market to recover. In the long term, the rigid demand for real estate will still exist. Coupled with the central government's continuous efforts to promote long-term mechanism for the healthy development of the property market, we remain cautiously optimistic with the long term prospect of the real estate industry.

In June, the government of Hohhot, Inner Mongolia announced to officially remove restrictions on home purchases, while loan interest rates for first-time home buyers in first-tier cities such as Shanghai and Guangzhou also began to ease. The spate of good news in the industry is expected to add momentum to boosting the real estate market which had been cooling down. In response to market changes, we will continue to identify potential investment opportunities in the mainland and expand its land reserves in a timely manner, in order to lay a solid foundation for the Group's future development.

Since the pre-sale of "Nanjing Himalayas Center", "Riverside Thumb Plaza" and the new Modderfontein project in South Africa will take place in the fourth quarter of this year and related properties will only be delivered in 2015, the Group's contract sales and property delivery in the second half of 2014 will mainly come from pre-existing projects. However, following the successive launch of projects acquired last year and in the first half of this year, contract sales in the future are expected to greatly improve. Leveraging on the Group's extensive experience, we will keep pace with market changes, take advantage of the gradual recovery trend of the industry, deploy our projects flexibly, and enhance our innovation and competitiveness, in order to seize opportunities promptly when market demand rebounds.

The Group will also continue to consolidate its position as a diversified property developer. Apart from development of domestic projects, the Group will also continue to expand into the overseas markets, so as to balance various risks, increase its recurring income and maximize returns for shareholders.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2014 the Group had a healthy financial position with net assets value of HK\$6,521 million (31 December 2013: HK\$6,631 million). Net current assets amounted to approximately HK\$6,481 million (31 December 2013: approximately HK\$4,415 million) with current ratio increased from 1.57 times at 31 December 2013 to approximately 1.86 times at 30 June 2014. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2014, the Group had consolidated bank loans payable of approximately HK\$7,131 million in which HK\$2,792 million was repayable within one year and HK\$4,339 million was repayable more than one year. As at 30 June 2014, the Group's bank balances and cash including pledged bank deposits are approximately HK\$2,482 million. The gearing ratio of the Group increased from 0.81 times at 31 December 2013 to 1.13 times at 30 June 2014 (basis: total of amounts entrusted loans payable, bank loans, and amount due to minority owners of subsidiaries dividend by Shareholders' funds).

Segment Information

Sales of properties

The turnover of this segment for the period amounted to HK\$535,224,000 (2013: HK\$845,765,000) decreased substantially due to less properties were delivered.

Travel and related business

The turnover of this segment for the period reached approximately HK\$3,818,000 (2013: HK\$5,722,000).

Property rental, management and agency services

The turnover of this segment for the period was approximately HK\$189,763,000 (2013: HK\$157,659,000). The increase was due to more properties were available for leasing and managed by the Group.

Hotel Operations

The turnover of this segment for the period was HK\$74,891,000 (2013: 72,066,000) which remained stable.

Foreign Currency Exposures

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts 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.

Employees

As at 30 June 2014, the Group employed approximately 1,938 employees (31 December 2013: 1,610 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

Major Acquisition of Assets

- (a) In November 2013, the Group acquired a real estate project located in Johannesburg, South Africa, with an area of approximately 1,600 hectares, at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK\$838,170,000). The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, posing tremendous potential for development. Details of the transaction was announced in the Company's announcement dated 5 November 2013 and the transaction was completed in March 2014.

- (b) On 6 March 2014, the Group succeeded in a bid and signed the share transfer agreement for the purchase of the entire share capital of 南京立方置業有限公司 which owns a parcel of land located in Nanjing, Jiangsu Province, the PRC with site area of approximately 13,220.1 square metres which is designated for commercial and office mixed use. The purchase consideration is RMB902,300,000 (equivalent to approximately HK\$1,127,900,000).

Major Disposal of Assets

On 24 March 2014, the Group entered into a sale and purchase agreement as vendor to dispose 20% of an indirectly wholly owned subsidiary, Richtex Holdings Limited, for RMB200,000,000 (equivalent to approximately HK\$256,410,000). The principal asset owned by Richtex Holdings Limited is a parcel of land located in Nanjing, Jiangsu Province, the PRC with site area of approximately 93,526.4 square metres, which is designated for integrated office, commercial, financial, hotel and cultural use.

Charge on Assets

At 30 June 2014, the carrying amounts of following assets of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	<i>HK\$'000</i>
Property, plant and equipment	616,042
Payment for leasehold land held for own use under operating leases	636,561
Investment properties	2,446,310
Properties under development and for sales	1,561,925
Pledged bank deposits	1,129,685
	6,390,523

OUTSTANDING LITIGATION

Reference is made to the announcements of the Company dated 30 December 2011, 31 May 2012, 5 June 2012, 2 August 2012, 29 November 2012, 30 November 2012 and 24 April 2013. On 4 June 2012, Shanghai Zendai Land Company Limited (“Shanghai Zendai Land”), a wholly-owned subsidiary of the Company, was served a document of summons issued by Shanghai No. 1 Intermediate People’s Court (“the Court”) in relation to disputes on asset damage and compensation and breach of pre-emptive rights in shareholding of Shanghai Haizhimen Property Management Co., Ltd., the then associate of the Company, initiated by Zhejiang Fosun Commerce Development Limited. On 24 April 2013, the Court issued a first instance judgment (the “Judgment”) and granted an order to (i) invalidate the agreement on disposal (“Wudaokou Disposal”) of Shanghai Zendai Wudaokou Property Company Limited (“Shanghai Zendai Wudaokou”); (ii) invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to an independent third party; and (iii) restate the ownership of Shanghai Zendai Wudaokou within 15 days after the effective date of the Judgment to the state prior to the transfer. On 7 May 2013, an appeal (the “Appeal”) was lodged with the Higher People’s Court of Shanghai against the Judgment. Since the Appeal has been duly lodged, the Judgment cannot be enforced and will not become effective pending the results of the Appeal. As at the date of this announcement, the result of the Appeal is still pending.

Save as disclosed above, as at the date of this announcement, the Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Enlarged Group.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2014 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s auditor, whose independent review report will be included in the interim report.

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 Directors are of the opinion that the Company has met the code provisions in the Code during the period except the deviations as stipulated below. The Company’s interim results for the period ended 30 June 2014 has been reviewed by the audit committee of the Company.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Due to personal commitments, the following directors did not attend the meetings:

Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang, Mr. Gong Ping and Cai Gaoshing did not attend the special general meeting of the Company held on 14 January 2014;

Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang, Mr. Gong Ping, Cai Gaoshing and Lo Mun Lam, Raymond did not attend the special general meeting of the Company held on 23 March 2014;

Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang, Mr. Gong Ping and Lo Mun Lam, Raymond did not attend the annual general meeting of the Company held on 10 June 2014.

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.

On behalf of the board of
Shanghai Zendai Property Limited
Dai Zhikang
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the executive Directors are Mr. Dai Zhikang, Ms Li Lihua Mr. Wang Fujie, Mr. Zuo Xingping, Mr. Tang Jian. The non-executive Directors are Mr. Xu Xiaoliang, Mr. Gong Ping. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Li Man Wai and Mr. Cai Gaoshing.

* for identification purpose only