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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 2017

The Board of Directors of Shanghai Zendai Property Limited (the “Company” or “Shanghai Zendai”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017.

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

|                                               |       | Unaudited                |           |
|-----------------------------------------------|-------|--------------------------|-----------|
|                                               |       | Six months ended 30 June |           |
|                                               |       | 2017                     | 2016      |
|                                               | Notes | HK\$'000                 | HK\$'000  |
| Revenue                                       | 5     | 743,600                  | 563,049   |
| Cost of sales                                 |       | (673,347)                | (428,005) |
| <b>Gross profit</b>                           |       | <b>70,253</b>            | 135,044   |
| Other income and gains                        | 6     | 18,545                   | 34,595    |
| Selling and marketing expenses                |       | (52,270)                 | (98,629)  |
| Administrative expenses                       |       | (181,848)                | (261,237) |
| Change in fair value of investment properties |       | 11,079                   | (62,235)  |
| Share of results of associates                |       | (1,793)                  | (53,720)  |
| Share of results of joint ventures            |       | 174,290                  | (39,013)  |
| Finance costs                                 |       | (238,778)                | (200,304) |
| <b>Loss before income tax</b>                 |       | <b>(200,522)</b>         | (545,499) |
| Income tax (expense)/credit                   | 7     | (17,705)                 | 7,294     |
| <b>Loss for the period</b>                    |       | <b>(218,227)</b>         | (538,205) |

# **INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME** **(CONTINUED)**

|                                             |                             | <b>Unaudited</b>                 |                                |
|---------------------------------------------|-----------------------------|----------------------------------|--------------------------------|
|                                             |                             | <b>Six months ended 30 June</b>  |                                |
|                                             |                             | <b>2017</b>                      | <b>2016</b>                    |
| <i>Notes</i>                                |                             | <b><i>HK\$'000</i></b>           | <b><i>HK\$'000</i></b>         |
| <b>Loss for the period attributable to:</b> |                             |                                  |                                |
|                                             | – Owners of the Company     | <b>(209,612)</b>                 | (492,011)                      |
|                                             | – Non-controlling interests | <b>(8,615)</b>                   | (46,194)                       |
|                                             |                             | <b><u>(218,227)</u></b>          | <b><u>(538,205)</u></b>        |
| <b>Loss per share</b>                       |                             |                                  |                                |
|                                             | – Basic                     | <b><u>9 HK\$(1.41) cents</u></b> | <b><u>HK\$(3.31) cents</u></b> |
|                                             | – Diluted                   | <b><u>9 HK\$(1.41) cents</u></b> | <b><u>HK\$(3.31) cents</u></b> |

# **INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                                                           | <b>Unaudited</b>                |                                |
|---------------------------------------------------------------------------|---------------------------------|--------------------------------|
|                                                                           | <b>Six months ended 30 June</b> |                                |
|                                                                           | <b>2017</b>                     | <b>2016</b>                    |
|                                                                           | <b>HK\$'000</b>                 | <b>HK\$'000</b>                |
| <b>Loss for the period</b>                                                | <b><u>(218,227)</u></b>         | <b><u>(538,205)</u></b>        |
| <b>Other comprehensive income/(loss)</b>                                  |                                 |                                |
| <b>Items that may be reclassified subsequently<br/>to profit or loss:</b> |                                 |                                |
| Exchange differences arising on translation of<br>foreign operations      | <b>140,307</b>                  | <b>(34,199)</b>                |
| Release of exchange differences<br>on disposal of subsidiaries            | <b><u>–</u></b>                 | <b><u>(27,513)</u></b>         |
| <b>Other comprehensive income/(loss) for the period,<br/>net of tax</b>   | <b><u>140,307</u></b>           | <b><u>(61,712)</u></b>         |
| <b>Total comprehensive loss for the period</b>                            | <b><u>(77,920)</u></b>          | <b><u>(599,917)</u></b>        |
| <b>Total comprehensive loss for the period<br/>attributable to:</b>       |                                 |                                |
| – Owners of the Company                                                   | <b>(71,798)</b>                 | <b>(549,018)</b>               |
| – Non-controlling interests                                               | <b><u>(6,122)</u></b>           | <b><u>(50,899)</u></b>         |
| <b>Total comprehensive loss for the period</b>                            | <b><u><u>(77,920)</u></u></b>   | <b><u><u>(599,917)</u></u></b> |

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

|                                                                     | Unaudited         | Audited           |
|---------------------------------------------------------------------|-------------------|-------------------|
|                                                                     | 30 June           | 31 December       |
|                                                                     | 2017              | 2016              |
| <i>Notes</i>                                                        | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
| <b>ASSETS</b>                                                       |                   |                   |
| <b>Non-current assets</b>                                           |                   |                   |
| Property, plant and equipment                                       | 670,638           | 667,845           |
| Investment properties                                               | 3,012,784         | 2,918,991         |
| Land use rights                                                     | 506,917           | 501,459           |
| Investment in associates                                            | 55,506            | 55,549            |
| Investment in a joint venture                                       | 1,263,883         | 1,058,657         |
| Deferred income tax assets                                          | 31,133            | 31,078            |
| Available-for-sale financial assets                                 | 61,442            | 59,529            |
| <b>Total non-current assets</b>                                     | <b>5,602,303</b>  | <b>5,293,108</b>  |
| <b>Current assets</b>                                               |                   |                   |
| Properties under development and completed properties held-for-sale | 10,005,119        | 9,464,908         |
| Inventories                                                         | 2,301             | 3,314             |
| Trade and other receivables                                         | 10 1,145,214      | 769,719           |
| Deposits for properties under development                           | 62,959            | 46,419            |
| Amounts due from associates                                         | 1,006,170         | 975,241           |
| Amounts due from a joint venture                                    | 2,544             | 291,795           |
| Restricted cash                                                     | 11 1,428,044      | 1,429,233         |
| Tax prepayments                                                     | 206,733           | 171,584           |
| Cash and cash equivalents                                           | 1,026,879         | 709,864           |
|                                                                     | 14,885,963        | 13,862,077        |
| Assets of disposal group classified as held-for-sale                | 2,080,857         | 2,080,568         |
| <b>Total current assets</b>                                         | <b>16,966,820</b> | <b>15,942,645</b> |
| <b>Total assets</b>                                                 | <b>22,569,123</b> | <b>21,235,753</b> |

# **INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

|                                                              |              | <b>Unaudited</b>  | <b>Audited</b>     |
|--------------------------------------------------------------|--------------|-------------------|--------------------|
|                                                              |              | <b>30 June</b>    | <b>31 December</b> |
|                                                              |              | <b>2017</b>       | <b>2016</b>        |
|                                                              | <i>Notes</i> | <i>HK\$'000</i>   | <i>HK\$'000</i>    |
| <b>EQUITY</b>                                                |              |                   |                    |
| <b>Equity attributable to owners of the Company</b>          |              |                   |                    |
| Share capital                                                |              | 297,587           | 297,587            |
| Reserves                                                     |              | 2,692,642         | 2,550,947          |
| Retained earnings                                            |              | 185,953           | 395,565            |
|                                                              |              | <b>3,176,182</b>  | <b>3,244,099</b>   |
| Non-controlling interests                                    |              | 21,167            | 27,289             |
| <b>Total equity</b>                                          |              | <b>3,197,349</b>  | <b>3,271,388</b>   |
| <b>LIABILITIES</b>                                           |              |                   |                    |
| <b>Non-current liabilities</b>                               |              |                   |                    |
| Borrowings and loans                                         | 13           | 4,777,151         | 1,656,661          |
| Deferred income tax liabilities                              |              | 411,629           | 394,674            |
| Other payables                                               |              | 155,929           | 159,023            |
| <b>Total non-current liabilities</b>                         |              | <b>5,344,709</b>  | <b>2,210,358</b>   |
| <b>Current liabilities</b>                                   |              |                   |                    |
| Trade, notes and other payables                              | 12           | 2,151,568         | 1,744,789          |
| Receipts in advance from customers                           |              | 5,202,897         | 3,915,663          |
| Amounts due to a joint venture                               |              | 1,230,151         | 997,074            |
| Amounts due to minority owners of subsidiaries               |              | 685,140           | 659,403            |
| Tax payables                                                 |              | 528,882           | 622,681            |
| Borrowings and loans                                         | 13           | 3,860,153         | 7,431,994          |
|                                                              |              | <b>13,658,791</b> | <b>15,371,604</b>  |
| Liabilities of disposal group classified<br>as held-for-sale |              | 368,274           | 382,403            |
| <b>Total current liabilities</b>                             |              | <b>14,027,065</b> | <b>15,754,007</b>  |
| <b>Total liabilities</b>                                     |              | <b>19,371,774</b> | <b>17,964,365</b>  |
| <b>Total equity and liabilities</b>                          |              | <b>22,569,123</b> | <b>21,235,753</b>  |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Shanghai Zendai Property Limited (the “Company”) is a public limited company incorporated in Bermuda. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”). Its registered office is at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is at 59/F, Bank of China Tower, 1 Garden Road, Hong Kong.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2017 by the Board of Directors (“the Board”).

### Key event

During the period, Smart Success Capital Limited has completed the sale of approximately 29.99% issued share capital of the Company to Riswein Real Estate Development Co. Ltd. (“Riswein”). As at 30 June 2017, Riswein held approximately 29.99% in the issued shares of the Company.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## **2 BASIS OF PREPARATION (Continued)**

### **2.1 Going-concern basis**

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information. Further information on the Group's borrowings is given in Note 13.

## **3 ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2017.

- (a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2017 do not have a material impact on or are not relevant to the Group.
- (b) Impact of standards issued but not yet applied by the Group
  - HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income(FVOCI) election is available for the equity instruments which are currently classified as available-for-sale;
- Equity investments currently measured at fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9.

### 3 ACCOUNTING POLICIES (Continued)

#### (b) Impact of standards issued but not yet applied by the Group (Continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of HKFRS 9 is expected to have no material impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- HKFRS 15 Revenue from contracts with customers has been issued by the Hong Kong Institute of Certified Public Accountants as a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

### 3 ACCOUNTING POLICIES (Continued)

#### (b) Impact of standards issued but not yet applied by the Group (Continued)

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- Accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact at the end of this year.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

- HKFRS 16 Leases was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$186,290,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## **4 ESTIMATES**

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

## **5 SEGMENT INFORMATION**

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

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organized 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 restricted cash and head office and corporate assets, all of which are managed on a centralised basis.

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

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

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2017 and 2016 respectively.

**5 SEGMENT INFORMATION (Continued)**

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

|                                      | <b>Unaudited</b>                                   |                                                                                              |                                                 |                                  |
|--------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------|
|                                      | <b>Sales of<br/>properties<br/><i>HK\$'000</i></b> | <b>Properties<br/>rental,<br/>management<br/>and agency<br/>services<br/><i>HK\$'000</i></b> | <b>Hotel<br/>operations<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
| <b>Six months ended 30 June 2017</b> |                                                    |                                                                                              |                                                 |                                  |
| Total segment revenue                | <b>484,835</b>                                     | <b>189,649</b>                                                                               | <b>79,807</b>                                   | <b>754,291</b>                   |
| Inter-segment revenue                | <u>–</u>                                           | <u>(10,691)</u>                                                                              | <u>–</u>                                        | <u>(10,691)</u>                  |
| Revenue from external customers      | <u><b>484,835</b></u>                              | <u><b>178,958</b></u>                                                                        | <u><b>79,807</b></u>                            | <u><b>743,600</b></u>            |
| Profit/(loss) before income tax      | <u><b>27,530</b></u>                               | <u><b>48,239</b></u>                                                                         | <u><b>(3,967)</b></u>                           | <u><b>71,802</b></u>             |
| <b>Six months ended 30 June 2016</b> |                                                    |                                                                                              |                                                 |                                  |
| Total segment revenue                | 289,649                                            | 181,571                                                                                      | 95,204                                          | 566,424                          |
| Inter-segment revenue                | <u>–</u>                                           | <u>(3,375)</u>                                                                               | <u>–</u>                                        | <u>(3,375)</u>                   |
| Revenue from external customers      | <u>289,649</u>                                     | <u>178,196</u>                                                                               | <u>95,204</u>                                   | <u>563,049</u>                   |
| (Loss)/profit before income tax      | <u>(284,969)</u>                                   | <u>15,811</u>                                                                                | <u>(45,014)</u>                                 | <u>(314,172)</u>                 |

**5 SEGMENT INFORMATION (Continued)**

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

|                                         | Sales of<br>properties<br><i>HK\$'000</i> | Properties<br>rental,<br>management<br>and agency<br>services<br><i>HK\$'000</i> | Hotel<br>operations<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------|--------------------------|
| <b>As at 30 June 2017 (Unaudited)</b>   |                                           |                                                                                  |                                        |                          |
| Total segment assets                    | <u>16,220,361</u>                         | <u>3,640,919</u>                                                                 | <u>1,040,577</u>                       | <u>20,901,857</u>        |
| Total segment assets include:           |                                           |                                                                                  |                                        |                          |
| Additions to non-current assets (i)     | –                                         | 3,555                                                                            | –                                      | 3,555                    |
| Investment in associates                | 55,506                                    | –                                                                                | –                                      | 55,506                   |
| Investment in a joint venture           | 1,263,883                                 | –                                                                                | –                                      | 1,263,883                |
| Total segment liabilities               | <u>14,683,161</u>                         | <u>846,295</u>                                                                   | <u>64,259</u>                          | <u>15,593,715</u>        |
| <b>As at 31 December 2016 (Audited)</b> |                                           |                                                                                  |                                        |                          |
| Total segment assets                    | <u>15,762,819</u>                         | <u>3,105,449</u>                                                                 | <u>818,855</u>                         | <u>19,687,123</u>        |
| Total segment assets include:           |                                           |                                                                                  |                                        |                          |
| Additions to non-current assets (i)     | 12,689                                    | 463,968                                                                          | 132,646                                | 609,303                  |
| Investment in associates                | 55,549                                    | –                                                                                | –                                      | 55,549                   |
| Investment in a joint venture           | 1,058,657                                 | –                                                                                | –                                      | 1,058,657                |
| Total segment liabilities               | <u>13,684,178</u>                         | <u>297,751</u>                                                                   | <u>79,824</u>                          | <u>14,061,753</u>        |

- (i) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.

**5 SEGMENT INFORMATION (Continued)**

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

|                                                                | <b>Unaudited</b>                |                  |
|----------------------------------------------------------------|---------------------------------|------------------|
|                                                                | <b>Six months ended 30 June</b> |                  |
|                                                                | <b>2017</b>                     | <b>2016</b>      |
|                                                                | <b>HK\$'000</b>                 | <b>HK\$'000</b>  |
| <b>Profit/(loss) before income tax for reportable segments</b> | <b>71,802</b>                   | <b>(314,172)</b> |
| Unallocated bank interest income                               | 133                             | 12               |
| Dividend income from available-for-sale financial assets       | –                               | 4,455            |
| Finance costs                                                  | (238,778)                       | (200,304)        |
| Unallocated head office and corporate expenses                 | (29,798)                        | (23,846)         |
| Share-based-payments                                           | (3,881)                         | (11,644)         |
|                                                                | <u>(200,522)</u>                | <u>(545,499)</u> |
| Loss before income tax                                         | <u>(200,522)</u>                | <u>(545,499)</u> |

**(c) Reconciliation of reportable segments' assets and liabilities**

|                                                   | <b>Unaudited</b>  | <b>Audited</b>     |
|---------------------------------------------------|-------------------|--------------------|
|                                                   | <b>As at</b>      | <b>As at</b>       |
|                                                   | <b>30 June</b>    | <b>31 December</b> |
|                                                   | <b>2017</b>       | <b>2016</b>        |
|                                                   | <b>HK\$'000</b>   | <b>HK\$'000</b>    |
| <b>Total reportable segments' assets</b>          |                   |                    |
| Reportable segment assets                         | 20,901,857        | 19,687,123         |
| Restricted cash                                   | 1,428,044         | 1,429,233          |
| Head office and corporate assets                  | 239,222           | 119,397            |
|                                                   | <u>22,569,123</u> | <u>21,235,753</u>  |
| <b>Total assets</b>                               | <u>22,569,123</u> | <u>21,235,753</u>  |
| <b>Total reportable segments' liabilities</b>     |                   |                    |
| Reportable segment liabilities                    | 15,593,715        | 14,061,753         |
| Unallocated borrowings and loans                  | 3,715,453         | 3,856,762          |
| Unallocated head office and corporate liabilities | 62,606            | 45,850             |
|                                                   | <u>19,371,774</u> | <u>17,964,365</u>  |
| <b>Total liabilities</b>                          | <u>19,371,774</u> | <u>17,964,365</u>  |

## 6 OTHER INCOME AND GAINS

|                                                          | Unaudited                |                 |
|----------------------------------------------------------|--------------------------|-----------------|
|                                                          | Six months ended 30 June |                 |
|                                                          | 2017                     | 2016            |
|                                                          | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Bank interest income                                     | <b>14,124</b>            | 11,698          |
| Gain on disposal of subsidiaries                         | –                        | 8,879           |
| Dividend income from available-for-sale financial assets | –                        | 4,455           |
| Rental income (a)                                        | <b>1,856</b>             | 3,098           |
| Government grant                                         | –                        | 1,537           |
| Other gains                                              | <b>2,565</b>             | 4,928           |
|                                                          | <b>18,545</b>            | 34,595          |

- (a) Rental income was derived from leases of certain office units included in properties for sales, which the Group intends to sell.

## 7 INCOME TAX EXPENSE/(CREDIT)

Majority of the Group entities are subjected to the PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the six months ended 30 June 2017 and 2016. Other companies are subjected to rates of taxation prevailing in the countries in which the Group operates respectively.

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

|                                     | <b>Unaudited</b>                |          |
|-------------------------------------|---------------------------------|----------|
|                                     | <b>Six months ended 30 June</b> |          |
|                                     | <b>2017</b>                     | 2016     |
|                                     | <b>HK\$'000</b>                 | HK\$'000 |
| Current income tax:                 |                                 |          |
| – PRC enterprise income tax expense | <b>840</b>                      | 4,249    |
| – PRC land appreciation tax         | <b>10,670</b>                   | 18,606   |
| Deferred income tax                 | <b>6,195</b>                    | (30,149) |
|                                     | <b>17,705</b>                   | (7,294)  |

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 2017 and 2016.

## 8 DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (six months ended 30 June 2016: Nil).

## 9 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group's loss for the period attributable to owners of the Company of HK\$209,612,000 (loss for the six months ended 30 June 2016: HK\$492,011,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2016: 14,879,352,000) ordinary shares in issue during the period.

Assumed exercise of share options have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2017 and 2016.

## 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.

Included in trade and other receivables of the Group are trade receivables of HK\$49,950,000 (31 December 2016: HK\$84,108,000). The aging analysis of trade receivables based on the date of services provided at the end of reporting period is as follows:

|                                            | As at<br>30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|--------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| Less than 1 month                          | 37,341                                                     | 75,385                                                       |
| 1 to 3 months                              | 2,246                                                      | 2,090                                                        |
| More than 3 months but less than 12 months | 3,577                                                      | 2,550                                                        |
| More than 12 months                        | <u>6,786</u>                                               | <u>4,083</u>                                                 |
|                                            | <u><b>49,950</b></u>                                       | <u><b>84,108</b></u>                                         |

## 11 RESTRICTED CASH

The Group's restricted cash mainly represent deposits pledged to banks to secure certain borrowings and loans granted to the Group. The pledged bank deposits carry interest ranging from 1.75% to 2.00% per annum (31 December 2016: ranging from 1.35% to 1.95% per annum).

## 12 TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables of the Group are trade payables of HK\$781,317,000 (31 December 2016: HK\$675,270,000). The aging analysis of trade payables based on date of services/goods received at the end of reporting period is as follows:

|                                            | As at<br>30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|--------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| Current or less than 1 month               | 422,855                                                    | 316,356                                                      |
| 1 to 3 months                              | 22,655                                                     | 5,466                                                        |
| More than 3 months but less than 12 months | 128,628                                                    | 162,143                                                      |
| More than 12 months                        | 171,321                                                    | 157,368                                                      |
|                                            | <u>745,459</u>                                             | <u>641,333</u>                                               |
| Retention money                            | 35,858                                                     | 33,937                                                       |
|                                            | <u>781,317</u>                                             | <u>675,270</u>                                               |

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 Group and the contractors.

## 13 BORROWINGS AND LOANS

|             | As at<br>30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|-------------|------------------------------------------------------------|--------------------------------------------------------------|
| Secured     | 7,839,193                                                  | 6,954,087                                                    |
| Unsecured   | 798,111                                                    | 2,134,568                                                    |
|             | <u>8,637,304</u>                                           | <u>9,088,655</u>                                             |
| Current     | 3,860,153                                                  | 7,431,994                                                    |
| Non-current | 4,777,151                                                  | 1,656,661                                                    |
|             | <u>8,637,304</u>                                           | <u>9,088,655</u>                                             |

### 13 BORROWINGS AND LOANS (Continued)

Movements in borrowings are analysed as follows:

|                                | <b>Unaudited</b>                |                 |
|--------------------------------|---------------------------------|-----------------|
|                                | <b>Six months ended 30 June</b> |                 |
|                                | <b>2017</b>                     | <b>2016</b>     |
|                                | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| At the beginning of the period | <b>9,088,655</b>                | 11,251,491      |
| Proceeds of new borrowings     | <b>5,232,897</b>                | 1,898,331       |
| Repayments of borrowings       | <b>(5,959,760)</b>              | (2,290,981)     |
| Exchange differences           | <b>275,512</b>                  | (244,689)       |
| At the end of the period       | <b>8,637,304</b>                | 10,614,152      |

- (a) Included in current borrowings and loans, an entrusted loan amounting to HK\$798,111,000, provided by Shenzhen Qianhai Orient Venture Financial Holdings Co., Ltd.\* (深圳前海東方創業金融控股有限公司), a subsidiary of China Orient Asset Management (International) Holding Limited, matured on 27 June 2017 according to the loan contract. As at the date of this announcement, the loan has not been repaid and the Group is in the process of negotiating with the lender for a renewal of the loan.
- (b) As at 30 June 2017, the Group's borrowings and loans bear an average interest rate of 8.35% per annum (As at 30 June 2016: 8.70% per annum).

### 14 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2017 and 31 December 2016:

|                                                                        | <b>As at</b>       | <b>As at</b>       |
|------------------------------------------------------------------------|--------------------|--------------------|
|                                                                        | <b>30 June</b>     | <b>31 December</b> |
|                                                                        | <b>2017</b>        | <b>2016</b>        |
|                                                                        | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
|                                                                        | <b>(Unaudited)</b> | <b>(Audited)</b>   |
| Guarantees in respect of mortgage facilities<br>for certain purchasers | <b>110,339</b>     | 83,348             |

#### **14 FINANCIAL GUARANTEES (Continued)**

As at 30 June 2017 and 31 December 2016, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in receipts in advance from customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The board of directors (the “Directors”) of Shanghai Zendai Property Limited (the “Company” or “Shanghai Zendai”) hereby announces the interim results of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2017 (the “period” or “period under review”).

During the period under review, the Group recorded a turnover of approximately HK\$743,600,000, representing an increase of 32% as compared with approximately HK\$563,049,000 for the same period in 2016. The turnover of the Group for the period was mainly attributed to:

- Delivery of the residential properties and relevant decoration works of Imperial Lake International project in Xuanwu District, Nanjing
- Income from delivery of residential properties in Haimen, Nantong and Xizhen
- Hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the “Shareholders”) was approximately HK\$209,612,000, representing a decrease of 57% as compared with the same period of last year (loss for the same period of last year: approximately HK\$492,011,000). Basic loss per share of the Company (the “Share”) was HK\$1.41 cents (basic loss per share for the same period in 2016: HK\$3.31 cents). The gross profit of the Group for the period decreased due to the increase in provision for diminution in value of properties under development of approximately HK\$95,585,000 as compared with the same period of last year. Nevertheless, the loss for the period decreased as there was a share of the profit from a joint venture of approximately HK\$174,290,000 for the period instead of a loss of HK\$39,013,000 for the same period of last year.

## **Business Review**

In recent years, the Group has been persistently executing the development strategy of “extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities”. During the period under review, Shanghai Zendai continued to focus on, among others, Nanjing and Shanghai as key development areas. In addition to the in-depth development of commercial and residential properties, the Group has also continued to explore and practice the development of high-end large urban complex projects.

During the period, with respect to the Group’s performance in the first and second tier cities, the “Nanjing Himalayas Center” project, “Riverside Thumb Plaza” project in Nanjing and the residential units of Imperial Lake International project in Xuanwu District, Nanjing remained to constitute the major sales, and thus the important drivers for the Group’s future turnover growth, while the projects operated for years in Shanghai experienced stable development.

For the business in the third and fourth tier cities, the Group has successively disposed of relevant business in recent years, actively seeking for any opportunity that can enable it to strip off its projects from these cities. Through operation under asset-light strategy, the Group is capable of concentrating resources and efforts in exploring the development potential in Nanjing, Shanghai and other major cities.

For overseas assets, the Group entered into a purchase and sale agreement with the purchaser in December 2016 to dispose of its property development project in Johannesburg, South Africa. Transactions under this agreement have been completed in July 2017, which represented the essential step of the Group in implementing the strategic planning to achieve assets reorganisation, optimised resources allocation and respond to the development needs of the Group.

## COMMERCIAL PROPERTY PROJECTS IN CHINA

### *Shanghai*

#### *Shanghai Zendai Thumb Plaza*

Shanghai Zendai Thumb Plaza (the “Plaza”) is an integrated commercial complex in a prime location adjacent to Shanghai’s Century Park and the Lujiazui financial district. As at 30 June 2017, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 30 June 2017, more than 98% of the commercial space in the Plaza has been leased. Rental received during the period was approximately RMB30,856,000 (equivalent to approximately HK\$34,881,000).

#### *Grand Mercure Shanghai Century Park*

The Group’s five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. Beginning on 1 January 2017, it is managed under the “Grand Mercure” brand by HUAZHU Hotel Group. During the period under review, the average occupancy rate of the hotel was 67%, and total income of the hotel amounted to approximately RMB45,082,000 (equivalent to approximately HK\$50,963,000).

#### *Shanghai Himalayas Center*

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

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the period under review was 72%, with a total income of approximately RMB103,329,000 (equivalent to approximately HK\$116,809,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded the "Best Art Lifestyle Hotel in Shanghai" by Hurun Report, the Best Travel Destination and the Best Wedding Venue by "Weekend on the Go" of City Traveler, and the Best Business Hotel by Shanghai Daily. Shang-High Cuisine Restaurant was awarded as one star restaurant by The Michelin Guide Shanghai 2017, the 2017 Best Restaurant Choice for Global Travel by Ctrip, the Best Design Hotel by Fashion Travel and the 2017 Outstanding Prize by Tripadvisor.

During the period under review, an average of approximately 82% of the commercial space of the shopping centre in Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB31,976,000 (equivalent to approximately HK\$36,147,000).

## ***Nanjing***

### ***Nanjing Himalayas Center***

The joint venture of the Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 635,927 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 186,737 square metres, including 56,772 square metres of service apartments, 4,801 square metres of commercial space, 37,117 square metres of office building, 19,776 square metres of hotel and 68,271 square metres of underground car-parking space. The first phase, with a total saleable area of 93,462 square metres, including 20,055 square metres of service apartments, 3,189 square metres of commercial space and 70,218 square metres of office building, commenced pre-sale in April 2015. During the period under review, total contracted areas of service apartments and office building of 293 square metres and 3,749 square metres were sold, respectively, generating a total contract value of RMB992,000 (equivalent to approximately HK\$1,121,000) and RMB77,030,000 (equivalent to approximately HK\$87,079,000), respectively. During the period under review, the delivered areas of service apartments, commercial space and office building were 15,619 square metres, 3,069 square metres and 47,419 square metres respectively, and a total contract value of RMB265,135,000 (equivalent to approximately HK\$299,723,000), RMB119,376,000 (equivalent to approximately HK\$134,949,000) and RMB824,321,000 (equivalent to approximately HK\$931,857,000) was recognised as turnover. As at 30 June 2017, cumulative areas of 18,694 square metres, 3,189 square metres and 61,095 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB318,926,000 (equivalent to approximately HK\$360,531,000), RMB124,302,000 (equivalent to approximately HK\$140,518,000) and RMB1,088,500,000 (equivalent to approximately HK\$1,230,500,000) respectively. At present, the hotel is in the process of decoration and is expected to commence business in the second half of 2018.

The second phase of the project, covering a gross floor area of approximately 214,569 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 52,545 square metres of service apartments, 22,472 square metres of commercial space, 50,135 square metres of office building and 89,417 square metres of underground car-parking space. The second phase of the project started pre-sale in July 2016, with a total saleable area of 119,844 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 50,261 square metres of office building. During the period under review, total contracted areas of service apartments, commercial space and office building of 10,696 square metres, 3,169 square metres and 11,027 square metres were sold respectively, generating a total contract value of RMB198,743,000 (equivalent to approximately HK\$224,670,000), RMB110,967,000 (equivalent to approximately HK\$125,443,000) and RMB196,216,000 (equivalent to approximately HK\$221,813,000) respectively. As at 30 June 2017, the cumulative areas of 15,453 square metres, 14,562 square metres and 12,188 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB282,382,000 (equivalent to approximately HK\$319,220,000), RMB541,148,000 (equivalent to approximately HK\$611,743,000) and RMB217,995,000 (equivalent to approximately HK\$246,433,000) respectively.

The third phase of the project, covering a gross floor area of approximately 234,621 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 14,640 square metres of service apartments, 83,686 square metres of commercial space, 55,973 square metres of office building and 80,322 square metres of underground car-parking space. Construction of the third phase commenced in the third quarter of 2015 and it is expected to start pre-sale in the fourth quarter of 2017.

*The First Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land 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 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 81,219 square metres, comprising 77,433 square metres of apartments and 3,786 square metres of commercial space. During the period under review, the total contracted areas of apartments and commercial space of 120 square metres and 662 square metres were sold respectively, generating a total contract value of RMB3,055,000 (equivalent to approximately HK\$3,453,000) and RMB22,379,000 (equivalent to approximately HK\$25,298,000). As at 30 June 2017, cumulative areas of 77,311 square metres and 2,473 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,925,400,000 (equivalent to approximately HK\$2,176,577,000) and RMB111,564,000 (equivalent to approximately HK\$126,118,000) respectively.

### *The Second Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 165,585 square metres, including 154,448 square metres of apartments and 11,137 square metres of commercial space. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 163,190 square metres, including 153,812 square metres of apartments and 9,378 square metres of commercial space. During the period under review, the total contracted areas of apartments and commercial space of 27,331 square metres and 792 square metres were sold respectively, generating a total contract value of RMB786,800,000 (equivalent to approximately HK\$889,442,000) and RMB52,407,000 (equivalent to approximately HK\$59,244,000). As at 30 June 2017, cumulative areas of 68,478 square metres and 1,792 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,972,195,000 (equivalent to approximately HK\$2,229,477,000) and RMB111,027,000 (equivalent to approximately HK\$125,511,000) respectively.

### *The Third Phase of “Riverside Thumb Plaza” in Nanjing*

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into an integrated complex comprising office building and commercial space with a gross floor area of approximately 89,031 square metres, including 78,063 square metres of office building and 10,968 square metres of commercial space. The project is still under planning stage.

## ***Other Cities***

### ***Qingdao Zendai Thumb Plaza***

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

During the period under review, a total contracted area of service apartments of 975 square metres was sold, generating a total contract value of RMB12,609,000 (equivalent to approximately HK\$14,254,000). During the period, an area of 1,419 square metres was delivered and a total contract value of RMB19,525,000 (equivalent to approximately HK\$22,072,000) was recognised as turnover. As at 30 June 2017, a cumulative area of 56,536 square metres had been sold, generating a contract value of RMB831,147,000 (equivalent to approximately HK\$939,574,000).

As at 30 June 2017, around 88% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB15,833,000 (equivalent to approximately HK\$17,898,000) during the period.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the period was 67%, with a total income of RMB24,100,000 (equivalent to approximately HK\$27,244,000), representing an increase of 18% as compared with the same period of last year.

### ***Zendai Nantong Yicheng Thumb Plaza***

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

Construction of the project is divided into three phases. The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 54% has been leased as at 30 June 2017. The second phase is an ancillary residential project with a total gross floor area of approximately 73,944 square metres. As at 30 June 2017, a total cumulative contracted area of 70,732 square metres (including 40,821 square metres of multi-storey apartments, 27,674 square metres of townhouses and 2,237 square metres of detached villas) was sold, generating a total contract value of RMB812,489,000 (equivalent to approximately HK\$918,482,000). During the period, areas of 1,182 square metres and 1,284 square metres of multi-storey apartments and townhouses were sold respectively, generating a total contract value of RMB9,160,000 (equivalent to approximately HK\$10,355,000) and RMB18,393,000 (equivalent to approximately HK\$20,792,000). During the period under review, an area of 2,917 square metres of residential properties (including 1,403 square metres of multi-storey apartments and 1,514 square metres of townhouses) was delivered and a total contract value of RMB37,053,000 (equivalent to approximately HK\$41,887,000) was recognised as turnover. The third phase occupies a total area of approximately 142,909 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of 14,967 square metres and a residential area of approximately 66,963 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 33,624 square metres. A total contracted area of residential properties of 11,577 square metres was sold during the period under review, generating a total contract value of RMB215,503,000 (equivalent to approximately HK\$243,616,000). As at 30 June 2017, a cumulative area of residential properties of 30,115 square metres was sold, generating a total contract value of RMB496,211,000 (equivalent to approximately HK\$560,944,000). The construction of Phase 2 of Old Town has not commenced yet.

### *Yangzhou Commercial Project*

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, the construction of which has been completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 30 June 2017, the remaining area of 17,881 square metres was used for rental purposes.

### *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.

## **RESIDENTIAL PROJECTS IN CHINA**

### ***Shanghai***

#### *Zendai Xizhen Thumb Plaza*

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

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. Residential properties with areas of 165 square metres were delivered respectively during the period and a total contract value of RMB2,677,000 (equivalent to approximately HK\$3,026,000) was recognised as turnover. As at 30 June 2017, the total cumulative residential and commercial areas of 19,700 square metres and 12,211 square metres had been sold respectively, generating a total contract value of RMB356,904,000 (equivalent to approximately HK\$403,464,000) and RMB311,655,000 (equivalent to approximately HK\$352,312,000) respectively.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected. The construction of the resort hotel has been temporarily suspended due to change of planning. Resort villas started pre-sale in November 2014 and was completed in April 2016. A total contracted area of 180 square metres had been sold during the period under review, generating a total contract value of RMB2,421,000 (equivalent to approximately HK\$2,737,000). An area of 3,019 square metres of resort villas was delivered during the period and a total contract value of RMB32,024,000 (equivalent to approximately HK\$36,202,000) was recognised as turnover. As at 30 June 2017, a cumulative area of resort villas of 28,253 square metres had been sold, generating a total contract value of RMB443,478,000 (equivalent to approximately HK\$501,332,000).

## ***Nanjing***

### ***Imperial Lake International Project in Xuanwu District***

On 17 November 2015, a wholly-owned subsidiary of the Group participated in an auction organised by a court for asset disposal and won the bid, pursuant to which the Group acquired 465 residential units located in Xuanwu District, Nanjing, Jiangsu Province, the PRC at a total consideration of RMB343,580,000 (equivalent to approximately HK\$410,245,000). The transaction was completed in the first half of 2016. The project consists of completed units with a total saleable area of 26,306 square metres. As at 30 June 2017, a total contracted area of 24,866 square metres was sold cumulatively, generating a cumulative total contract value of RMB682,455,000 (equivalent to approximately HK\$771,484,000), of which, a total contracted area of 192 square metres was sold during the period, generating a total contract value of RMB5,714,000 (equivalent to approximately HK\$6,459,000). During the period, the residential properties with an area of 864 square metres were delivered, and a total contract value of RMB24,896,000 (equivalent to approximately HK\$28,144,000) and income of RMB160,269,000 (equivalent to approximately HK\$181,177,000) from relevant decoration works were recognised as turnover.

## ***Other Cities***

### ***“Zendai Garden-Riverside Town” in Haimen***

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

“Dong Zhou Mansion”, the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the “Dong Zhou Mansion” is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

“Multiflora Garden”, the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 30 June 2017, an area of 3,636 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 30 June 2017, a total cumulative area of 78,226 square metres had been sold, generating a total contract value of RMB464,498,000 (equivalent to approximately HK\$525,094,000). During the period, a total area of approximately 1,129 square metres was sold, generating a total contract value of RMB6,360,000 (equivalent to approximately HK\$7,190,000). During the period, an area of 6,006 square metres was delivered and a total contract value of RMB32,026,000 (equivalent to approximately HK\$36,204,000) was recognised as turnover.

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

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 30 June 2017, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK\$260,509,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 30 June 2017, an area of 79,970 square metres was sold, generating a total contract value of RMB359,535,000 (equivalent to approximately HK\$406,438,000). An area of 5,653 square metres involving a contract value of RMB23,487,000 (equivalent to approximately HK\$26,551,000) was delivered and recognised as turnover during the period. The second phase offers a saleable area of approximately 112,694 square metres, which will be developed by stages.

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

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and was completed in the second half of 2015.

#### *A parcel of Land in Yantai Development Zone*

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

#### *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 project was suspended due to changes in market conditions.

## **OVERSEAS PROJECTS**

### ***Modderfontein New City Smart City Project in Johannesburg, South Africa***

The Group has a real estate development project located in Johannesburg, South Africa. The project is 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. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in December 2016 to dispose of the entire project at a price not more than ZAR1,810,000,000 (equivalent to approximately HK\$998,760,000), the transaction was completed in July 2017.

### **Change controlling interests**

As disclosed in the announcements of the Company dated 20 June 2017, Smart Success Capital Limited has completed the sale of approximately 29.99% issued share capital of the Company to Riswein Real Estate Development Co. Ltd.\* (“Riswein”). As at 30 June 2017, Riswein held 4,462,317,519 Shares of the Company (representing approximately 29.99% of the issued share capital of the Company), while the Shares of the Company held by Smart Success Capital Ltd was 2,703,248,481 (representing approximately 18.17% of the issued share capital of the Company). For the detail of the transaction please refer to the announcements of the Company dated 20 June 2017.

## **PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

Shanghai Zendai keeps itself concentrated in delivery of quality brands based on market demands. Under the development strategy of “extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities”, the Group is enabled to keep operation costs in control and enhance assets structure in both product quality and commercial operation. Supported by its increasing sales and rising rental, Shanghai Zendai presents a vitality of growth.

In 2017, the municipal government of Nanjing will continue to adopt the policy of “implement the measures to stabilise housing prices, expand the scale of land supply, strengthen the market supervision, stabilise the market expectations and maintain the steady and healthy development of the real estate market”. After implementation of a series of national adjustment policies promulgated in the first half year of 2017, the real estate market in Nanjing has tend to be steady. By capitalizing the steady growing market, Shanghai Zendai will continue to carry out in-depth development for the parcel(s) of land located in Nanjing, and actively promote “Nanjing Himalayas Center” project and “Riverside Thumb Plaza” project in Nanjing. Leveraging on the geographical and planning advantages of the two major projects, the Group is able to continue to enhance the brand influence of the projects, which are expected to be the main sources of income of the Group in the future.

Quality service and products, together with the in-depth knowledge and vision of teams, constitute the important factors for property enterprises to win customers’s recognition. Our management maintains prudent and optimistic about the prospects of this industry in a long run, and has always taken creating value for the society and providing return for shareholders as their own duty. With accelerated urbanisation progress, Shanghai Zendai will adjust its own business structure constantly to adapt to the latest urban development trends. Besides, it will also seek for cooperation opportunity while exploring the brand value of the existing projects to the largest extent. Through actively capturing the latest market situation, the Group targets to probe into such markets as featured with potential of sustainable development by combining its own advantages.

## **Liquidity, Financial Resources, Capital Structure and Gearing**

As at 30 June 2017, the Group had a healthy financial position with net assets value of HK\$3,197 million (31 December 2016: approximately HK\$3,271 million). Net current assets amounted to approximately HK\$2,940 million (31 December 2016: approximately HK\$189 million) with current ratio increased from 1.01 times at 31 December 2016 to approximately 1.21 times at 30 June 2017. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the interim condensed consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2017, the Group had consolidated borrowings and loans of approximately HK\$8,637 million in which HK\$3,860 million was repayable within one year and HK\$4,777 million was repayable more than one year. As at 30 June 2017, borrowings of the amount of HK\$5,724 million (31 December 2016: HK\$4,695 million) bear interest at fixed interest rates ranging from 3.30% to 12.00% per annum (31 December 2016: 3.30% to 12.00% per annum). As at 30 June 2017, the Group's bank balances and cash including restricted cash were approximately HK\$2,455 million (31 December 2016: HK\$2,139 million). The gearing ratio of the Group increased from 2.92 times at 31 December 2016 to 3.01 times at 30 June 2017 (basis: net debts, which is defined as total debt of borrowings and loans, amounts due to minority owners of subsidiaries and a joint venture less amounts due from associates and a joint venture, divided by shareholders' funds).

## **Segment Information**

### ***Sales of properties***

The turnover of this segment for the period was approximately HK\$484,835,000 (2016: HK\$289,649,000). The increase was due to the delivery of the residential units of and the relevant decoration works for Imperial Lake International project in Nanjing.

### ***Property rental, management and agency services***

The turnover of this segment for the period was approximately HK\$178,958,000 (2016: HK\$178,196,000) which remain stable overall.

## ***Hotel Operations***

The turnover of this segment for the period was HK\$79,807,000 (same period of 2016: HK\$95,204,000). The decrease was due to the drop of room-rate of Grand Mercure Shanghai Century Park as a marketing strategy after the change of the brand in 2017 January.

## **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 2017 were mainly denominated in RMB, USD, ZAR and HK\$. Bank borrowings of the Group as at 30 June 2017 are mainly denominated in USD and RMB. 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.

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 pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

## **Employees**

As at 30 June 2017, the Group employed approximately 1,610 employees (2016:1,591 employees) in Hong Kong, South Africa 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, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the period under review:

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

Pursuant to the Agreements, in the event that the delivery confirmations and land title certificates of the land parcels cannot be obtained by the Target Companies within one year after 12 August 2015 (or such other date as the parties may agree in writing), the Agreements shall terminate. As at the date of this announcement, the delivery confirmations and land title certificates have not been fully obtained and the Acquisitions by the Group have not been completed, the Group is still negotiating with the vendor the time schedule for the delivery of land title certificates.

## **CONTINGENT LIABILITIES**

Please refer to page 18 of this announcement in relation to the details of Financial Guarantees. In the opinion of the Board, the fair value of guarantee contracts is insignificant at initial recognition.

## PLEDGE OF ASSETS

As at 30 June 2017, 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                                       | 563,198                 |
| Land use rights                                                     | 506,917                 |
| Investment properties                                               | 1,160,696               |
| Properties under development and completed properties held-for-sale | 2,664,529               |
| Pledged bank deposits                                               | <u>1,394,679</u>        |
|                                                                     | <u><u>6,290,019</u></u> |

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2017 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 2017 Interim Report of the Company. The Company’s interim results for the six-month period ended 30 June 2017 has also been reviewed by the audit committee of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2017.

## **CORPORATE GOVERNANCE**

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the the six-month period ended 30 June 2017 except the deviations as stipulated below.

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. Gong Ping, Dr. Xu Changsheng and Dr. Di Ruipeng did not attend the annual general meeting of the Company held on 29 June 2017.

## **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.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zendaiproperty.com](http://www.zendaiproperty.com)). The 2017 Interim Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By Order of the Board  
**Shanghai Zendai Property Limited**  
**Li Li Hua**  
*Executive Director*

Hong Kong, 24 August 2017

*As at the date of this announcement, the executive Directors are Mr. Qiu Haibin, Mr. Wang Quan, Mr. Zhang Huagang and Ms. Li Li Hua. The non-executive Directors are Mr. Gong Ping and Ms. Jiang Zhengyan. The independent non-executive Directors are Mr. Chow, Alexander Yue Nong, Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng.*

\* For identification purpose only