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Sunshine 100 China Holdings Ltd

陽光100中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2608)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS OF INTERIM RESULTS

- Revenue amounted to RMB3,598.4 million, remaining relatively stable from the corresponding period of 2019; gross profit substantially increased by 45.4% to RMB1,179.1 million, and gross profit margin was 32.8%
- Profit and core profit* for the period amounted to RMB259.9 million and RMB397.9 million, respectively
- Total assets amounted to RMB58,957.5 million. The total equity attributable to equity shareholders of the Company amounted to RMB9,152.7 million
- Contracted sales amounted to RMB2,408.3 million, representing a decrease of 36.4% from the corresponding period of 2019
- As of 30 June 2020, our land reserves amounted to approximately 11.93 million square metres in terms of total GFA
- The Board recommends an interim dividend of HKD10.00 cents per share for the six months ended 30 June 2020

* *excluding net value of fair value changes on investment properties, net value of changes in foreign exchange gains and losses, net value of fair value changes on financial instruments at fair value through profit or loss and deducting relevant deferred taxes*

The board of directors (the “**Board**”) of Sunshine 100 China Holdings Ltd (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2019. The interim results of the Group for the six months ended 30 June 2020 had been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 24 August 2020. The following interim financial statements are unaudited, but have been reviewed by KPMG, the auditor of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB’000	RMB’000
Revenue	3	3,598,388	3,594,646
Cost of sales		<u>(2,419,315)</u>	<u>(2,783,651)</u>
Gross profit		<u>1,179,073</u>	<u>810,995</u>
Valuation (losses)/gains on investment properties	7	(101,281)	341,857
Other income		14,638	445,773
Selling expenses		(159,443)	(223,455)
Administrative expenses		(207,366)	(262,377)
Other operating expenses		<u>(17,763)</u>	<u>(58,655)</u>
Profit from operations		707,858	1,054,138
Financial income	4	218,031	363,931
Financial costs	4	(306,737)	(341,467)
Share of profits less losses of associates		<u>(4,074)</u>	<u>26,221</u>
Profit before taxation		615,078	1,102,823
Income tax	5	<u>(355,133)</u>	<u>(309,712)</u>
Profit for the period		<u>259,945</u>	<u>793,111</u>

Details of dividends payable to equity shareholders of the Company are set out in Note 10.

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(2,784)</u>	<u>135</u>
Total comprehensive income for the period		<u>257,161</u>	<u>793,246</u>
(Loss)/profit attributable to:			
Equity shareholders of the Company		(6,746)	329,806
Non-controlling interests		<u>266,691</u>	<u>463,305</u>
Profit for the period		<u>259,945</u>	<u>793,111</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(9,530)	329,941
Non-controlling interests		<u>266,691</u>	<u>463,305</u>
Total comprehensive income for the period		<u>257,161</u>	<u>793,246</u>
(Loss)/earnings per share (RMB)			
Basic	6	<u>(0.003)</u>	<u>0.13</u>
Diluted		<u>(0.003)</u>	<u>0.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in Renminbi)

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Non-current assets			
Property and equipment		816,150	643,367
Investment properties		11,843,117	11,670,105
Intangible assets		747,845	863,900
Restricted deposits		89,232	42,900
Investments in associates		1,302,364	1,325,528
Trade and other receivables	8	181,539	192,315
Deferred tax assets		699,512	691,570
Other non-current financial assets		214,955	273,730
		<hr/>	<hr/>
Total non-current assets		15,894,714	15,703,415
		<hr/>	<hr/>
Current assets			
Properties under development and completed properties held for sale		28,815,499	27,977,447
Land development for sale		2,297,857	2,013,294
Contract costs		250,471	249,106
Trade and other receivables	8	6,942,588	8,338,127
Restricted deposits		1,747,097	1,567,656
Cash and cash equivalents		2,856,466	2,438,612
Trading securities		152,851	107,953
		<hr/>	<hr/>
Total current assets		43,062,829	42,692,195
		<hr/>	<hr/>

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities			
Loans and borrowings		12,212,376	10,601,383
Trade and other payables	9	6,545,556	6,805,049
Contract liabilities		8,095,874	9,106,391
Contract retention payables		156,510	155,554
Current tax liabilities		1,806,597	1,677,894
Lease liabilities		17,216	23,738
Total current liabilities		<u>28,834,129</u>	<u>28,370,009</u>
Net current assets		<u>14,228,700</u>	<u>14,322,186</u>
Total assets less current liabilities		<u>30,123,414</u>	<u>30,025,601</u>
Non-current liabilities			
Loans and borrowings		14,240,951	14,452,841
Contract retention payables		138,013	154,463
Lease liabilities		70,292	61,251
Deferred tax liabilities		3,213,733	3,185,570
Trade and other payables	9	462,065	423,249
Total non-current liabilities		<u>18,125,054</u>	<u>18,277,374</u>
NET ASSETS		<u>11,998,360</u>	<u>11,748,227</u>
CAPITAL AND RESERVES			
Share capital	10	20,187	20,240
Reserves		9,132,526	9,146,484
Total equity attributable to equity shareholders of the Company		9,152,713	9,166,724
Non-controlling interests		2,845,647	2,581,503
TOTAL EQUITY		<u>11,998,360</u>	<u>11,748,227</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Sunshine 100 China Holdings Ltd (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 24 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to IFRS issued by the IASB to the financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	3,343,135	3,296,153
Property management and hotel operation income	193,410	211,680
Light-asset operation income	6,733	15,658
	<u>3,543,278</u>	<u>3,523,491</u>
Revenue from other sources		
Rental income from investment properties	55,110	71,155
	<u>3,598,388</u>	<u>3,594,646</u>
Disaggregated by timing of revenue recognition		
Point in time	2,714,068	2,629,058
Over time	884,320	965,588
	<u>3,598,388</u>	<u>3,594,646</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

The Group's customer base is diversified and there are no customers with whom transactions have exceed 10% of the Group's revenue.

(b) Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

- (a) The mixed-use business complexes segment that develops and sells business complex products;
- (b) The multi-functional residential communities segment that develops and sells residential properties and develops land;
- (c) Investment properties segment that leases offices and commercial premises;
- (d) The property management and hotel operation segment that provides property management service and hotel accommodation services; and
- (e) The light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended 30 June	Mixed-use business complexes		Multi-functional residential communities		Investment properties		Property management and hotel operation		Light-asset operation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition												
Point in time	1,279,764	271,427	1,427,571	2,341,973	-	-	-	-	6,733	15,658	2,714,068	2,629,058
Over time	222,265	177,564	413,535	505,189	55,110	71,155	193,410	211,680	-	-	884,320	965,588
Revenue from external customers	1,502,029	448,991	1,841,106	2,847,162	55,110	71,155	193,410	211,680	6,733	15,658	3,598,388	3,594,646
Inter-segment revenue	-	-	-	-	2,059	-	14,344	49,204	-	-	16,403	49,204
Reportable segment revenue	1,502,029	448,991	1,841,106	2,847,162	57,169	71,155	207,754	260,884	6,733	15,658	3,614,791	3,643,850
Reportable segment gross profit/(loss)	715,983	95,225	341,168	652,989	57,169	71,155	(13,359)	(10,846)	627	14,647	1,101,588	823,170
Reportable segment profit/(loss)	374,703	(448,263)	59,868	1,010,375	(41,744)	237,264	(30,146)	(69,489)	1,048	8,871	363,729	738,758
As at 30 June/31 December												
Loans and borrowings	2,419,264	2,822,903	14,978,179	14,344,693	165,500	-	899,791	952,490	-	-	18,462,734	18,120,086
Reportable segment assets	14,011,860	12,870,293	35,616,712	35,641,319	11,908,011	11,808,640	1,317,679	1,399,824	109,283	102,136	62,963,545	61,822,212
Reportable segment liabilities	13,739,109	12,399,072	35,447,178	34,243,571	505,325	527,285	1,101,774	1,047,487	38,651	32,785	50,832,037	48,250,200

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	363,729	738,758
Elimination of intra-group loss	9,195	7,644
Unallocated head office and corporate (loss)/ income	<u>(112,979)</u>	<u>46,709</u>
Consolidated profit for the period	<u>259,945</u>	<u>793,111</u>

4 FINANCIAL INCOME AND FINANCIAL COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Financial income		
Interest income on financial assets not at fair value through profit or loss	(183,851)	(150,812)
Dividend income from the trading securities	(15,780)	–
Net change in fair value of the derivative components of convertible bonds	<u>(18,400)</u>	<u>(213,119)</u>
	<u>(218,031)</u>	<u>(363,931)</u>

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Financial costs		
Total interest expense on loans and borrowings	1,280,610	1,379,116
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction	<u>(1,078,118)</u>	<u>(1,131,103)</u>
	202,492	248,013
Net foreign exchange loss	43,563	20,331
Net change in fair value of financial assets at fair value through profit or loss	52,585	42,165
Interest element of lease rentals paid	3,038	3,655
Bank charges and others	<u>5,059</u>	<u>27,303</u>
	<u><u>306,737</u></u>	<u><u>341,467</u></u>

5 Income tax

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– PRC Corporate Income Tax	195,034	201,206
– Land Appreciation Tax	172,174	147,711
Over-provision of PRC Corporate Income Tax in respect of prior years	(23,856)	(24,006)
Deferred taxation	<u>11,781</u>	<u>(15,199)</u>
	<u><u>355,133</u></u>	<u><u>309,712</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the “BVI”), the Company and its subsidiaries incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB6,746,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: profit attributable to equity shareholders of the Company of RMB329,806,000) and the weighted average of RMB2,553,128,455 ordinary shares (six months ended 30 June 2019: 2,567,440,000 ordinary shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

There was no difference between basic and diluted loss per share for the six months ended 30 June 2020.

For the six months ended 30 June 2019, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB160,370,000 and the weighted average number of ordinary shares of 3,155,840,000.

7 INVESTMENT PROPERTIES

The valuations of investment properties carried at fair value were updated at 30 June 2020 by CHFT Advisory And Appraisal Ltd (“CHFT”), the Group's independent valuer, using the same valuation techniques as were used when carrying out the valuations as 31 December 2019. As a result of the update, a net loss of RMB101,281,000 (six months ended 30 June 2019: a net gain of RMB341,857,000), and deferred tax credit thereon of RMB25,320,000 (six months ended 30 June 2019: deferred tax expenses of RMB85,464,000), has been recognised in profit or loss for the period.

During the six months ended 30 June 2020, the Group did not enter into any lease agreements for use of buildings, and therefore did not recognise any additions to right-of-use assets (six months ended 30 June 2019: RMB6,237,000).

8 TRADE AND OTHER RECEIVABLES

As of the end of the Reporting Period, the ageing analysis of trade debtors and bills receivables (which are included in trade and other receivables), based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	<i>Note</i>	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 6 months		124,417	70,974
6 months to 1 year		19,943	18,283
Over 1 year	(i)	<u>770,496</u>	<u>840,194</u>
Trade receivables and bills receivables, net of allowance for doubtful debts of RMB Nil		914,856	929,451
Loans provided to third parties, net of loss allowance	(ii)	2,280,382	2,852,398
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		782,757	752,160
Loans provided to associates		27,402	242,339
Consideration receivables		549,753	1,085,145
Amounts due from related parties		24,548	24,265
Dividend receivables		12,991	–
Other receivables, net of loss allowance		<u>342,937</u>	<u>324,576</u>
		4,935,626	6,210,334
Financial assets measured at amortised cost, net of loss allowance		2,188,501	2,320,108
Deposits and prepayments		<u>2,188,501</u>	<u>2,320,108</u>
		7,124,127	8,530,442
Less: non-current portion		<u>181,539</u>	<u>192,315</u>
		<u><u>6,942,588</u></u>	<u><u>8,338,127</u></u>

- (i) Receivables that aging were over 1 year mainly included revenue from land development for sale of RMB581,089,000 as at 30 June 2020 and 31 December 2019 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the Government of Chenghua District issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 30 June 2020, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the Government of Chenghua District was required, as the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, the management believes that the balances are fully recoverable.

The remaining receivables mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB122,417,000 (2019: RMB135,181,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime expected credit losses (“ECLs”), which is calculated using a provision matrix. At 30 June 2020 and 31 December 2019, the Group’s exposure to credit risk and ECLs for these trade receivables are insignificant.

(ii) Loans provided to third parties, net of loss allowance

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 13% (six months ended 30 June 2019: 12%) per annum. Pursuant to the Group's accounting policy, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the six months ended 30 June 2020, no additional loss allowance had been recognised.

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon.

9 TRADE AND OTHER PAYABLES

As of the end of Reporting Period, the ageing analysis of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	3,409,361	3,739,631
1 year to 2 years	172,597	252,233
2 years to 5 years	289,468	171,016
Trade payables	3,871,426	4,162,880
Advances received from third parties	371,490	376,159
Consideration payables	277,224	297,224
Amounts due to related parties	234,098	5,187
Other payables	1,278,512	1,232,214

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Financial liabilities measured at amortised cost	6,032,750	6,073,664
Other taxes payable	<u>974,871</u>	<u>1,154,634</u>
	7,007,621	7,228,298
Less: Non-current portion of trade payables	<u>462,065</u>	<u>423,249</u>
	<u><u>6,545,556</u></u>	<u><u>6,805,049</u></u>

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the period.

	Six months ended 30 June 2020 <i>RMB'000</i>
Interim dividend proposed after the end of the Reporting Period of HKD10.00 cents per ordinary share (2019: HKD nil)	<u><u>233,137</u></u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the Reporting Period.

(ii) The Company did not declare any dividends for the six months ended 30 June 2019.

(b) Purchase of own shares

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share <i>HKD</i>	Lowest price paid per share <i>HKD</i>	Aggregated price paid <i>RMB'000</i>
January 2020	1,016,000	1.49	1.38	1,284
February 2020	2,182,000	1.43	1.33	2,761
April 2020	347,000	1.38	1.37	436
				<hr/>
				4,481
				<hr/> <hr/>

The total amount paid on the repurchased shares of HKD4,938,000, which was equivalent to RMB4,481,000 was paid out of share capital and share premium.

CHAIRMAN’S STATEMENT

I would like to present the business review for the Reporting Period and outlook of the Company to the shareholders of the Company.

I. RESULTS

In the first half of 2020, under the impact of the COVID-19 pandemic, the Group realized contracted sales in the amount of RMB2,408.3 million and a contracted sales area of 209,304 square metres, representing decreases of 36.4% and 33.0%, respectively. Revenue remained relatively stable from that for the first half of 2019, and reached RMB3,598.4 million. Gross profit significantly increased by 45.4% to RMB1,179.1 million, the gross profit margin increased by 10.2 percentage points to 32.8%. Due to the adverse effects of the COVID-19 pandemic, the fair value of investment properties of the Group declined and no disposal gain was recognised, resulting in the decrease in profit for the period to RMB259.9 million. Nevertheless, excluding the after-tax effects of above-mentioned main reasons, core profit increased compared with that of the corresponding period in 2019, to RMB397.9 million. The Company’ operations and sales are gradually recovering from the impact of COVID-19 pandemic.

II. BUSINESS REVIEW

During the first half of the year, the Company faced considerable pressure and challenges in terms of the business transformation under the COVID-19 pandemic, with decreased sales in cultural tourism projects, commercial properties and apartments. Based on the Company’s market analysis, the Company promptly adjusted the development of non-residential projects and increased the development proportion of residential projects, in response to the changes in market and sales in the second half of the year. At the same time, we proactively accelerated the advancement of primary land projects, promptly seized the opportunity of the warming markets of residential lands in Wenzhou and the Xinglong high speed railway projects, enhanced cooperation with external partners, and invested more efforts in financing innovation through multiple channels and introduction of strategic partners. Not only have we responded to the difficulties with prudent strategies, but also proactively grasped the opportunities for the future.

1. Substantial decrease in non-residential properties sales as a result of the pandemic

The Company estimated sales of non-residential products to account for more than 50% due to the Company's business transformation. However, the sales from the Commercial Street, Himalaya Apartments, and cultural tourism-oriented projects and other projects had decreased as a result of the unexpected pandemic outbreak during the first half of the year. Since May of this year, sales of Himalaya Apartments rebounded significantly and are expected to resume to normal levels in the second half of the year. However, the sales from cultural tourism-oriented projects and Commercial Street are still affected. The Company promptly adjusted its product structure and will increase residential development in the second half of the year to make up for the decline in sales during the first half of the year.

Nevertheless, the Company placed more effort on the operation of Commercial Street, adjusted its strategy in time, and successively commenced operation of the Putian, Wuzhou and Changsha Phoenix Commercial Street during the pandemic. In addition, the actual rental income received from the existing projects, Liuzhou Yaobu Old Town and Liuzhou City Plaza, increased by 5.22% year-on-year in the first half of the year, which is contrary to market trend; and the price of Himalaya Apartments has been steadily rising since sales growth resumed in May. In the second half of the year, the Company will also accelerate market entry and sales of the Himalaya projects in Yantai and Yueyang.

2. Land reserves appreciated significantly to accelerate the entry of primary development projects into the market

The Company maintains industry-leading land reserves. As of 30 June 2020, the total gross floor area (“GFA”) of land reserves is approximately 11.93 million square metres. In addition, the Company has more than 2,000 mu and more than 6,000 mu of primary development projects located in Lucheng District, Wenzhou and Xinglong, Beijing North, respectively. The Company’s primary land development in Wenzhou and Xinglong has gradually matured. In the first half of the year, due to the appreciation of the land market in Wenzhou, the Company’s land valuation in Wenzhou city area has increased by about 30%, and market entry will be promoted in the second half of the year. The land located at Xinglong West Station on the Beijing-Shenyang high-speed railway line has continued to benefit from the high-speed rail which is expected to commence operation at the end of this year, making it one of the contributors for the Company’s future profit growth. The Company’s first project in Xinglong will enter the market in the second half of the year, and the market response has been better than anticipated. In addition, although the development of cultural tourism-oriented projects in Chengde (northeast of Beijing), Yesanpo (west of Beijing), Guilin and other areas have been delayed due to the pandemic, the appreciation of land in these areas will still stimulate the price increase of these projects. The prices of the projects in Chengde Rehe Valley and Guilin Weilu Valley were better than anticipated when they were introduced into the market. We are confident that cultural tourism-oriented projects will also be a contributor to the Company’s future profit growth after the pandemic.

3. Strengthened operations and improved product competitiveness

The growth of the operation team has led to improved operating capabilities of the Company’s core products line and distinctive competitive advantages. “Operation” is not only a guarantee for the steady growth of rental income, but also the basis for product sales. Meanwhile, the increase in the influence of the Commercial Street, Himalaya Apartments and other products are advantages as it complements residential development, providing new strategic opportunities for land cooperation between Sunshine 100, large state-owned enterprises and local governments. The successful cooperation with Guangxi Communications Investment Group Co., Ltd.* (廣西交通投資集團) was a good starting point.

Himalaya Business Division completed the establishment of the club's online platform and launched membership value-added services. At present, there are more than 2,600 club members from more than 20 first- and second-tier cities across the country, which formed the initial Himalaya customer community. The club utilizes urban culture as a tool to establish deep connections with its members, and provides members with new urban life experience by offering services in exquisite lifestyle, sports, healthcare, spiritual culture, business social interaction and more. As a community platform that focuses on lifestyle, the club provides customers with long-term service value, thereby continuously improving brand awareness and reputation.

III. BUSINESS ADJUSTMENT IN THE SECOND HALF OF THE YEAR AND FUTURE PROSPECTS

1. Accelerate the development of existing residential projects and the entry of Himalaya Apartments' into the market, ensuring that the annual sales exceeds RMB10 billion with the sales growth resuming in the second half of the year.
2. Speed up the development of primary land market, and strive to achieve a substantial increase in income related to the development of the primary land market in the second half of the year.
3. Actively prepare for cultural tourism-oriented and Commercial Street projects, and seize market opportunities that may realize in the next year.
4. Utilize the advantage of the market downturn and the unique competitiveness of Sunshine 100's commercial real estate to seize the opportunities to cooperate with state-owned enterprises, central enterprises and local governments, to draw on each other's strengths, and to hasten business growth in various forms.
5. Continue to improve the competitiveness of core products.

In response to the fierce competition and market changes in the real estate market, cultivating competitive core products is top priority for the Company's future sustainability and development. At the same time, the Company will also expand new projects and seek complementary cooperation opportunities with a focus on our core product lines to ensure the Company's sustained, stable and profitable growth in the future.

Last but not least, on behalf of the Board, I would like to express my gratitude to all our shareholders for your trust, to all our partners for your support, and to all our staff for your hard work, and I look forward to better performance and development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Contracted sales

During the Reporting Period, under the impact of the COVID-19 pandemic, the Group (including light-asset operation projects) realized contracted sales in the amount of RMB2,408.3 million, representing a decrease of 36.4% from the corresponding period of 2019, and a contracted sales area in the amount of 209,304 square metres, representing a decrease of 33.0% from the corresponding period of 2019, the average unit price for contracted sales decreased by 10.0% to RMB10,658 per square metre. Approximately 41.1% and 33.4% of the contracted sales were generated from the Midwest and Yangtze River Delta, respectively, among which, contributions from Wuxi Sunshine 100 Arles and Wenzhou Sunshine 100 Arles were significant, with the contracted sales being RMB415.8 million and RMB343.6 million respectively, accounting for 17.3% and 14.3% of the Group's total contracted sales.

Contracted sales of the Group by geographic location during the Reporting Period were as follows:

Economic area	City	Project name	For the six months ended 30 June					
			Contracted sales area		Contracted sales amount		Unit selling price	
			<i>(square metres)⁽¹⁾</i>		<i>(RMB million)⁽²⁾</i>		<i>(RMB/square metre)⁽¹⁾</i>	
		2020	2019	2020	2019	2020	2019	
Bohai Rim	Shenyang	Shenyang Sunshine 100 International New Town	437	30,197	44.0	267.4	7,888	8,636
		Shenyang Sunshine 100 Golf Mansion	4,449	3,695	37.0	38.8	7,658	10,080
	Jinan	Jinan Sunshine 100 International New Town	11,548	14,051	245.5	311.0	18,711	21,908
		Dongying Sunshine 100 Phoenix Community	1,519	3,194	11.1	30.2	6,160	8,952
	Weifang	Weifang Sunshine 100 Phoenix Community	7,319	17,222	61.4	148.2	8,136	8,577
		Yantai Sunshine 100 City Plaza	-	-	2.5	-	-	-
Tianjin		Tianjin Sunshine 100 Nankai Himalaya	758	2,999	19.5	113.6	25,706	37,870
		Tianjin Sunshine 100 Tianta Himalaya	3,256	-	132.6	-	40,737	-
		Tianjin Sunshine 100 International New Town	-	58	4.8	9.6	-	9,256
Sub-total		29,286	71,416	558.4	918.8	16,206	12,550	

For the six months ended 30 June

Economic area	City	Project name	Contracted sales area		Contracted sales amount		Unit selling price		
			<i>(square metres)⁽¹⁾</i>		<i>(RMB million)⁽²⁾</i>		<i>(RMB/square metre)⁽¹⁾</i>		
			2020	2019	2020	2019	2020	2019	
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	26,220	14,873	415.8	197.9	14,772	12,739	
		Wuxi Sunshine 100 Himalaya	1,234	5,994	20.7	113.4	16,773	18,923	
	Wenzhou	Sunshine 100 Wenzhou Center	1,135	7,957	21.6	156.2	18,235	18,735	
		Wenzhou Sunshine 100 Arles	26,932	42,992	343.6	520.3	11,979	11,944	
	Changzhou	Wenzhou Sunshine 100 Repulse Bay ⁽³⁾	-	36,540	-	403.6	-	11,045	
		Changzhou Sunshine 100 Zone 7 Upper East Side	-	2,884	-	61.7	-	20,620	
	Yixing	Yixing Sunshine 100 Phoenix Street	223	1,198	3.1	18.8	13,962	15,684	
		Sub-total	55,744	112,438	804.8	1,471.9	13,534	12,872	
	Pearl River Delta	Qingyuan Putian	Qingyuan Sunshine 100 Arles	3,081	4,118	22.0	54.9	6,435	13,032
			Putian Sunshine 100 Phoenix Plaza ⁽³⁾	1,618	3,972	32.8	72.4	19,672	17,198
Sub-total		4,699	8,090	54.8	127.3	10,993	15,077		
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	-	319	0.7	4.9	-	9,537	
		Wuhan Sunshine 100 Phoenix Street	7,667	-	114.7	-	14,801	-	
		Chongqing Sunshine 100 Arles	18,370	10,342	192.3	112.7	10,451	9,956	
	Changsha	Changsha Sunshine 100 Phoenix Street	923	5,545	11.1	119.1	6,774	20,898	
		Liuzhou	Liuzhou Sunshine 100 Yaobu Town	-	292	-	11.1	-	33,830
	Liuzhou Sunshine 100 City Plaza		-	-	4.3	5.9	-	-	
	Chengdu	Chengdu Sunshine 100 Mia Center	-	-	2.7	1.9	-	-	
	Nanning	Nanning Sunshine 100 Upper East Side International	-	-	-	1.4	-	-	
		Nanning Sunshine 100 Nine Peninsulas ⁽³⁾	47,957	30,504	318.1	223.9	6,352	7,105	
	Wuzhou	Wuzhou Sunshine 100 Sankee City ⁽³⁾	35,583	11,353	215.6	84.4	6,022	7,089	
		Lijiang	Lijiang Sunshine 100 COART Village	26	-	0.4	-	16,154	-
	Xi'an		Xi'an Sunshine 100 Arles	9,049	61,997	130.4	703.5	13,206	11,342
	Guilin	Pingle Sunshine 100 Li River Cultural Village	-	145	-	1.1	-	7,212	

			For the six months ended 30 June					
Economic area	City	Project name	Contracted sales area (square metres) ⁽¹⁾		Contracted sales amount (RMB million) ⁽²⁾		Unit selling price (RMB/square metre) ⁽¹⁾	
			2020	2019	2020	2019	2020	2019
		Sub-total	<u>119,575</u>	<u>120,497</u>	<u>990.3</u>	<u>1,269.9</u>	<u>7,946</u>	<u>10,251</u>
Total			<u>209,304</u>	<u>312,441</u>	<u>2,408.3</u>	<u>3,787.9</u>	<u>10,658</u>	<u>11,845</u>

Notes:

- (1) Excluding car parks
- (2) Including car parks
- (3) Being light-asset operation projects

Contracted sales of the Group by type of business during the Reporting Period were as follows:

Type	For the six months ended 30 June					
	Contracted sales area (square metres) ⁽¹⁾		Contracted sales amount (RMB million) ⁽²⁾		Unit selling price (RMB/square metre) ⁽¹⁾	
	2020	2019	2020	2019	2020	2019
Residential properties	175,356	212,249	1,826.0	2,228.6	10,413	10,500
Commercial properties and car parks	33,948	100,192	582.3	1,559.3	11,927	14,698
Total	209,304	312,441	2,408.3	3,787.9	10,658	11,845
Proportion						
Residential properties	84%	68%	76%	59%		
Commercial properties and car parks	16%	32%	24%	41%		
Total	100%	100%	100%	100%		

Notes:

- (1) Excluding car parks
- (2) Including car parks

Property Construction

During the Reporting Period, the total GFA of the Group's newly commenced construction was 666,664 square metres, representing an increase of 30.3% from the corresponding period of 2019. The increase was mainly due to the epidemic eased in the first half of the year, and the increase in project development after the resumption of work to cope with market changes in the second half of the year; while the completed GFA was 581,398 square metres, increased by 26.7% as comparable to the corresponding period of 2019.

The status of property construction of the Group during the Reporting Period was as follows:

		As of 30 June 2020		
Economic area	City	Newly-started total GFA	Completed total GFA	Total GFA under construction as at the end of the period
		<i>(square metres)</i>	<i>(square metres)</i>	<i>(square metres)</i>
Bohai Rim	Jinan	3,489	122,608	100,797
	Shenyang	84,824	52,588	103,876
	Weifang	–	–	188,857
	Yantai	–	–	374,106
	Chengde	158,232	–	164,092
	Tianjin	–	–	97,855
	Sub-total		246,545	175,196
Yangtze River Delta	Wuxi	51,929	–	376,473
	Wenzhou	–	–	1,230,577
	Sub-total	51,929	–	1,607,050
Pearl River Delta	Qingyuan	–	74,203	123,363
	Putian	–	–	163,527
	Sub-total	–	74,203	286,890
Midwest	Chongqing	42,495	115,072	205,102
	Changsha	22,679	–	77,907
	Yueyang	83,267	–	83,267
	Guilin	16,527	–	38,289
	Nanning	–	–	394,619
	Wuzhou	1,284	216,927	194,679
	Xi'an	23,850	–	186,906
	Wuhan	178,088	–	352,341
	Lijiang	–	–	32,995
	Sub-total	368,190	331,999	1,566,105
Total		666,664	581,398	4,489,628

Investment Properties

During the Reporting Period, the Group had new investment properties with a GFA of 17,792 square metres. As at 30 June 2020, the Group held investment properties with a GFA of 600,379 square metres. Moreover, during the Reporting Period, the rental income was RMB55.1 million, decreased by 22.6% as compared with the corresponding period of 2019.

Land Acquisition

During the Reporting Period, the Group paid an aggregate amount of approximately RMB54.7 million for various land acquisitions, which included the payment of land premium of approximately RMB53.8 million in aggregate for Shenyang Sunshine 100 International New Town and Yantai Sunshine 100 City Plaza.

Breakdown of the land reserves of the Group at the end of the Reporting Period was as follows:

Economic area	City	Total GFA (square metres)	Proportion	Attributable	
				GFA (square metres)	Proportion
Bohai Rim	Weifang	1,167,319	10%	1,167,319	15%
	Shengyang	583,040	5%	537,639	7%
	Yantai	448,154	4%	448,154	6%
	Jinan	186,471	2%	91,370	1%
	Tianjin	140,907	1%	137,062	2%
	Chengde	164,092	1%	116,505	1%
	Dongying	47,921	0%	47,921	1%
	Sub-total	2,737,904	23%	2,545,970	33%
Midwest	Chongqing	288,983	2%	231,187	3%
	Guilin	383,436	3%	348,482	4%
	Changsha	187,884	2%	187,884	2%
	Yueyang	83,267	1%	42,466	0%
	Liuzhou	163,881	1%	141,048	2%
	Nanning	1,498,105	12%	542,441	7%
	Wuzhou	1,430,232	12%	396,889	5%
	Wuhan	467,842	4%	467,842	6%
	Chengdu	80,443	1%	80,443	1%
	Xi'an	641,595	5%	641,595	8%
	Lijiang	195,292	2%	99,599	1%
	Sub-total	5,420,960	45%	3,179,876	39%

Economic area	City	Total GFA <i>(square metres)</i>	Proportion	Attributable GFA <i>(square metres)</i>	Proportion
Yangtze River Delta	Wenzhou	1,327,960	11%	677,260	8%
	Wuxi	660,815	6%	660,815	8%
	Changzhou	20,747	0%	10,581	0%
	Yixing	82,567	1%	66,054	1%
	Sub-total	2,092,089	18%	1,414,710	17%
Pearl River Delta	Qingyuan	1,491,625	12%	820,394	10%
	Putian	187,136	2%	47,720	1%
	Sub-total	1,678,761	14%	868,114	11%
Total		11,929,714	100%	8,008,670	100%

Financial Performance

Revenue

During the Reporting Period, the revenue of the Group was RMB3,598.4 million, which remained relatively stable as compared with the same period last year.

Income from sale of properties

During the Reporting Period, income generated from the sale of properties increased by 1.4% to RMB3,343.1 million from RMB3,296.2 million in the corresponding period of 2019, mainly attributable to the increase in the average unit selling price of delivered properties.

Income from property management and hotel operation

During the Reporting Period, the income generated from property management and hotel operation of the Group decreased by 8.6% to RMB193.4 million from RMB211.7 million in the corresponding period of 2019, mainly attributable to the decrease in income generated from hotel operation as affected by the COVID-19 pandemic.

Rental income from investment properties

During the Reporting Period, the rental income from investment properties of the Group decreased by 22.6% to RMB55.1 million from RMB71.2 million in the corresponding period of 2019, mainly attributable to the introduction of rental reduction policies by Company during the pandemic prevention and control period as an active response to the call of the country.

Light-asset operation income

During the Reporting Period, the light-asset operation income of the Group recorded RMB6.7 million, decreased by 57.3% as compared to RMB15.7 million in the corresponding period of 2019, mainly attributable to the decrease in sales agency fees and brand agency fees as a result of the decrease in the overall contracted amount of projects as compared to the corresponding period last year as affected by the COVID-19 pandemic.

Cost of sales

During the Reporting Period, the cost of sales of the Group decreased by 13.1% to RMB2,419.3 million from RMB2,783.7 million in the corresponding period of 2019. Particularly, the cost of property sales decreased by 14.0% to RMB2,192.1 million from RMB2,547.9 million in the corresponding period of 2019, mainly attributable to the decrease in the area of delivered properties during the Reporting Period.

Gross profit

As a result of the above factors, during the Reporting Period, the gross profit of the Group increased by 45.4% to RMB1,179.1 million from RMB811.0 million in the corresponding period of 2019, and the gross profit margin increased to 32.8% from 22.6% in the corresponding period of 2019.

Valuation gains on investment properties

During the Reporting Period, valuation losses on investment properties of the Group were RMB101.3 million, and valuation gains on investment properties were RMB341.9 million in the corresponding period of 2019, mainly attributable to the decrease in fair value of the investment properties as adversely affected by the outbreak of the COVID-19 pandemic worldwide.

Other income

During the Reporting Period, other income of the Group substantially decreased to RMB14.6 million from RMB445.8 million in the corresponding period of 2019, mainly because no disposal gain was recognised as affected by the COVID-19 pandemic.

Selling expenses

During the Reporting Period, the Group's selling expenses decreased by 28.6 % to RMB159.4 million from RMB223.5 million in the corresponding period of 2019, mainly attributable to the decrease in wages and benefits, advertising fees and sales agency fees as the Company continued to strengthen cost control and adjusted the salary payment policy during the Reporting Period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses decreased by 21.0 % to RMB207.4 million from RMB262.4 million in the corresponding period of 2019, mainly attributable to the decrease in wages and benefits, consulting fees, and business entertainment expenses as the Company strengthened cost control and adjusted the wage payment policy during the Reporting Period.

Financial income

During the Reporting Period, financial income of the Group decreased by 40.1% to RMB218.0 million from RMB363.9 million in the corresponding period of 2019, mainly attributable to the effect of fair value change of the derivative components of convertible bonds of the Group.

Financial costs

During the Reporting Period, financial costs of the Group decreased by 10.2% to RMB306.7 million from RMB341.5 million in the corresponding period of 2019, mainly attributable to the decrease in the average borrowing balance as compared to the corresponding period last year.

Income tax

During the Reporting Period, the income tax expenses of the Group increased by 14.7% to RMB355.1 million from RMB309.7 million in the corresponding period of 2019, mainly attributable to the increase in the land appreciation tax of the Group.

Profit for the period

During the Reporting Period, the profit of the Group decreased by 67.2% to RMB259.9 million from RMB793.1 million in the corresponding period of 2019.

Profit attributable to equity shareholders of the Company

Based on the abovementioned factors, the loss attributable to equity shareholders of the Company was RMB6.7 million, and the profit attributable to equity shareholders of the Company was RMB329.8 million in the corresponding period of 2019.

Working capital, finance and capital resources

Cash and cash equivalents

As at 30 June 2020, the Group had RMB2,856.5 million of cash and cash equivalents, representing an increase of RMB417.9 million as compared to 31 December 2019, mainly due to the cash collection from operating activities and disposal of projects.

Current ratio, gearing ratio and net gearing ratio

As at 30 June 2020, the Group's current ratio (which is total current assets divided by total current liabilities) was 149.3%, remaining relatively stable as compared with that as at 31 December 2019. As at 30 June 2020, the Group's total current assets and total current liabilities amounted to RMB43,062.8 million and RMB28,834.1 million, respectively.

As at 30 June 2020, the Group's gearing ratio (which is total loans and borrowings divided by total assets) increased to 44.9% from 42.9% as at 31 December 2019. Net gearing ratio (which is total loans and borrowings minus cash and cash equivalents and current restricted deposits, divided by total equity) increased to 182.1% from 179.2% as at 31 December 2019, mainly attributable to the increase in the total loans and borrowings as compared to the end of last year.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchasers of its properties. As at 30 June 2020, the Group provided guarantees for mortgage loans in an amount of RMB6,094.8 million (31 December 2019: RMB6,563.9 million) to banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 30 June 2020, the Group's total loans and borrowings amounted to RMB26,453.3 million. In particular, RMB12,212.4 million, RMB7,194.1 million, RMB6,515.6 million and RMB531.2 million were repayable within one year or on demand, after one year but within two years, after two years but within five years and after five years, respectively.

The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 30 June 2020, the Group had comprehensive credit facilities granted by bank and other financial institutions in an aggregate amount of RMB18,750.0 million, of which RMB13,414.5 million had not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 30 June 2020, the banking facilities granted to the Group are secured on the Group's pledged properties and restricted deposits with a carrying value of RMB13,870.2 million (31 December 2019: RMB13,727.4 million).

Capital commitments

As at 30 June 2020, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial statements amounted to RMB7,796.6 million (31 December 2019: RMB7,606.6 million). As at 30 June 2020, the Group's capital commitment approved but not contracted for amounted to RMB8,138.2 million (31 December 2019: RMB7,579.0 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "PBOC") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the HK dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposures but may adopt hedging measures in the future.

Major investments, acquisitions and disposals

Update on completion status for disposal of 100% Equity Interest in Eminent Star

Reference is made to the Company's announcements dated 13 April 2019 and 31 December 2019 as well as the Company's circular dated 13 June 2019 regarding the very substantial disposal by Chang Jia International Limited (長佳國際有限公司) ("**Chang Jia**") of the share capital and loans owing by Eminent Star Group Limited (卓星集團有限公司) ("**Eminent Star**") for a total consideration of approximately RMB4,661.2 million payable in cash (the "**Disposal**"). Terms used below shall have the same meanings as those used in the Company's announcement dated 13 April 2019.

As at the date of this announcement, the first completion and the second completion of the Disposal have taken place. The Group has received cash totaling RMB3,130.0 million, which includes the Initial Deposit, the Further Deposit, the First Instalment, the Second Instalment and other related payments. The parties are negotiating the payment of the balance of the Second Instalment and related matters.

Acquisition of 49% interest in Liuyuan Real Estate Co., Ltd.

On 12 June 2020, Liuzhou Liuyun Real Estate Co., Ltd.* (柳州柳韻房地產有限公司) (“**Liuyun Real Estate**”, a wholly-owned subsidiary of the Company) signed the Letter of Acceptance, confirming Liuyun Real Estate of its successful bid for the acquisition of 49% equity interest in Liuzhou Liuyuan Real Estate Co., Ltd.* (柳州市柳元房地產開發有限公司) (the “**Target Company**”) for a consideration of RMB1.0 million together with an assumption of the shareholder’s loan of RMB256,725,000 owed by the Target Company to Guangxi Real Estate Group Co., Ltd.* (廣西地產集團有限公司) (the “**Vendor**”) through the bidding process held by Beibu Gulf Equity Exchange Group Co., Ltd. (北部灣產權交易所). An equity transfer agreement on the acquisition of 49% equity interest in the Target Company and the assumption of shareholder’s loan entered between the Vendor and Liuyun Real Estate has been entered into on 3 July 2020. For details, please refer to the announcement of the Company dated 12 June 2020.

Save as disclosed above, the Company had no other major investments, acquisitions and disposals during the Reporting Period.

HUMAN RESOURCES

As at 30 June 2020, the Group employed a total of 4,005 employees (corresponding period of 2019: 4,446 employees). The staff costs of the Group were RMB205.0 million during the Reporting Period (corresponding period of 2019: RMB284.2 million). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to the basic salary, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees’ skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. We have established a regular assessment mechanism to assess the performance of our employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, we make contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of our employees in China. For the six months ended 30 June 2020, we made contributions in an aggregate of approximately RMB4.6 million to the employee retirement scheme.

INTERIM DIVIDENDS

The Board recommends the payment of an interim dividend of HKD10.00 cents per share (the “**Interim Dividends**”) totaling RMB233,137,000 for the six months ended 30 June 2020. The Interim Dividends will be paid in Hong Kong Dollars. The Interim Dividends will be distributed and paid on or around 30 October 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to the right of the Interim Dividends, the register of members of the Company will be closed from Wednesday, 14 October 2020 to Friday, 16 October 2020, both days inclusive. Only those shareholders whose names appear on the register of members of the Company on Friday, 16 October 2020 will be entitled to the right of the Interim Dividends. In order to qualify for receiving the Interim Dividends, all completed transfer documents together with the relevant share certificate must be returned to the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 October 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the six months ended 30 June 2020, the Company has adopted and complied with all applicable code provisions (the “**Code Provisions**”) under the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi has served as the chairman and chief executive officer of the Company since 11 May 2018. This arrangement deviates from the requirement that the two positions should be held separately by different individuals as prescribed in the code provision A.2.1 of the CG Code. However, the Board considers that the roles of chairman and chief executive officer assumed by Mr. Yi Xiaodi will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operation of the Board as the majority of the Board are non-executive directors and independent non-executive directors. Moreover, the Board comprises experienced and high caliber individuals and meets regularly to discuss major issues affecting operations of the Company, and all directors are properly and promptly briefed on relevant matters with adequate, complete and reliable information.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. At the time when this announcement was approved by the Board, the Audit Committee comprised three independent non-executive directors, including Mr. Ng Fook Ai, Victor, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Ng Fook Ai, Victor was at such time the chairman of the Audit Committee.

The primary duties of the Audit Committee are: (i) to deal with the relationship with the Company's external auditors; (ii) to review the Group's financial information; (iii) to supervise the Group's financial reporting system, risk management and internal control procedures; and (iv) to perform the Company's corporate governance functions.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters of the Group (including reviewing the interim results of the Group for the six months ended 30 June 2020).

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the Listing Rules. At the time when this announcement was approved by the Board, the Remuneration Committee comprised an executive director, Mr. Fan Xiaochong, and two independent non-executive directors, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Wang Bo was at such time the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but are not limited to): (i) making recommendations to the directors in respect of the remuneration policies and structure of directors and senior management of the Company and the formal and transparent procedures in the formulation of remuneration policies; (ii) either: (a) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive directors and senior management; or (b) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to review and approve the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (iv) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (v) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and (vi) to consider and approve the granting of share options to eligible participants under the share option scheme.

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) in compliance with the Listing Rules. At the time when this announcement was approved by the Board, the Nomination Committee comprised one executive director, Mr. Yi Xiaodi, and two independent non-executive directors, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Yi Xiaodi was at such time the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are (including but not limited to) (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed change to the Board to complement the Company’s corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; (iv) to make recommendations to the Board on appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and (v) to review the policy on Board diversity (the “**Board Diversity Policy**”) and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standards contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Each director had been given a copy of the code of conduct regarding security transactions upon his/her appointment, and we issue two reminders each year thereafter, being 30 days prior to the Board meeting approving the interim results of the Company and 60 days prior to the Board meeting approving the annual results, reminding the directors that they are not allowed to trade in the securities of the Company prior to the announcement of the results (the periods in which the directors are prohibited from dealing in shares), and that all transactions must be conducted according to the Model Code. Having made specific enquiries by the Company with all directors, all of the directors confirmed that they have complied with the provisions of the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Further issue of US\$105.0 Million 11.5% Senior Notes Due 2021

On 20 January 2020, the Company, the offshore subsidiaries providing guarantees for the notes and the initial purchasers comprising CCB International Capital Limited (“**CCB International**”), China Industrial Securities International Brokerage Ltd. (“**China Industrial Securities International**”), and Haitong International Securities Company Limited (“**Haitong International**”) entered into the subscription agreement in relation to the further issue of US\$105.0 million 11.5% senior notes due 2021. CCB International, China Industrial Securities International, Haitong International were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes. The estimated gross proceeds of the notes, after deducting issue discounts in connection with the offering, amounted to approximately US\$103.6 million, which was intended to be used to repay its existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 28 January 2020. For details, please refer to the announcement of the Company dated 24 January 2020.

Redemption and Cancellation of Part of Senior Notes

As at 26 May 2020, the Company has in the open market repurchased and cancelled part of the issued senior notes. Such senior notes includes: (1) 8.50% senior notes due 2020 with a total principal amount of US\$400 million (the “**2020 Notes**”); and (2) 11.50% senior notes due 2021 with a total principal amount of US\$323 million (the “**2021 Notes**”, collectively the “**Notes**” with the 2020 Notes). The total principal amount of the repurchased and cancelled Notes is US\$30.5 million, comprising: (i) the 2020 Notes of US\$0.6 million in aggregate principal amount (representing approximately 0.15% of the aggregate principal amount of the 2020 Notes); and (ii) the 2021 Notes of US\$29.9 million in with a total principal amount (representing approximately 9.26% of the total principal amount of the 2021 Notes). After cancellation, the outstanding principal amounts of the 2020 Notes and the 2021 Notes are US\$399.4 million and US\$293.1 million, respectively. For details, please refer to the announcement of the Company dated 26 May 2020.

Repurchase of Shares

During the Reporting period, the Company repurchased a total of 3,545,000 ordinary shares at share prices ranging from Hong Kong dollar 1.33 to Hong Kong dollar 1.49 per share. 3,198,000 and 347,000 shares of the repurchased 3,545,000 shares were cancelled on 16 March 2020 and 11 June 2020, respectively, and the issued share capital of the Company was correspondingly reduced. The expenses in an aggregate amount of Hong Kong dollar 4.9 million incurred by the Company for such repurchased shares cancelled during the Reporting Period have been included in retained earnings.

The repurchases of shares by the Company during the Reporting Period were affected by the directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules for the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

On 10 July 2020, the Company has obtained the approval from its shareholders for the Shareholders' Resolutions on the Dividend Adjustment Mechanism (as defined below) in relation to the disposal of 70% equity interest in Chongqing Sunshine 100 Real Estate Development Co., Ltd.* (重慶陽光壹佰房地產開發有限公司) ("**Chongqing Sunshine 100**") at the extraordinary general meeting.

On 1 April 2019, Chongqing Sunshine 100, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Sunac South-West Real Estate Development (Group) Co., Ltd.* (融創西南房地產開發(集團)有限公司), Sunshine 100 Real Estate (Liaoning) Co., Ltd.* (陽光一佰置業(遼寧)有限公司) and Yangpu Huadian Properties Co., Ltd.* (洋浦華電置業有限公司), to dispose 70% equity interest in Chongqing Sunshine 100 held by the Company with a total consideration of approximately RMB1,334 million (including the equity transfer consideration of RMB370 million and the shareholder's loan of RMB964 million). According to the Consideration Adjustment Mechanism, the equity transfer consideration may be adjusted based on the adjustment on floor areas of the property development projects set out in the post-adjustment overall development plan ("**Consideration Adjustment Mechanism**").

On 16 March 2020, the parties to the Equity Transfer Agreement entered into the Shareholders' Resolutions to provide for the replacement of the Consideration Adjustment Mechanism with another adjustment mechanism (the "**Dividend Adjustment Mechanism**") through a future dividend distribution plan of Chongqing Sunshine 100. Although the completion took place on 18 April 2019, the equity transfer consideration may be adjusted according to the Dividend Adjustment Mechanism.

Therefore, relevant transactions have been classified as a very substantial disposal after the consideration is adjusted and have obtained the approval from shareholders of the Company on 10 July 2020. For details, please refer to the Company's announcements dated 1 April 2019, 16 March 2020 and 10 July 2020 and the circular dated 18 June 2019.

Save as disclosed above, from 30 June 2020 to the date of this announcement, there were no events after the Reporting Period which have material effect on the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.ss100.com.cn. The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above-mentioned websites in due course.

By Order of the Board of
Sunshine 100 China Holdings Ltd
Yi Xiaodi
Chairman and Executive Director

Beijing, the PRC
24 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yi Xiaodi and Mr. Fan Xiaochong, the non-executive directors of the Company are Ms. Fan Xiaohua and Mr. Wang Gongquan, and the independent non-executive directors of the Company are Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo.

* *For identification purpose only*