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SANDI

CHINA SANDI HOLDINGS LIMITED
中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of China Sandi Holdings Limited (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018. The unaudited consolidated interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Notes	Six months ended June 30 **2019** *RMB'000* **(unaudited)**	2018 *RMB'000* (unaudited)
Revenue			
Goods and services	*4*	**1,276,976**	72,112
Rental of investment properties		**61,823**	59,764
Total revenue		**1,338,799**	131,876
Cost of sales and services		**(884,821)**	(41,882)
Gross profit		**453,978**	89,994
Other income	*6*	**10,563**	13,681
Other gains and losses		**(25,262)**	(15,743)
Change in fair value of investment properties		**11,829**	64,590
Change in fair value upon transfer from inventory of properties to investment properties		**1,081**	–
Change in fair value on financial assets at fair value through profit or loss ("FVTPL")		**(7,323)**	(144,825)
Change in fair value of derivative component of convertible bonds		**36,975**	–
Selling and distribution expenses		**(55,021)**	(50,528)
Administrative expenses		**(71,880)**	(57,285)
Finance costs	*7*	**(54,886)**	(67,556)
Share of results of an associate		**(6,058)**	–
Profit (loss) before tax	*8*	**293,996**	(167,672)
Income tax expense	*9*	**(108,269)**	(26,450)
Profit (loss) for the period		**185,727**	(194,122)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**169**	23,555
Total comprehensive income (expense) for the period		**185,896**	(170,567)

		Six months ended June 30	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		**191,468**	(181,302)
– Non-controlling interests		**(5,741)**	(12,820)
		185,727	(194,122)
Total comprehensive income (expense) attributable to:			
– Owners of the Company		**191,637**	(157,747)
– Non-controlling interests		**(5,741)**	(12,820)
		185,896	(170,567)
EARNINGS (LOSS) PER SHARE			
Basic (RMB cents)	*11*	**3.93**	(4.07)
Diluted (RMB cents)	*11*	**3.06**	(4.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**At 30 June 2019** *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (restated)
Non-current assets			
Property, plant and equipment		**316,634**	271,404
Right-of-use assets		**1,166,272**	–
Investment properties		**4,586,931**	4,573,903
Properties under development		**194,969**	172,099
Prepaid lease payments		**–**	1,150,516
Interests in an associate		**252,979**	256,406
Deposits paid for properties under development		**–**	50,000
Loan receivables		**–**	127,790
Deferred tax assets		**44,033**	33,028
		6,561,818	6,635,146
Current assets			
Inventories of properties		**7,552,826**	7,570,750
Contract costs		**35,057**	38,797
Trade receivables, other receivables and prepayments	*12*	**1,700,463**	1,532,571
Prepaid lease payments – due within one year		**–**	27,271
Prepaid income tax		**127,842**	103,899
Financial assets at FVTPL	*13*	**52,059**	60,611
Amounts due from related companies	*18*	**1,056,218**	1,089,720
Restricted bank deposits		**66,449**	76,007
Bank balances and cash		**1,160,017**	246,362
		11,750,931	10,745,988
Current liabilities			
Trade and other payables and accruals	*14*	**2,026,962**	2,107,248
Lease liabilities		**2,366**	–
Contract liabilities		**5,313,664**	4,565,289
Income tax payable		**182,581**	127,046
Amounts due to related companies	*18*	**1,549,398**	1,735,594
Amounts due to non-controlling shareholders of subsidiaries		**–**	198,990
Amount due to an associate		**52,394**	–
Bank and other borrowings – due within one year	*15*	**1,902,323**	2,662,982
Bonds payable – due within one year		**9,640**	9,404
		11,039,328	11,406,553

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (restated)
Net current assets (liabilities)		**711,603**	(660,565)
Total assets less current liabilities		**7,273,421**	5,974,581
Capital and reserves			
Share capital	*16*	**41,686**	37,468
Reserves		**2,851,095**	3,798,272
Equity attributable to owners of the Company		**2,892,781**	3,835,740
Non-controlling interests		**74,024**	79,765
Total equity		**2,966,805**	3,915,505
Non-current liabilities			
Lease liabilities		**1,815**	–
Debt component of convertible bonds		**307,203**	–
Derivative component of convertible bonds		**241,928**	–
Promissory note		**432,995**	–
Deferred tax liabilities		**827,155**	814,561
Bank and other borrowings – due after one year	*15*	**2,495,520**	1,244,515
		4,306,616	2,059,076
		7,273,421	5,974,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PRESENTATION

China Sandi Holdings Limited (the "Company") is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate parent is United Century International Limited (incorporated in the British Virgin Islands ("BVI")). The ultimate controlling party is Mr. Guo Jiadi. The addresses of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of its associate and principal subsidiaries are engaged in property development, holding of property for investment and rental purpose in the People's Republic of China (the "PRC").

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 (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Change of presentation currency

The presentation currency of the condensed consolidated financial statements in prior financial periods was Hong Kong Dollars ("HK$"). In current interim period, the Group has changed its presentation currency for the preparation of its condensed consolidated financial statements from HK$ to Renminbi ("RMB") in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are now conducted in the PRC with substantially all of its transactions denominated and settled in RMB. The directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. Comparative financial information was represented in RMB accordingly.

Change of functional currency

During the current interim period, the functional currency of the Company was changed from HK$ to RMB upon the completion of an acquisition of All Excel Industries Limited ("All Excel") as detailed in note 2. Subsequent to the acquisition, the Company mainly holds subsidiaries whose underlying operations are primarily in the PRC with RMB being the currency that mainly influences the Group's underlying transactions, events and conditions. The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primary holding interest in subsidiaries with primary economic environment in the PRC. Accordingly, the functional currency of the Company was changed prospectively from the date of acquisition.

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

Pursuant to the sale and purchase agreement ("S&P Agreement") with Primary Partner International Limited (the "Vendor") dated 21 September 2018, the Group, through a subsidiary namely Grand Supreme Limited ("Grand Supreme"), acquired 100% equity interest in All Excel (together with its subsidiaries collectively referred to as "All Excel Group"), from the Vendor, a company beneficially owned by Mr. Guo Jiadi. Pursuant to the S&P Agreement, the total consideration of the acquisition was HK$1,500,000,000 (approximately RMB1,284,956,000), which is satisfied by i) cash of HK$200,000,000 (approximately RMB171,327,000); ii) issue of interest bearing promissory notes with principal amount of HK$600,000,000 (approximately RMB513,983,000); iii) issue of 485,436,893 ordinary shares of the Company ("Consideration Shares") to the Vendor at HK$0.412 per Consideration Share (equivalent to HK$200,000,000, and approximately RMB171,327,000); and iv) issue of convertible bonds in the principal amount of HK$500,000,000 (approximately RMB428,319,000) and is convertible into shares of the Company at conversion price of HK$0.412 per conversion share. The maturity date of the convertible bonds is 5 years from the date of issue. All Excel was established in the BVI and its subsidiaries are principally engaged in property development, property investment and hotel operation business in the PRC. The acquisition was completed on 30 January 2019 (the "Acquisition Completion Date").

In applying AG 5 to the acquisition of All Excel, the condensed consolidated statement of financial position of the Group as at 1 January 2018 and 31 December 2018 have been restated to include the assets and liabilities of All Excel Group as if they were within the Group on these respective dates (see below for the financial impact). The condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2018 have also been restated to include the financial performance, changes in equity and cash flows of All Excel Group as if they were within the Group throughout the period (also see below for financial impact).

Key terms of the consideration:

Promissory note

The promissory note was issued on the Acquisition Completion Date. The principal amount of the promissory note shall be settled either in full or in part by no later than 30 January 2024. The interest payable under the promissory note shall accrue at the rate of 3% per annum for the first and second years, 4.5% per annum for the third and fourth years and 6% per annum for the fifth year after the date of issuance on the outstanding principal amount, respectively. The Company has the discretion to repay all or part of the principal balance at any time prior to the maturity date by giving 10 business day's prior written notice to holders of the promissory note. The fair value effect of the early redemption options is insignificant. Holder of the promissory note has no right to require the Company to early redeem the promissory note. The promissory note is initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. The effective interest rate of the promissory note is 9.6% per annum.

As at 30 June 2019, the Directors consider that the carrying amount of the promissory note recognised in the condensed consolidated financial statements approximate to their fair values.

Consideration shares

On Acquisition Completion Date, 485,436,893 new ordinary shares with an aggregate fair value of approximately HK$276,699,000 (approximately RMB237,030,000) were allotted and issued. Accordingly, HK$4,854,000 (approximately RMB4,158,000) was credited to the share capital at par value of HK$0.01 per share of the Company and the remaining HK$271,845,000 (approximately RMB232,872,000) was credited to the share premium of the Company.

Convertible bonds

The Company issued 1% convertible bonds in the principal amount of HK$500,000,000 (approximately RMB428,319,000) on Acquisition Completion Date. The convertible bonds are denominated in HK$. The convertible bonds entitle the holder to convert them into ordinary shares of the Company at any time starting between the date of issue of the convertible bonds and their maturity date on 30 January 2024 at a conversion price of HK$0.412 per share. The conversion price is subject to adjustment arising from alteration of the nominal amount of the shares caused by share consolidation, share subdivision, rights issue or any other reasons as provided in the terms and conditions of the convertible bonds. The Company may voluntarily redeem all or any part of the convertible bonds at any time following the issue of the convertible bonds and prior to the maturity date by repaying the holder of the convertible bonds all outstanding principal amount together with unpaid interest accrued thereon up to the date of voluntary redemption. Holder of the convertible bonds has no right to require the Company to early redeem the convertible bonds.

The convertible bonds contain two components, debt component and derivative component (including conversion option and early redemption option). Upon initial recognition, the fair value of debt component is HK$336,051,000 (approximately RMB287,874,000) and the fair value of derivative component is HK$317,907,000 (approximately RMB272,331,000). The effective interest rate of the debt component is 9.6% per annum and subsequently carried at amortised cost. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The effects of acquisition of All Excel Group using merger accounting on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 are as follows:

	Unaudited	**Business combination of entities under common control**	**After adjustment and unaudited**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Goods and services	4,256	67,856	72,112
Rental of investment properties	50,845	8,919	59,764
Total revenue	55,101	76,775	131,876
Cost of sales and services	–	(41,882)	(41,882)
Gross profit	55,101	34,893	89,994
Other income	12,500	1,181	13,681
Other gains and losses	(15,225)	(518)	(15,743)
Change in fair value of investment properties	–	64,590	64,590
Change in fair value on financial assets at FVTPL	(144,825)	–	(144,825)
Selling and distribution expenses	(28,713)	(21,815)	(50,528)
Administrative expenses	(17,618)	(39,667)	(57,285)
Finance costs	(22,583)	(44,973)	(67,556)
Loss before tax	(161,363)	(6,309)	(167,672)
Income tax expense	(953)	(25,497)	(26,450)
Loss for the period	(162,316)	(31,806)	(194,122)

	Unaudited	Business combination of entities under common control	After adjustment and unaudited
	RMB'000	*RMB'000*	*RMB'000*
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	23,555	–	23,555
Total comprehensive expense for the period	(138,761)	(31,806)	(170,567)
Loss for the period attributable to			
– Owners of the Company	(162,316)	(18,986)	(181,302)
– Non-controlling interests	–	(12,820)	(12,820)
	(162,316)	(31,806)	(194,122)
Total comprehensive expense for the period attributable to:			
– Owners of the Company	(138,761)	(18,986)	(157,747)
– Non-controlling interests	–	(12,820)	(12,820)
	(138,761)	(31,806)	(170,567)
LOSS PER SHARE			
– Basic (RMB cents)	(3.64)	(0.43)	(4.07)
– Diluted (RMB cents)	(3.64)	(0.43)	(4.07)

The effects of the adoption of merger accounting on the unaudited condensed consolidated statement of financial position as at 31 December 2018 are as follows:

	Audited and as previously reported	Business combination of entities under common control	Audited and restated
	RMB'000	*RMB'000* *(Note)*	*RMB'000*
Non-current assets			
Property, plant and equipment	7,720	263,684	271,404
Investment properties	3,163,600	1,410,303	4,573,903
Properties under development	172,099	–	172,099
Prepaid lease payments	142,420	1,008,096	1,150,516
Interests in an associate	256,406	–	256,406
Deposits paid for properties under development	50,000	–	50,000
Loan receivables	110,000	17,790	127,790
Deferred tax assets	11,503	21,525	33,028
	3,913,748	2,721,398	6,635,146

	Audited and as previously reported	Business combination of entities under common control	Audited and restated
	RMB'000	*RMB'000* *(Note)*	*RMB'000*
Current assets			
Inventories of properties	2,387,869	5,182,881	7,570,750
Contract costs	38,797	–	38,797
Trade receivables, other receivables and prepayments	242,565	1,290,006	1,532,571
Prepaid lease payments – due within one year	–	27,271	27,271
Prepaid income tax	14,647	89,252	103,899
Financial assets at FVTPL	60,611	–	60,611
Amounts due from related companies	13	1,089,707	1,089,720
Restricted bank deposits	505	75,502	76,007
Bank balances and cash	130,923	115,439	246,362
	2,875,930	7,870,058	10,745,988
Current liabilities			
Trade and other payables and accruals	363,175	1,744,073	2,107,248
Contract liabilities	2,127,229	2,438,060	4,565,289
Income tax payable	37,107	89,939	127,046
Amounts due to related companies	19,889	1,715,705	1,735,594
Amounts due to non-controlling shareholders of subsidiaries	198,990	–	198,990
Bank and other borrowings – due within one year	119,750	2,543,232	2,662,982
Bonds payable – due within one year	9,404	–	9,404
	2,875,544	8,531,009	11,406,553
Net current assets (liabilities)	386	(660,951)	(660,565)
Total assets less current liabilities	3,914,134	2,060,447	5,974,581
Capital and reserves			
Share capital	37,468	–	37,468
Reserves	2,707,402	1,090,870	3,798,272
Equity attributable to owners of the Company	2,744,870	1,090,870	3,835,740
Non-controlling interests	17,418	62,347	79,765
Total equity	2,762,288	1,153,217	3,915,505
Non-current liabilities			
Deferred tax liabilities	624,626	189,935	814,561
Bank and other borrowings – due after one year	527,220	717,295	1,244,515
	1,151,846	907,230	2,059,076
	3,914,134	2,060,447	5,974,581

Note: These adjustments are to include the assets and liabilities of All Excel Group as at 31 December 2018 into the Group's condensed consolidated financial statements.

Below accounting policies have been newly applied to the Group upon the acquisition of All Excel Group:

Revenue recognition

Revenue from hotel operation includes hotel room revenue and food and beverage and other hotel revenue. Hotel room income is recognised over the stay of guests. The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits under the Group's contract liabilities. Food and beverage revenue is recognised at a point in time when control of the goods and services is transferred to customers. Other hotel income mainly comprises ancillary service income which is recognised at a point in time when control of the services is transferred to customers or over the service period, depending on the terms of the contracts.

Promissory note

The promissory note has been recognised as financial liability which initially measured at fair value. In subsequent periods, the promissory note is carried at amortised cost using the effective interest method.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and the accounting policies applied for the revenue from hotel operation, convertible bonds and promissory note as mentioned in note 2, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to change in expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

<u>Lease modifications</u>

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

<u>Taxation</u>

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

<u>Allocation of consideration to components of a contract</u>

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

<u>Refundable rental deposits</u>

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

<u>Lease modification</u>

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at the amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.03%.

	At 1 January 2019
	RMB'000
Operating lease commitments as at 31 December 2018	1,118
Lease liabilities discounted at relevant incremental borrowing rates	1,060
Less: Recognition exemption – short-term leases	(231)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	829
Analysed as	
Current	344
Non-current	485
	829

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		829
Reclassified from prepaid lease payments	*(a)*	1,177,787
		1,178,616
By class:		
Leasehold lands		1,177,787
Land and buildings		829
		1,178,616

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB27,271,000 and RMB1,150,516,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term and the impact is not significant.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustment has had no material financial impact on the condensed consolidated financial statements for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts as at 31 December 2018 *RMB'000* (audited and restated)	**Adjustments** *RMB'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** *RMB'000* (unaudited)
Non-current Assets			
Right-of-use assets	–	1,177,787	1,177,787
Prepaid lease payments	1,150,516	(1,150,516)	–
Current Assets			
Prepaid lease payments	27,271	(27,271)	–
Current Liabilities			
Lease liabilities	–	344	344
Non-current Liabilities			
Lease liabilities	–	485	485

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE FROM GOODS AND SERVICES

For the period ended 30 June 2019

Disaggregation of revenue

	Six months ended 30 June 2019 (unaudited)			
Segments	**Property development** *RMB'000*	**Property investment** *RMB'000*	**Hotel operation** *RMB'000*	**Total** *RMB'000*
Types of goods or service				
Sales of properties	1,257,761	–	–	1,257,761
Hotel operation income				
– Hotel accommodation	–	–	5,811	5,811
– Catering service and other hotel income	–	–	5,364	5,364
Property management and related fee income	–	8,040	–	8,040
Revenue from contracts with customers	1,257,761	8,040	11,175	1,276,976
Rental income	–	61,823	–	61,823
	1,257,761	69,863	11,175	1,338,799
Geographical market				
Mainland China	1,257,761	69,863	11,175	1,338,799
Timing of revenue recognition				
A point in time	1,257,761	–	5,364	1,263,125
Over time	–	8,040	5,811	13,851
	1,257,761	8,040	11,175	1,276,976

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 June 2019 (unaudited)			
Segments	**Property development** *RMB'000*	**Property investment** *RMB'000*	**Hotel operation** *RMB'000*	**Total** *RMB'000*
Revenue disclosed in segment information				
External customer	1,257,761	69,863	11,175	1,338,799
Inter-segment	–	–	–	–
	1,257,761	69,863	11,175	1,338,799
Less: rental income	–	(61,823)	–	(61,823)
Revenue from contracts with customers	1,257,761	8,040	11,175	1,276,976

For the period ended 30 June 2018

Disaggregation of revenue

Segments	Six months ended 30 June 2018 (unaudited) Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Total *RMB'000*
Types of goods or service				
Sales of properties	53,018	–	–	53,018
Hotel operation income				
– Hotel accommodation	–	–	5,844	5,844
– Catering service and other hotel income	–	–	5,393	5,393
Property management and related fee income	–	7,857	–	7,857
Revenue from contracts with customers	53,018	7,857	11,237	72,112
Rental income	–	59,764	–	59,764
	53,018	67,621	11,237	131,876
Geographical market				
Mainland China	53,018	67,621	11,237	131,876
Timing of revenue recognition				
A point in time	53,018	–	5,393	58,411
Over time	–	7,857	5,844	13,701
	53,018	7,857	11,237	72,112

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Six months ended 30 June 2018 (unaudited) Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Total *RMB'000*
Revenue disclosed in segment information				
External customer	53,018	67,621	11,237	131,876
Inter-segment	–	–	–	–
	53,018	67,621	11,237	131,876
Less: rental income	–	(59,764)	–	(59,764)
Revenue from contracts with customers	53,018	7,857	11,237	72,112

5. **SEGMENT INFORMATION**

Information regularly reported to the Group's chief executive officer (the chief operating decision maker ("CODM")) for the purposes of resource allocation and assessment of performance focuses on the type of goods and services delivered or provided. During the current period, the Group commenced the business in hotel operation along with the acquisition of All Excel Group (as detailed in note 2) and it is considered as a new operating and reportable segment by the CODM. Prior period segment information has been represented to conform with the current period's presentation. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Property development – development and sale of properties

Property investment – lease of investment properties and provision of property management service

Hotel operation – provision of hotel accommodation and catering service

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Six months ended 30 June 2019 (unaudited)			
Segments	**Property development** *RMB'000*	**Property investment** *RMB'000*	**Hotel operation** *RMB'000*	**Total** *RMB'000*
Segment revenue				
External sales	**1,257,761**	**69,863**	**11,175**	**1,338,799**
Inter-segment sales	**–**	**–**	**–**	**–**
	1,257,761	**69,863**	**11,175**	**1,338,799**
Segment profit (loss)	**273,231**	**52,408**	**(2,194)**	**323,445**
Other income				**8,697**
Other gains and losses				**(25,262)**
Change in fair value on financial assets at FVTPL				**(7,323)**
Change in fair value of derivative component of convertible bonds				**36,975**
Unallocated corporate expenses				**(11,848)**
Finance costs				**(30,688)**
Profit before tax				**293,996**

Segments	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
	Six months ended 30 June 2018 (unaudited)			
Segment revenue				
External sales	53,018	67,621	11,237	131,876
Inter-segment sales	–	–	–	–
	53,018	67,621	11,237	131,876
Segment (loss) profit	(97,609)	89,961	(203)	(7,851)
Other income				12,640
Other gains and losses				(15,743)
Change in fair value on financial assets at FVTPL				(144,825)
Unallocated corporate expenses				(11,395)
Finance costs				(498)
Loss before tax				(167,672)

Segment results represent the profit generated or loss incurred by each segment without allocation of part of other income, other gains and losses, change in fair value on financial assets at FVTPL, change in fair value of derivative component of convertible bonds, corporate expenses and part of finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	At 30 June 2019 ***RMB'000*** **(unaudited)**	At 31 December 2018 *RMB'000* (restated)
Property development	**12,572,499**	12,145,809
Property investment	**5,331,835**	4,722,548
Hotel operation	**123,671**	114,137
Total segment assets	**18,028,005**	16,982,494
Unallocated assets:		
Financial asset at FVTPL	**52,059**	60,611
Loan receivables	**–**	127,790
Bank balances and cash	**13,827**	5,997
Other unallocated assets	**218,858**	204,242
Consolidated assets	**18,312,749**	17,381,134

Segment liabilities

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (restated)
Property development	**11,006,717**	10,848,146
Property investment	**2,281,626**	1,254,488
Hotel operation	**51,215**	27,566
Total segment liabilities	**13,339,558**	12,130,200
Unallocated liabilities:		
Bonds payable	**9,640**	9,404
Debt component of convertible bonds	**307,203**	–
Derivative component of convertible bonds	**241,928**	–
Promissory note	**432,995**	–
Amounts due to related companies	**959,561**	1,268,473
Other unallocated liabilities	**55,059**	57,552
Consolidated liabilities	**15,345,944**	13,465,629

For the purposes monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable and operating segments other than financial asset at FVTPL, loan receivables, bank balances and cash and other unallocated assets not attributable to respective segment.

- all liabilities are allocated to reportable and operating segments other than bonds payable, debt component of convertible bonds, derivative component of convertible bonds, promissory note, amounts due to related companies and other unallocated liabilities not attributable to respective segment.

Geographical information

During the six months ended 30 June 2019 and 2018, the Group's major operations and assets are situated in PRC in which all of its revenue was derived.

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the six months ended 30 June 2019 and 30 June 2018.

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**1,785**	726
Interest income from loan receivables	**8,657**	–
Interest income from financial assets at FVTPL	**–**	11,853
Others	**121**	1,102
	10,563	13,681
Interest income from:		
Financial asset at amortised cost	**10,442**	726
Financial asset at FVTPL	**–**	11,853

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interests on bank and other borrowings	**190,191**	250,748
Interests on bonds payable	**890**	498
Effective interests on convertible bonds	**13,476**	–
Effective interests on promissory note	**16,322**	–
Interests on contract liabilities	**78,924**	53,465
Interests on lease liabilities	**79**	–
Total borrowing costs	**299,882**	304,711
Less: interest capitalised	**(244,996)**	(237,155)
	54,886	67,556

8. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) before tax has been arrived at after charging:		
Directors' emoluments	**2,075**	2,787
Other staff costs:		
Staff salaries and allowances	**36,846**	23,157
Retirement benefit contributions	**2,001**	1,352
	38,847	24,509
Cost of inventories recognised as an expense	**873,056**	27,018
Depreciation of property, plant and equipment	**5,904**	5,621
Depreciation of right-of-use assets	**16,334**	–
Release of prepaid lease payments	**–**	12,632

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
Enterprise Income Tax ("EIT") in the PRC	**90,394**	6,453
Land Appreciation Tax ("LAT") in the PRC	**11,794**	1,429
	102,188	7,882
Underprovision in prior years:		
EIT in the PRC	**4,487**	–
Deferred tax:	**1,594**	18,568
	108,269	26,450

Hong Kong profit tax is calculated at 16.5% (six months ended 30 June 2018:16.5%) on the estimated assessable profit derived for the period. No provision for Hong Kong Profits Tax has been made for the period as the income of the Group neither arises in nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2018: 25%) for the period.

The provision of LAT is estimated according to the requirement set forth in the relevant PRC tax law and regulation. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

10. DIVIDEND

No dividend was paid or proposed to ordinary shareholders of the Company during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2018: Nil).

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings (loss) for the purpose of basic earnings (loss) per share (Profit (loss) for the period attributable to owners of the Company)	**191,468**	(181,302)
Effect of dilutive potential ordinary shares on convertible bonds	**(11,074)**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**180,394**	(181,302)

<u>Number of shares</u>

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**4,869,566**	4,458,901
Effect of dilutive potential ordinary shares:		
convertible bonds	**1,012,444**	–
share options	**22,346**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**5,904,356**	4,458,901

<u>Share options</u>

For the six months ended 30 June 2018, the computation of diluted loss per share does not assume the exercise of the share options because the assumed exercise will result in decrease in loss per share.

12. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 30 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (unaudited)
0 – 30 days	**14,815**	4,719
31 – 90 days	**2,891**	1,187
Over 90 days	**22,033**	12,545
	39,739	18,451

As at 30 June 2019, other receivables and prepayments mainly included prepaid construction cost, receivables of refund of the deposit for land auction and deposits for construction work of approximately RMB1,327,023,000 (31 December 2018: approximately RMB1,281,365,000). Other tax prepayment mainly represented prepaid value added tax and other taxes (excluding EIT and LAT) of approximately RMB333,701,000 (31 December 2018: approximately RMB232,755,000).

13. FINANCIAL ASSETS AT FVTPL

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (unaudited)
Financial assets mandatorily measured at FVTPL		
– Investments held for trading – Equities securities listed in Hong Kong	**52,059**	60,611

14. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aging analysis of trade payables determined based on the invoice date, presented based on the analysis used by the Group's management to monitor the Group's financial position.

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (unaudited)
Trade payables		
0 – 30 days	**445,261**	524,955
31 – 90 days	**376,130**	8,691
91 – 365 days	**151,758**	222,988
Over 1 year	**133,200**	155,481
	1,106,349	912,115

15. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to approximately RMB1,666,800,000 (six months ended 30 June 2018: approximately RMB407,000,000) and repaid bank and other borrowings amounting to approximately RMB1,176,454,000 (six months ended 30 June 2018: approximately RMB429,432,000). These bank and other borrowings carry interest at fixed rate ranged from 4.75% to 15% and are repayable in instalments over a period of 13 years. The proceeds were mainly used to fund the development projects for properties for sale and investment properties.

16. SHARE CAPITAL

	Number of shares		**Share capital**	
	At 30 June 2019	**At 31 December 2018**	**At 30 June 2019**	At 31 December 2018
	'000	***'000***	***RMB'000***	*RMB'000*
Authorised				
Ordinary shares of HK$0.01 each	**200,000,000**	**200,000,000**	**1,979,280**	1,979,280
Convertible preference shares	**602,000**	**602,000**	**4,902**	4,902
Issued and fully paid				
At beginning of period/year	**4,458,901**	**4,458,901**	**37,468**	37,468
Acquisition of entities under common control *(note 2)*	**485,437**	**–**	**4,158**	–
Exercise of share options	**7,000**	**–**	**60**	–
At end of period/year	**4,951,338**	**4,458,901**	**41,686**	37,468

17. CONTINGENT LIABILITIES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Guarantees givens in favour of banks for:		
Mortgage facilities granted to purchases of the Group's properties *(note a)*	**2,251,836**	2,463,444
Guarantees given to banks in connection with loan facilities granted to related companies controlled by Mr. Guo Jiadi *(note b)*	**1,316,100**	1,358,550
	3,567,936	3,821,994

Note:

(a) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. The guarantee period commences from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate. In the opinion of the directors, no provision for the guarantee contracts is recognised as the default risk is low and the provision for loss for the financial guarantee contracts is insignificant.

(b) In the opinion of the director, the fair value of the financial guarantees given to banks in accordance with loan facilities granted to the related companies was insignificant at the date of inception and at the end of each reporting period.

18. RELATED PARTY DISCLOSURE

(a) The Group entered into the following transaction with its related party during the period:

Name of related party	Nature of transaction	Six months ended 30 June **2019** *RMB'000*	2018 *RMB'000*
Fujian Sandi Real Estate Development Co., Ltd. *(note)*	Rental income received	**120**	120

Note:

(i) Mr. Guo Jiadi is a director and beneficial owner of the related company.

(ii) During the current interim period, Mr. Guo Jiadi and Ms. Shen Bizhen, the spouse of Mr. Guo Jiadi, have provided guarantees to banks for the bank and other borrowings of the Group with principal amount of approximately RMB4,318,983,000 (31 December 2018: approximately RMB3,681,967,000).

(b) The amounts due from (to) related parties balances are of non-trade in nature, unsecured, interest-free, and repayable on demand. Mr. Guo Jiadi is the beneficial owner of these related companies.

(c) The Group provided guarantees to banks in connection with loan facilities granted to the related companies controlled by Mr. Guo Jiadi and details of the guarantees were set out in note 17.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019 (the "Interim Period"), the Group recorded a revenue of approximately RMB1,338.8 million, representing a increase of approximately RMB1,206.9 million compared with the corresponding period in 2018 and the Group's profit attributable to shareholders was approximately RMB191.5 million, and its basic earnings per share for the period was RMB3.93 cents (six months ended 2018: loss of approximately RMB181.3 million, representing a basic loss per share of RMB4.07 cents).

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

BUSINESS REVIEW

The Group is principally engaged in property development, holding of property for investment and rental purpose, and hotel operation, as well as money lending business.

Property development

Following the completion of a very substantial acquisition in January, the Group had added multiple quality properties projects to its portfolio and successfully expanded its business into new regional markets in the People's Republic of China (the "PRC"). As at 30 June 2019, the Group's had 9 properties projects under development which are situated in different cities in the PRC, key cities included Shanghai, Fuzhou, and Xian. The Group primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, offices, retail shops and villas, etc.

Contracted property sales

During the six months ended 30 June 2019, the Group achieved contracted sales of approximately RMB1,867.5 million with contracted gross floor area ("GFA") of approximately 186,551 square meters ("sq.m"), representing an increase of 33.6% in contracted sales and 18.2% in contracted GFA in compared with the corresponding period of last year. Such increase is mainly contributed from the new projects launched for pre-sales during the Interim Period.

The table below illustrates the contracted sales (stated before the deduction of applicable taxes) achieved by the Group for the six months ended 30 June 2019:

Contracted Sales for the six months ended 30 June 2019

Property projects	Type	Contracted sales amount *RMB'000*	Contracted sales area *(sq.m.)*	Average price of contracted sales RMB/Sq.m	Percentage of total contracted sales amount %	Group interest %
Shaanxi Province						
Qujiang Xiangsong Fengdan • Xian Sandi	Residential/ Commercial	738,187	49,469	14,922	39.5	100
Sandi Century New City	Residential	408,650	70,755	5,702	21.9	100
Fujian Province						
Wuyishan Sandi New Times Square	Residential	287,661	27,122	10,606	15.4	60
Xicheng Fengdan	Residential	215,958	19,969	10,815	11.6	51
Shanghai						
Sandi Manhattan	Commercial	122,349	2,393	51,128	6.5	100
Jilin Province						
Shouchuang International Plaza	Residential/ Commercial	94,677	16,843	5,621	5.1	51
Total		1,867,482	186,551	9,828	100.0	
Attributable to the Group		1,600,206	157,664			

Note:

(i) Contracted sales amount and the calculation of average price of contracted sales are based on the sales revenue before the deduction of business/value-added tax and other surcharges/taxes.

(ii) GFA and contracted sales amount attributable to the car parking spaces are excluded in the contracted sales area and the average price of contracted sales calculation.

Properties under development

The table below summaries major property development projects of the Group as at 30 June 2019:

Property projects	Expected completion date	Site area sq.m.	Completed: Saleable GFA delivered/ pre-sold sq.m.	Completed: GFA available for sale sq.m.	GFA under development sq.m.	Planned GFA for future development sq.m.	Group's interest %
Shaanxi Province							
Sandi Century New City	2021	235,080	734,032	17,467	432,218	220,331	100
Qujiang Xiangsong Fengdan • Xian Sandi	2022	124,304	123,472	6,932	299,932	35,734	100
Yunding Fengdan	2021	52,867	–	–	64,074	100,764	100
Fujian Province							
Wuyishan Sandi New Times Square	2021	168,669	–	–	181,178	–	60
Xicheng Fengdan	2020	66,707	–	–	164,743	–	51
Jiangshan Waterfront	2021	173,605	–	–	76,758	92,655	100
Xishanyuan	2022	177,010	–	–	–	72,936	51
Shanghai							
Sandi Manhattan	2021	104,251	47	–	246,352	–	100
Jilin Province							
Shouchuang International Plaza	2020	30,313	1,008	–	139,561	–	51
		1,132,806	858,559	24,399	1,604,816	522,420	
Attributable to the Group		931,063	858,065	24,399	1,383,236	486,681	

Notes:

(i) The table above includes properties for which the Group has obtained the relevant land use rights certificate(s) but has not obtained the requisite construction permits or the Group has received the confirmation letter on bidding of granting land use rights but in progress to obtain the land use right certificate(s). The figures for "GFA available for sale", "GFA under development" and "Planned GFA for future development" are based on figures provided in the relevant governmental documents, such as the property ownership certificates, the construction work planning permits, the pre-sale permits, the construction land planning permits or the land use rights certificate. The categories of information are based on our internal records.

(ii) The figures of "Saleable GFA pre-sold" and "GFA available for sale" include saleable GFA of car parks lot; the figures of "GFA under development" and "Planned GFA for future development" also include non-saleable GFA such as ancillary area.

(iii) "GFA available for sale" and "GFA under development" and "Planned GFA for future development" are derived from the Group's internal records and estimates.

The following section provides further details of the development progress of major ongoing projects of the Group.

1) Wuyishan Sandi New Times Square

   The project situated at 4 kilometers west of Da Hong Pao Scenic Area, (a PRC National 4A-level scenic spot), Wuyishan City, Fujian Province with a total site area of 168,669 sq.m, is planned to develop into low density residential properties with a commercial complex.

   Construction work had been commence in July 2018 and the project is expected to be completed in 2021. The first and second phase of residential properties had been launched for pre-sales following its sales permit granted in November 2018 and contracted sales of approximately RMB287.7 million were recorded during the six months ended 30 June 2019.

2) Qujiang Xiangsong Fengdan • Xian Sandi

   Qujiang Xiangsong Fengdan Xian Sandi is a residential project located in the Qujiang New District in Xian City, which is a new urban development zone designated for promoting the cultural and tourism industry. The project occupies a site area of approximately 124,304 sq.m in total and divided into 3 phase in development, each phase mainly comprised of high-rise apartments with ancillary facilities.

   Phase 1 consist of zone A and B. Zone A consist of 3 blocks of residential buildings with certain retail units, was completed in 2017 and mostly delivered to the buyers since then. Zone B consists of 2 block of residential buildings and a kindergarten, is expected to be completed in 2019. Pre-sales for Phase 1 had commenced since 2015 and the contracted sales amount of approximately RMB31.4 million was recorded during the six months ended 30 June 2019.

   Phase 2 and Phase 3 are currently under construction and scheduled to complete in 2021 and 2022 respectively. Pre-sales for Phase 2 had commenced since 2017 and Phase 3 had launched for pre-sales in September 2018 after pre-sales permits were granted for 2 blocks of residential buildings. During the six months ended 30 June 2019, Phase 2 and Phase 3 had achieved the contracted sales amount of approximately RMB10.0 million and RMB696.8 million respectively.

3) Sandi Manhattan

   Sandi Manhattan is situated in the prime location of Shanghai Songjiang District, involving a site area of 104,251 sq. m planned for a mixed-use development complex and an office and shopping complex with a planned construction GFA of 246,352 sq. m. The construction work of which has been commenced and is expected to be completed in 2021. During the six months ended 30 June 2019, the contracted sales amount of approximately RMB122.3 million had been achieved.

4) Sandi Century New City

Sandi Century New City is located in Jintai district, Baoji City, Shannxi Province, involving a site area of 235,080 sq. m planned for a residential and commercial development of which 734,032 sq. m was completed. 432,218 sq. m is under construction which is expected to be completed in 2021. During the six months ended 30 June 2019, the contracted sales amount of approximately RMB408.7 million had been achieved.

5) Xicheng Fengdan

Xicheng Fengdan is located in Jianyang district, Nanping City, Fujian Province, involving a site area of 66,707 sq. m. with a plot ratio of 1.81 and a green space ratio of 35%. The land will be developed into 26 blocks of residential and commercial property with a total construction GFA of 164,743 sq. m. The project is currently under construction and is expected to be completed by June 2020. During the six months ended 30 June 2019, the contracted sales amount of approximately RMB216.0 million had been achieved.

Land bank replenishment

The Group's strategy is to maintain a land bank portfolio sufficient to support the Group's own development pipeline for the next few years. As at 30 June 2019, the Group had quality land bank amounting to a total GFA of approximately 2,157,000 sq.m, of which approximately 1,848,000 sq.m. were attributable to the owners of the Company.

The table below summaries the landbank by location as at 30 June 2019:

Landbank by location	**Total GFA**	**Attributable GFA**
	('000 sq.m)	('000 sq.m)
Shaanxi Province	1,178	1,178
Fujian Province	593	353
Shanghai	246	246
Jilin Province	140	71
Total	2,157	1,848

Subsequent to the six months ended 30 June 2019, the Group has acquired the land use rights of two land parcels located in Fuzhou City, Fujian Province, the PRC through public auction at a total consideration of approximately RMB1,120.0 million for a total site area of approximately 58,169 sq.m.

Property investment

The Group's investment properties mainly comprise of two furniture shopping malls with a total GFA of 130,502 sq.m, situated in Fuzhou city and Baoji city in the PRC, which provided a stable income steam to the Group.

For the first half of 2019, the Group recorded a total revenue from property investment amounted to approximately RMB69.9 million, representing an increase of 3.4% as compared to the first half of 2018. It is one of the key focus of the Group to continue enlarging our investment property portfolio so as to increasing the rent received and maintain a healthy financial performance.

Hotel Operation

During the first half of 2019, revenue from hotel operation was approximately RMB11.2 million. The Group currently operating three hotels with a total GFA of 28,926 sq.m in the PRC.

Other investments

Our other investments including investing surplus cash from operations in listed equity securities and loan receivables in Hong Kong and the PRC. We have invested in listed high yield stocks with growth potentials. The objectives of these investments are to strike a balance between risk and return in order to maximise return to shareholders.

The equity securities acquired are principally for short term investment purpose. The Group would closely monitor performances of the mentioned investments and will seek for disposal opportunities for profit if any. Our principal business is still engaged in property development, property investment and hotel operation business and thus we will continue to proactively take up opportunities in real estate market. Therefore, the Group would consider disposing or downsizing the existing listed-equities investment portfolio when the Group has funding needs for expanding the property development business in the future.

Significant events during the Interim Period

(i) Very Substantial Acquisition and Connected Transaction – Acquisition of the Entire Issued Share Capital of All Excel Industries Limited ("All Excel") Involving Issue of Consideration Shares and Convertible Bonds Under Specific Mandate

Reference is made to the announcement (the "Announcement") of the Company dated 21 September 2018. Capitalised terms used in this announcement have the same meanings as defined in the Announcement unless the context requires otherwise.

On 21 September 2018, Grand Supreme Limited ("Grand Supreme"), a wholly-owned subsidiary of the Company (as purchaser), Primary Partner International Limited (the "Primary Partner"), a company incorporated in the British Virgin Islands with limited liability which is wholly held by Mr. Guo Jiadi ("Mr.Guo"), a director and controlling shareholder of the Company (as vendor) and Mr. Guo (as guarantor) entered into the Agreement, pursuant to which Grand Supreme has conditionally agreed to acquire, and Primary Partner has conditionally agreed to sell the entire issued share capital in All Excel at the Consideration of HK$1,500 million, which shall be satisfied as to HK$200 million by way of cash, as to HK$600 million by way of the issue of the Promissory Note, as to HK$200 million by the issue of the Consideration Shares and as to HK$500 million by the issue of the Convertible Bonds, and the Guarantor has conditionally agreed to guarantee the performance by Primary Partner of its obligations thereunder.

The Acquisition was approved at the Company's special general meeting held on 16 January 2019 and completed on 30 January 2019. Upon the completion of Acquisition, All Excel has become an indirect wholly-owned subsidiary of the Company. The acquisition was completed on 30 January 2019 and the financial results of the Target Group were consolidated into the financial statements of the Group.

Further details are set out in the announcement of the Company dated 21 September 2018, 16 January 2019 and 30 January 2019 and the circular of the Company dated 26 December 2018.

(ii) Acquisition of 49% equity interest in Wuyishan Gaojia Real Estate Development Company Limited ("Wuyishan Gaojia")

Reference is made to the announcement (the "Announcement") of the Company dated 28 June 2019. Capitalised terms used in this announcement have the same meanings as defined in the Announcement unless the context requires otherwise.

On 28 June 2019, Fuzhou Gaojia Real Property Development Company Limited ("Fuzhou Gaojia"), a wholly-owned subsidiary of the Company (as purchaser) and Nanping Huiteng Trade Co., Ltd ("Nanping Huiteng", as vendor) entered into the Agreement, pursuant to which Fuzhou Gaojia conditionally agreed to purchase, and Nanping Huiteng conditionally agreed to sell, the Sale Interest (representing 49% of the entire equity interest in Wuyishan Gaojia) and the Shareholder Loan at the Consideration of RMB55 million, which shall be satisfied by the issue of 135,869,565 ordinary shares of the Company ("Consideration Shares") to the vendor at an issue price of HK$0.46 per Consideration Share. The Consideration Shares were issued on 25 July 2019 and the Acquisition was then completed on the same day. Upon the completion, Wuyishan Gaojia had become an indirect wholly-owned subsidiary of the Company.

Further details are set out in the announcement of the Company dated 28 June 2019, 10 July 2019 and 25 July 2019.

OUTLOOK

Going forward, Sino-US trade disputes and Brexit are likely to cloud the global economic sentiment. However, the Group is confident to the future development of the PRC economy arising from China's further opening-up and reforms over the long term. The Group is also positive in the PRC government's "One Belt One Road" initiative which is important to accelerate the development of the domestic economic system of China.

As the capital of China's Shaanxi province, Xi'an is one of the three international metropolises and the 9th Regional Central City of China designated by China's central government. Besides, Xi'an is a transport hub and open frontier. It is an important fulcrum city on the "One Belt One Road" initiative, and the central city in the west of the China section of the New Eurasian Continental Bridge. Baoji, one of the city in Shannxi province, is aimed to accelerate in promoting as an internationalized livable city in terms of city infrastructure, historical and cultural, technical and innovation, etc., according to the 2018 "One Belt One Road" Construction Action Plan of Baoji. Fujian is not only the main starting point of the ancient maritime Silk Road, but is a core area of the "21st Century Maritime Silk Road" on the "One Belt One Road" initiative. Shanghai is aimed to maximise the impact of existing policies to better serve demands from countries and regions involved in the "One Belt One Road" initiative in aspects including trade and financing, cultural exchanges. This should support and provide the new business opportunities and we anticipate the economy in both Xian, Baoji, Fujian and Shanghai will continue to generate sustained growth. The Group will continue to deepen its development projects in Shaanxi province, Fujian province and Shanghai city, and we will strategically expand our geographical coverage, enhance our regional and provincial penetrations in the PRC real estate market.

In a view of creating the maximum value for customers, shareholders, employees and society, the Group will continue to drive the diversified channels for the land acquisition and proactively look into various opportunities in the property investment sector to expand its operating scale for continuous development and accomplish sustainable growth in the years ahead.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from sales of properties, which contributed approximately 94.0% of the revenue for the six months ended 30 June 2019. The table below sets forth the breakdown of the Group's revenue by operating segment as indicated:

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	RMB'000	***%***	*RMB'000*	*%*
Property development	**1,257,761**	**94.0**	53,018	40.2
Property investment	**69,863**	**5.2**	67,621	51.3
Hotel operation	**11,175**	**0.8**	11,237	8.5
	1,338,799	**100.0**	131,876	100.0

Revenue from sales of properties

The Group's revenue from sales of properties increased to approximately RMB1,257.8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB53.0 million).

The table below summarises the revenue from sales of properties for the six months ended 30 June 2019:

Property projects	Type	Sales revenue *RMB'000*	GFA sold (sq.m)	Average price per sq.m RMB/sq.m	Percentage of total amount
Shaanxi Province					
Sandi Century New City	Residential	671,244	120,382	5,353	53.4
Qujiang Xiangsong Fengdan • Xian Sandi	Residential	563,237	55,270	10,191	44.8
Fujian Province					
Sandi Kaixuan Fengdan	Residential	15,570	817	19,047	1.2
Jilin Province					
Shouchuang International Plaza	Residential	6,351	1,008	6,301	0.5
Shanghai					
Sandi Manhattan	Commercial	1,359	47	23,653	0.1
		1,257,761	177,524	6,932	100.0

Note:

i. Sales revenue amount and the calculation of average price are based on the sales revenue after the deduction of business/value-added tax and other surcharges/taxes.

ii. GFA and sales revenue attributable to the car parking spaces are excluded in the GFA sold and the average price calculation.

Revenue from property investment

Revenue from property investment included rental income and property management and related fee income had slightly increase to approximately RMB69.9 million for the six months ended 30 June 2019 (2018: approximately RMB67.6 million), which was derived from the Group's investment properties situated in the PRC, including shopping malls, commercial buildings and kindergartens.

Revenue from hotel operation

Revenue from hotel operation for the six months ended 30 June 2019 remain stable at approximately RMB11.2 million (2018: approximately RMB11.2 million) in compare with corresponding period in 2018. The Group currently had three hotels operating in the PRC.

Cost of properties sales

The Group's cost of properties sales increased to approximately RMB884.8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB41.9 million). The increase was primarily attributable to the increase in the total GFA of properties delivered compared with the corresponding period in 2018, which led to the increase in the cost of properties sales.

Change in fair value of investment properties

For the six months ended 30 June 2019, the Group recognized net fair value gain of approximately RMB11.8 million on its investment properties (six months ended 30 June 2018: net fair value gain of approximately RMB64.6 million).

Other gains and losses

Other gains and losses for the Interim Period mainly represented net exchange loss of approximately RMB25.3 million during the six months ended 30 June 2019 (six months ended 30 June 2018: net exchange loss of approximately RMB15.7 million).

Share of results of an associate

The share of results of an associate during the Interim Period was derived from the Group's 37% interest in Xian Zhichengda Real Estate Company Limited ("Xian Zhichengda"). Xian Zhichengda engaged in a property development project in Xian city which is expected to complete in 2021.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB4.5 million from approximately RMB50.5 million for the six months ended 30 June 2018 to approximately RMB55.0 million for the six months ended 30 June 2019. The increase was mainly due to larger scale of sales resulting in an increase in selling and distribution expenses incurred during the Interim Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB14.6 million from approximately RMB57.3 million for the six months ended 30 June 2018 to approximately RMB71.9 million for the six months ended 30 June 2019. The increase was primarily attributable to the overall increase in staff cost and depreciation of right-of-use assets after the adoption of new lease standard.

Finance costs

Finance costs consist of interest expenses on bank and other borrowings, bonds payable, convertible bonds, promissory note, contract liabilities and lease liabilities. The finance costs amounted to approximately RMB54.9 million (six months ended 30 June 2018: approximately RMB67.6 million) for the six months ended 30 June 2019, decrease in finance costs was mainly due to the decrease in interest charged on general bank borrowings.

Income tax expense

Income tax expense mainly comprises the PRC enterprise income tax and land appreciation tax amounted to approximately RMB108.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB26.5 million). The substantial increase was mainly attributable to the increase in sales of properties recognised during the Interim Period.

Investments in securities

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Equity securities listed in Hong Kong at fair value	**52,059**	60,611

The above are classified as financial assets at FVTPL in condensed consolidated financial statements as they have been acquired principally for the purpose of selling in the near term.

As at 30 June 2019, the investment portfolio comprising 4 equity securities listed on the Main Board of the Hong Kong Stock Exchange. The carrying amount of these investments are equal to its fair values, which have been determined by reference to the quoted market bid prices available on the Hong Kong Stock Exchange. During the six months ended 30 June 2019, the Group has recorded net unrealised fair value losses of approximately RMB7.3 million (six months ended 30 June 2018: net unrealised fair value losses of approximately RMB137.6 million) on these investments. Except for those mentioned below, there were no significant acquisition or disposal of the investments in securities during the Interim Period.

The Group's equity securities were represented as follows:

Company name/(stock code)	*Notes*	**Percentage of shareholdings at 30 June 2019** %	**Realised fair value gain for the period** *RMB'000*	**Unrealised fair value gain/(loss) for the period** *RMB'000*	**Fair value at 30 June 2019** *RMB'000*
Kingston Financial Group Limited (1031)	*(i)*	0.23%	–	(7,468)	44,682
Sincere Watch (Hong Kong) Limited (444)	*(ii)*	0.23%	1,158	985	2,051
Others			–	(840)	5,326
			1,158	(7,323)	52,059

Notes

i. Kingston Financial Group Limited ("Kingston Financial") is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. Kingston Financial also provides gaming and hospitality services in Macau.

ii. Sincere Watch (Hong Kong) Limited ("Sincere Watch") is principally engaged in distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC, dining business and property investment.

    During the Interim Period, the Group has disposed of 15,280,000 shares in Sincere Watch which led to a realised gain of approximately RMB1.2 million.

iii. None of these investments represented more than 1% of the total assets of the Group as at 30 June 2019.

iv. No dividend income was received from these investments during the six months ended 30 June 2019 and 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had bank and other borrowings of approximately RMB4,397.8 million denominated in RMB (31 December 2018: approximately RMB3,907.5 million denominated in RMB) and other debts comprising convertible bonds, promissory note and bonds payable in total amount of approximately RMB991.8 million denominated in HK$ (31 December 2018: approximately RMB9.4 million denominated in HK$). As at 30 June 2019 and 31 December 2018, all bank and other borrowings were secured with fixed interest rate. The bank and other borrowings with maturities falling due within one year and after one year amounted to approximately RMB1,902.3 million and RMB2,495.5 million respectively (31 December 2018: approximately RMB2,663.0 million and RMB1,244.5 million respectively). Further details of the bank and other borrowings are set out in note 15 to the condensed consolidated financial statements in this announcement.

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB1,160.0 million (31 December 2018: approximately RMB246.4 million) which were mainly denominated in HK$ and RMB.

As at 30 June 2019, the gearing ratio for the Group was approximately 142.6% (31 December 2018: approximately 93.7%), calculated based on the net debts (comprising bank and other borrowings and other debts comprising convertible bonds, promissory note and bonds payable less cash and cash equivalent) of approximately RMB4,229.6 million (31 December 2018: approximately RMB3,670.5 million) over the total equity of approximately RMB2,966.8 million (31 December 2018: approximately RMB3,915.5 million). The debt ratio was approximately 83.8% (31 December 2018: approximately 77.5%), calculated as total liabilities over total assets of the Group.

The Group's current available liquidity resources are sufficient to meet its capital commitments. As at 30 June 2019, the Group's net current assets amounted to approximately RMB711.6 million (31 December 2018: net current liabilities approximately RMB660.6 million). The Group's current ratio, being percentage of its current assets and its current liabilities, amounted to approximately 106.5% (31 December 2018: approximately 94.2%).

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the Interim Period are summarised as follows:

(i) Bank and other borrowings

As at 30 June 2019, the Group had bank and other borrowings of approximately RMB4,397.8 million (31 December 2018: approximately RMB3,907.4 million), of which approximately RMB1,902.3 million are repayable within one year and approximately RMB2,495.5 million are repayable beyond one year. The Group's bank and other borrowings bears interest rates ranging from approximately 4.8% to 15.0% per annum. All the bank and other borrowings were denominated in RMB.

(ii) Bonds payable

As at 30 June 2019 and 31 December 2018, the Company had a 4-year 7% coupon bonds with principal amount to HK$11 million (the "7% Coupon Bonds") to certain independent third parties. The 7% Coupon Bonds are denominated in HK$. Interest is payable semiannually and the principal had been fully repaid when the 7% Coupon Bonds fall due on 23 July 2019. There is no early redemption of the 7% Coupon Bonds neither by the Company nor the 7% Coupon Bonds holders during the six months ended 30 June 2019.

(iii) Promissory note

As at 30 June 2019, the Company had a 5-year promissory note ("Promissory Note") with principal amount to HK$600 million to Mr. Guo, director of the Company, with interest to be 3% per annum for the first and second years after the date of issuance, 4.5% per annum for the third and fourth years after the date of issuance and 6% per annum for the fifth year after the date of issuance, with interest payable annually in arrears and the principal will be repaid when the Promissory Note fall due on 29 January 2024. Promissory Note is denominated in HK$. There is no early redemption of the Promissory Note neither by the Company nor by Mr. Guo during the six months ended 30 June 2019.

(iv) Convertible bonds

As at 30 June 2019, the Company had a 5-year convertible bonds ("CB") with principal amount to HK$500 million to Mr. Guo, director of the Company, with interest to be 1% per annum payable annually in arrears and carrying a conversion price of HK$0.412 per conversion shares, with a conversion rights to convert into a maximum of 1,213,592,233 shares. The principal will be repaid when the CB fall due on 29 January 2024 if no conversion happened on or before 29 January 2024. The CB are denominated in HK$. There is no early redemption of the CB neither by the Company nor by Mr. Guo during the six months ended 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as set forth in the section headed "Business Review-Significant events during the Interim Period (i) Very Substantial Acquisition and Connected Transaction-Acquisition of All Excel Industries Limited Involving Issue of Consideration Shares and Convertible Bonds under Specific Mandate" and (ii) Acquisition of 49% equity interest in Wuyishan Gaojia Real Estate Development Company Limited in this announcement, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Interim Period.

USE OF NET PROCEEDS FROM THE EQUITY FUND RAISING ACTIVITIES

The use of the net proceeds from the equity fund raising activities during the six months ended 30 June 2019 are summarised as follows:

Issue of Warrant Shares of the Company

On 19 December 2017, a total of 312,500,000 shares were allotted and issued to the Beyond Steady Limited, the warrant holder, raising gross proceeds of approximately HK$75.0 million. The Group intends to apply the net proceeds for general working capital, capital expenditures and future investments.

As at 30 June 2019, approximately HK$5.0 million has been utilised as general working capital, and approximately HK$70.0 million had been utilised to satisfy part of the investment costs in an associate.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2019, the Group had certain investment properties, land use rights, properties under development, certain inventories of properties and certain property, plant and equipment of an aggregate carrying value of approximately RMB9,633.7 million (31 December 2018: approximately RMB8,243.1 million) which had been pledged to secure the Group's bank borrowings. Besides, all the shares of a wholly-owned subsidiary of the Group and all the shares of an associate held by the Group were pledged to secure loans facilities granted to that subsidiary and associate.

CONTINGENT LIABILITIES

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage facilities granted to purchasers of the Group's properties. As at 30 June 2019, the Group provided guarantees for mortgage loans in an amount of approximately RMB2,251.8 million (31 December 2018: approximately RMB2,463.4 million) to banks in respect of such agreements. Certain subsidiaries of the Group had also provided corporate guarantees amounting to approximately RMB1,316.1 million (31 December 2018: approximately RMB1,358.6 million) to certain banks in respect of loan facilities granted to certain companies that were indirectly wholly owned or controlled by Mr. Guo or Ms. Shum Xi Xia, the sister-in-law of Mr. Guo.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group has commitments in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB4,138.9 million (31 December 2018: approximately RMB4,291.5 million).

CHANGE OF PRESENTATION AND FUNCTIONAL CURRENCIES

In prior financial periods, HK$ was regarded as the presentation and functional currencies of the Company.

In the Interim Period, the Company has changed its presentation currency for the preparation of its condensed consolidated financial statements from HK$ to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in the PRC with substantially all of its denominated and settled in RMB. The Directors consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. Comparative financial information was represented in RMB accordingly.

During the Interim Period, the functional currency of the Company was changed from HK$ to RMB upon the completion of an acquisition of All Excel on 30 January 2019. Subsequent to the acquisition, the Company mainly holds subsidiaries whose underlying operations are primarily in the PRC with RMB being the currency that mainly influences the Group's underlying transactions, events and conditions. The Directors have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primary holding subsidiaries with primary economic environment in the PRC. Accordingly, the functional currency of the Company was changed prospectively from the date of acquisition.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and HK$ respectively. The functional currency of the Company, its certain of the subsidiaries which operate in Hong Kong as investment holdings companies or companies providing corporate services to other group entities and its principal operating subsidiaries in the PRC is RMB. The functional currency of certain of the Company's subsidiaries which operate in Hong Kong as investment holding companies is HK$. As at 30 June 2019, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 30 June 2019, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

As at 30 June 2019, the Group employed a total of 620 employees (31 December 2018: 550 employees) of which 616 employees (31 December 2018: 547 employees) were hired in the PRC and 4 employees (31 December 2018: 3 employees) in Hong Kong. Total remuneration paid to the employees for the six months ended 30 June 2019 amount to approximately RMB36.8 million (six months ended 30 June 2018: approximately RMB23.2 million). In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. Ongoing training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTING SECURITIES BY THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

For the six months ended 30 June 2019 and up to date of this announcement, the Company has complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rule Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange except for the deviations from the Code Provision A.2.1, A.6.7, E.1.2 and the Rule 3.28 and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company (the "Shareholders"). The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets. The Company had complied with the CG Code throughout the Interim Period except for the following deviations:

Code Provision A.2.1

The roles of the chairman and the chief executive officer should be segregated and not be exercised by the same individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

Mr. Guo currently serves as the Chairman of the Board (the "Chairman").

Up to date of this announcement, no individual was appointed as the chief executive officer of the Company (the "CEO"). The day-to-day management of the Group's business is monitored by the executive Directors and senior management. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the Shareholders.

Ms. Ma Shujuan and Mr. Zheng Yurui were unable to attend the special general meeting of the Company held on 16 January 2019 due to other business commitments. As an action plan to address the aforesaid deviation, the Company will require all the independent non-executive Directors to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

Code Provision E.1.2

The code provision E.1.2 currently in force stipulates, among other things, that the chairman of the issuer should attend the annual general meeting.

Mr. Guo being the Chairman, was unable to attend the annual general meeting of the Company held on 31 May 2019 (the "2019 AGM") due to another commitment and Mr. Guo appointed Ms. Amika Lan E Guo, an executive Director, to act as his representative at the 2019 AGM and take the chair of the said 2019 AGM and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. This constitutes a deviation of the code provision E.1.2.

Rule 3.28

The former company secretary of the Company, Ms. Chan Po Yu, had resigned since 28 December 2018, as such the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee which comprised Mr. Chan Yee Ping, Michael, Mr. Yu Pak Yan, Peter and Mr. Zheng Yurui being independent non-executive Directors, has reviewed the accompanying financial statements prior to their publication.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the period, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 26 July 2019, Grand Supreme, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with the vendor, Top Trendy Holdings Limited ("Top Trendy"), being 100% equity interest held by Mr. Guo, pursuant to which Grand Supreme has conditionally agreed to acquire, and Top Trendy has conditionally agreed to sell the entire issued share capital of Power Success Development Incorporated ("Power Success") at the consideration of RMB243,670,000, pursuant to the terms and conditions set out in the announcement on 26 July 2019.

Power Success and its subsidiaries are principally engaged in property development and property investment in the PRC. As at the date of this announcement, the acquisition of Power Success had not yet completed.

Further detail are set out in the Company's announcement dated 26 July 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.chinasandi.com.hk). The 2019 interim report of the Company for the six months ended 30 June 2019 will be despatched to shareholders of the Company and will be published on the same websites in due course.

By order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 30 August, 2019

As at the date of this announcement, the Board comprises Mr. Guo Jiadi, Ms. Amika Lan E Guo and Mr. Wang Chao, being the executive Directors; Dr. Wong Yun Kuen, being the non-executive Director; and Mr. Chan Yee Ping, Michael, Mr. Yu Pak Yan, Peter, Ms. Ma Shujuan and Mr. Zheng Yurui, being the independent non-executive Directors.