



**China Properties Group Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

**Interim Report 2022**

**POWER VISION**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Wang Shih Chang, George (*Chairman*)

Mr. Wong Sai Chung (*Managing Director*)

Mr. Xu Li Chang

### Non-executive Director

Mr. Kwan Kai Cheong

### Independent Non-executive Directors

Mr. Warren Talbot Beckwith

Mr. Luk Koon Hoo

Dr. Garry Alides Willinge

## COMMITTEES

### Audit Committee

Mr. Warren Talbot Beckwith (*Chairman*)

Mr. Luk Koon Hoo

Dr. Garry Alides Willinge

### Remuneration Committee

Dr. Garry Alides Willinge (*Chairman*)

Dr. Wang Shih Chang, George

Mr. Luk Koon Hoo

### Nomination Committee

Dr. Wang Shih Chang, George (*Chairman*)

Mr. Warren Talbot Beckwith

Dr. Garry Alides Willinge (appointed on May 25, 2022)

## AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George

Mr. Wong Sai Chung

## COMPANY SECRETARY

Ms. Yu Ling Ling

## STOCK CODE

1838

## REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House

20 Pedder Street

Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China

Industrial and Commercial Bank of China

Shanghai Pudong Development Bank

## AUDITOR

BDO Limited

*Certified Public Accountants and*

*Registered Public Interest Entity Auditor*

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## COMPANY'S WEBSITE

[www.cpg-group.com](http://www.cpg-group.com)

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### Group Strategies

In response to the exceptionally harsh operating environment, what the Group considers is the actions to be taken for our success instead of the results we will have if we lose.

Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- *High-end and sizable middle-class residential projects*

There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- *Modern and upscale theme shopping street developments*

These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

## BUSINESS ENVIRONMENT

### Overview of the Mainland Property Market

China's GDP in 2022 Q2 saw a slight increase of 0.4% year-on-year ("YOY"), slowing sharply from the 4.8% growth in the first quarter amid the resurgence of COVID-19. Overall, the GDP of China in 2022 H1 was RMB56,264.2 billion.

The residential property market in China continued to decline in 2022 H1 as the investment amount of residential properties decreased by 4.5% YOY according to the National Statistics Bureau. Sales volume of commercial housing dropped by 28.9% YOY to RMB6,607.2 billion in 2022 H1 while sales volume of residential properties fell by 31.8% YOY. In 2022 H1, more than 100 cities have introduced policies to boost the property market, such as loosening the purchase restriction policy, reducing the mortgage interest rate, and reducing the down payment, etc.

The retail property market in China has been negatively affected by the recurrence of the pandemic as well, as seen in the decrease of 0.7% YOY in the total retail sales in 2022 H1, amounting to RMB21,000.0 billion. The average vacancy rate increased to 9.8% and the first floor retail unit rate decreased by 0.8% compared to 2021 Q4.

The office property market in China was negatively influenced by the resurgence of the pandemic as well as major indicators have shown a downward trend. However, the financial and TMT sectors still maintained growth momentum and contributed to over 60% leasing transactions in 2022 H1.

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# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of the Shanghai Property Market

Shanghai's economy was hit by a COVID outbreak and Shanghai's GDP fell by 5.7%, reaching RMB1,934.9 billion.

The residential property market in Shanghai was affected by the outbreak of COVID-19 significantly. The sales volume of first-hand commodity residences declined by 57.7% YOY to 375,000 square meters. However, the average transaction prices grew by 37.9% YOY and was RMB73,300 per square meter.

The retail market was temporarily disturbed by the lockdown in early 2022 but has gradually resumed operations since the control of the pandemic. Retail sales fell by 16.1% YOY in 2022 H1 and vacancy rates increased by 0.9% YOY to 9.8%. First floor rents grew by 0.6% YOY to RMB26.4 per square meter per day.

Affected by the lockdown, vacancy rates of Shanghai office buildings increased by 2.3% quarter-on-quarter ("QOQ") to 14.8%. Net absorption declined by 34% YOY in 2022 Q2.

## Overview of the Chongqing Property Market

Chongqing's economy continued to grow in 2022 H1 as Chongqing's GDP increased by 4.0% YOY to RMB1,351.2 billion.

Sales volume of first-hand commodity houses grew by 2.4% QOQ while the average transaction price decreased by 3.3% QOQ to RMB14,730 per square meter. Further, the Chongqing government has implemented policies to cool the market and stabilize housing prices.

T city, with a superior location and a variety of brands, entered the retail market in 2022 Q2 and is expected to attract continuous flow of consumers. Citywide vacancy rates grew by 2.1% YOY to 16.8% and first floor retail unit rents slightly fell by 0.1% YOY.

According to the Chongqing Statistics Bureau, the tertiary industry grew by 2.8% YOY in 2022 H1. One new project was introduced to the market, adding 2.53 million square meters of new office space. Vacancy rates rose by 0.4% on a monthly basis to 27.3% and the rent of Grade A office decreased to RMB84.6 per square meter per month.

## Outlook of the Mainland Property Market

After reiterating the importance of "Houses are built to be lived in, not for speculation" which was first raised by President Xi in 2017, the determination of suppressing the investment sentiment of housing market by the central government is anticipated to stay unchanged in 2022.

Overall regulation of the residential market is expected to remain unchanged, and the government is expected to continue to improve the long-term mechanism of "stabilizing land prices, housing prices, and expectations", and implement city-specific policies to promote a virtuous and healthy development of the residential market. Under the general requirement of controlling housing prices, the credit environment will be relaxed. Simultaneously, the government is expected to ease the financial pressure on developers by slightly increasing development loans, allowing debt extension, and improving the financing environment for bond issuance.

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## MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, new supply of prime retail properties in China is expected to remain strong. Over 12 million square meters of new supply is expected to enter the market, and the retail market in each city will continue to expand. Among the first-tier cities, new supply in Beijing and Shanghai is expected to exceed one million square meters. Further, new supply is expected to remain high in four cities located in western China, namely Chongqing, Chengdu, Kunming, and Xi'an. Land development in the core area is limited, driving the development of retail market in emerging business districts. In the future, stock renewal and new development will be carried out simultaneously.

Strong demand for national Grade A office properties has improved the confidence of market participants, and ultimately narrowed the rental decline in the Grade A office market. Moving forward, the TMT and finance sectors are expected to remain as the main drivers of office leasing market in 2022.

### FINANCIAL REVIEW

The Group's profit attributable to owners of the Company for the six months ended June 30, 2022 amounted to approximately RMB2,988 million (loss attributable to owners for six months ended June 30, 2021: RMB2,136 million), increased by 240% when compared to the same period of 2021. Basic earnings per share were RMB1.65 (loss per share for six months ended June 30, 2021: RMB1.18).

As at June 30, 2022, the total assets increased to RMB24,035 million from RMB19,328 million as at December 31, 2021. Net assets, the equivalent of shareholders' funds, increased to RMB8,111 million (December 31, 2021: RMB5,123 million). In terms of value per share, net assets value per share is RMB4.48 at the end of the reporting period, as compared to RMB2.83 as at December 31, 2021.

The Group's revenue of RMB107 million (six months ended June 30, 2021: RMB119 million) decreased by 10% when compared with the corresponding period last year, which was mainly due to the decrease in revenue from sales of properties.

The revenue from sales of properties amounted to RMB100 million (six months ended June 30, 2021: RMB113 million), decreased by 11% as compared with the corresponding period last year. The Group sold properties with total gross floor area of approximately 192,000 sq. ft. for the six months ended June 30, 2022 as compared to approximately 277,000 sq. ft. in the corresponding period last year.

Gross profit margin for sales of properties was 56.6% (six months ended June 30, 2021: 28.9%), which was mainly due to increase in sale of residential properties of Chongqing Manhattan City Phase II with higher margin.

Income from property leasing was RMB1.3 million (six months ended June 30, 2021: RMB1.0 million). Property management income was RMB5.5 million (six months ended June 30, 2021: RMB5.1 million).

During the period under review, the Group generated income of RMB5 million, RMB12 million, RMB80 million and RMB3 million from sales of carparks of Shanghai Cannes, residential properties of Chongqing Manhattan City Phase I, residential properties of Chongqing Manhattan City Phase II and residential properties of Chongqing Manhattan City Phase III, respectively.

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# MANAGEMENT DISCUSSION AND ANALYSIS

Contract liabilities decreased to RMB220 million as at June 30, 2022 from RMB301 million as at December 31, 2021. This was primarily due to the recognition of revenue from sale of residential properties of Shanghai Concord City Phase I, Chongqing Manhattan City Phase II and Phase III and carparks of Shanghai Cannes during the period under review.

Other income, gains and losses, net were gain of RMB0.1 million (six months ended June 30, 2021: gain of RMB0.1 million).

Administrative expenses during the six months ended June 30, 2022 were RMB44 million (six months ended June 30, 2021: RMB84 million) which decreased by 47.8%. It was mainly attributable to decrease in legal and professional fee.

Finance costs represent mainly interest expenses and other borrowing costs in relation to other borrowings, effective interest of convertible note and the fixed-rate senior notes. Finance costs of RMB301.7 million (six months ended June 30, 2021: RMB381.1 million) were charged to the profit or loss during the period under review.

The changes in fair value of investment properties were gain of RMB4,625 million (six months ended June 30, 2021: loss of RMB1,987 million). The gain was mainly from the increase in investment properties due to the change in the development plan of Shanghai Cannes and Chongqing International Commerce Centre. The changes in fair value of investment properties in Shanghai experienced an increase of RMB3,841 million (six months ended June 30, 2021: decrease of RMB1,710 million) which was mainly contributed by the project of Shanghai Concord City. The changes in fair value of investment properties in Chongqing experienced an increase of RMB784 million (six months ended June 30, 2021: decrease of RMB395 million) which was mainly contributed by the projects of Chongqing Manhattan City and Chongqing International Commerce Centre.

Income tax expense was RMB1,159 million (six months ended June 30, 2021: income tax credit of RMB494 million). The change from income tax credit to income tax expense was due to the deferred tax credit resulting from the fair value gain of investment properties for the period under review in comparison to the same period last year.

## LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the period, the Group raised net external borrowings totaling of approximately RMB6 million (six months ended June 30, 2021: raised net external borrowing totaling of approximately RMB63 million); on the other hand, the Group also received an advance from a shareholder amounted to RMB24 million (six months ended June 30, 2021: received an advance from a shareholder of RMB38 million) during the period.

At the end of the reporting period, the Group's senior notes, other borrowings and amount due to a shareholder amounted to RMB1,802 million (December 31, 2021: RMB1,600 million), RMB4,310 million (December 31, 2021: RMB4,121 million) and RMB4,234 million (December 31, 2021: RMB4,191 million) respectively, and the Group's total borrowings were RMB10,346 million (December 31, 2021: RMB9,912 million), an increase of RMB434 million when compared to December 31, 2021 and it is repayable within one year.

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# MANAGEMENT DISCUSSION AND ANALYSIS

The gearing ratio of the Group as at June 30, 2022 was 127.2% (December 31, 2021: 192.9%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged/restricted bank deposits) to the shareholders' funds.

There was no material acquisition and disposal of group companies during the period.

## TREASURY POLICIES

At the end of the reporting period, approximately 83% (December 31, 2021: 84%) of the Group's borrowings were maintained in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK\$.

The other borrowings and senior notes are on a fixed-rate basis.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

## CHARGE ON ASSETS

As at June 30, 2022, the Group pledged assets with an aggregate carrying value of RMB19,377 million (December 31, 2021: RMB15,902 million) to secure loan facilities utilized.

## CONTINGENT LIABILITIES

As at June 30, 2022, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB73 million (December 31, 2021: RMB88 million). During the six months ended June 30, 2022, there was no default case.

## Legal disputes

As at June 30, 2022, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business and disputes with some of its lenders as disclosed below. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sale and properties held for sale in an aggregate amount of approximately RMB20,411 million (December 31, 2021: RMB14,889 million) and the withdrawal of bank deposits of approximately RMB0.4 million (December 31, 2021: RMB0.3 million) as at June 30, 2022. In the opinion of the directors of the Company (the "Directors"), the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group.



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# MANAGEMENT DISCUSSION AND ANALYSIS

The management has sought advice from the independent legal advisors or internal legal counsel on these matters. As at June 30, 2022, the Group has provided construction cost liabilities amounting to RMB218 million (December 31, 2021: RMB165 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB165 million (December 31, 2021: RMB176 million) in aggregate in which RMB103 million (December 31, 2021: RMB117 million) in relation to disputes under construction contracts. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere in the condensed consolidated interim financial statements, the Group has the following litigations with some of its lenders:

## **(1) Legal disputes with 平安大華匯通財富管理有限公司 (“PinganDahua”) and its fellow subsidiaries**

- (a) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. (“Shanghai Jingan”) and Shanghai Minhang Concord Property Development Co., Ltd. (“Shanghai Minhang”), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with PinganDahua whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted (the “PinganDahua Entrusted Loan”), originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties had been in negotiations on new repayment arrangements. PinganDahua, without notice to Shanghai Jingan and Shanghai Minhang, made an application to the notary office for an execution certificate at the end of December 2018 and filed an application for enforcement with the High Court of Shanghai.
- (b) On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. (“Chongqing Riverside”), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 (“PinganDecheng”), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the “PinganDecheng Entrusted Loan”) repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People’s Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.
- (c) On January 26, 2016, Chongqing Riverside as borrower entered into an entrusted loan agreement with 深圳市思道科投資有限公司 (“SSI”), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted (the “SSI Entrusted Loan”) to Chongqing Riverside repayable by January 27, 2020. The SSI Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. SSI without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People’s Court on April 16, 2019 against Chongqing

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## MANAGEMENT DISCUSSION AND ANALYSIS

Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the SSI Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.

- (d) Each of PinganDahua, PinganDecheng and SSI has since assigned all its respective rights under the PinganDahua Entrusted Loan, the PinganDecheng Entrusted Loan and the SSI Entrusted Loan to 西藏領達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.\*).
- (e) On June 10, 2021, the Company noted from 公拍網 (Public Auction Platform\*), an online public auction platform established by the Shanghai Trade Association of Auctioneers that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #4 Land Notice") in relation to the proposed auction of a parcel of land (lot #4) (the "Lot #4 Land") owned by Shanghai Jingan with total site area of 19,800 square meters located in the southern portion of Shanghai Concord City Phase II, which was mortgaged as security under the PinganDahua Entrusted Loan (the "Proposed Auction"). The Proposed Auction was scheduled to take place from July 11, 2021 to July 14, 2021. According to the Lot #4 Land Notice, as the Lot #4 Land was determined as idle land by Shanghai Jingan District Planning and Natural Resources Bureau in July 2018, the Lot #4 Land would be auctioned on the basis that it is idle land.
- (f) The Company has sought legal advice and has filed an objection against the listing of the Lot #4 Land on 公拍網 (Public Auction Platform\*) and commenced an administrative proceeding to contest against the Proposed Auction (the "Proceeding").
- (g) On 6 July 2021, the Company was given to understand that the Higher People's Court of Shanghai Municipality (上海市高級人民法院) has notified the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) that the Proposed Auction should not proceed as it is subject to the Proceeding. The Company however noted from the 公拍網 (Public Auction Platform\*) on July 14, 2021 that the Proposed Auction took place as originally scheduled and indicated that the Lot #4 Land had been sold at RMB2,468,390,000, being the starting bid listed for the Proposed Auction. The Company also noted that payment of the balance of the purchase price under the Proposed Auction was scheduled for July, 19 2021 but understands that, before the purchase completes, a new land use right sales contract would need to be entered into.
- (h) The Company had filed an application for the revocation of the sale of the Lot #4 Land through the Proposed Auction with the Shanghai High People's Court (上海市高級人民法院), which upheld the decision of the Shanghai Second Intermediate People's Court (上海市第二中級人民法院).
- (i) Please refer to the Company's announcements dated June 30, 2021, July 16, 2021 and December 30, 2021 for further details.

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# MANAGEMENT DISCUSSION AND ANALYSIS

## **(2) Legal disputes with 陸家嘴國際信託有限公司 (“Lujiazui”)**

On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the “Lujiazui Entrusted Loan Agreement”) with Lujiazui whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018. Shanghai Jingan filed an appeal to The Supreme People’s Court of the People’s Republic of China (最高人民法院) (the “PRC Supreme Court”) against the decision of the High Court of Shanghai on August 7, 2019. The appeal was dismissed by the PRC Supreme Court on December 27, 2019, and Shanghai Jingan was ordered to repay RMB1.24 billion to Lujiazui together with interest and legal costs incurred (the “Lujiazui Entrusted Loan”). Since then, the above parties had been in negotiations on repayment arrangements.

## **(3) Legal disputes with 中建投信託股份有限公司 (“JIC Trust”)**

(a) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the “JIC Trust Entrusted Loan Agreement”) with JIC Trust whereby an entrusted loan in the aggregate amount of RMB1.2 billion (the “JIC Trust Entrusted Loan”) was granted in twelve tranches. The loan tenure for each tranche is 24 months and will be due from October 13, 2019 to December 29, 2019 (the “Loan Term”). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower’s financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million. Since then, the above parties had reached settlement whereby Shanghai Jingan will repay the principal amount of RMB1.2 billion under the JIC Trust Entrusted Loan together with interest and legal costs incurred.

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## MANAGEMENT DISCUSSION AND ANALYSIS

- (b) Whilst the Company was in the process of obtaining a new loan from an independent financial institution for the repayment of the JIC Trust Entrusted Loan, on August 6, 2021, the Company noted from 工行融e購 (ICBC Global E-Trade Service\*), an online trade platform established by the Industrial and Commercial Bank of China that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #3 and Lot #5 Land Notice") in relation to the proposed auction of two parcels of land (together with the constructions constructed thereon) owned by Shanghai Jingan, being a parcel of land (lot #3) (the "Lot #3 Land") and a parcel of land (lot #5) (the "Lot #5 Land"), each located in the northern portion of Shanghai Concord City Phase II with a total site area of 7,838 square meters and 11,208 square meters, respectively, which were mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Auction (JIC Trust)"). The Proposed Auction (JIC Trust) was scheduled to take place from September 15, 2021 to September 18, 2021. According to the Lot #3 and Lot #5 Land Notice, a judicial valuation report (司法鑑定評估報告) on the Lot #3 Land and the Lot #5 Land has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.\*) (the "Judicial Valuation Report") with a total appraised value of RMB1,855,900,500. The Directors are of the view that the Judicial Valuation Report was made based on erred information on the Lot #3 Land and the Lot #5 Land, which substantively undervalued the Lot #3 Land and the Lot #5 Land and hence the Company disagreed with the Judicial Valuation Report.
- (c) On September 18, 2021, the Company noted from the 工行融e購 (ICBC Global E-Trade Service\*) that the Proposed Auction (JIC Trust) took place as originally scheduled and indicated that the Lot #3 Land and the Lot #5 Land had been sold at RMB1,299,140,000, being the starting bid listed for the Proposed Auction (JIC Trust).
- (d) In addition to the Proposed Auction (JIC Trust), the Company further noted from 工行融e購 (ICBC Global E-Trade Service\*) that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Second Notice (JIC Trust)") in relation to the proposed auction of the Huashan Building, a property owned by Shanghai Jingan located at West Nanjing Road, Jiang'an District, Shanghai, the People's Republic of China with gross floor area of 7,340 square meters (the "Huashan Building"), which was mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Second Auction (JIC Trust)"). The Proposed Second Auction (JIC Trust) was scheduled to take place from October 8, 2021 to October 11, 2021. According to the Second Notice (JIC Trust), a judicial valuation report (司法鑑定評估報告) on the Huashan Building has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.\*) (the "Second Judicial Valuation Report") with a total appraised value of RMB419,608,600. The Directors are of the view that the Second Judicial Valuation Report erred in classifying the Huashan Building as a hotel instead of a commercial property, which substantively undervalued the Huashan Building. Accordingly, the Company disagreed with the Second Judicial Valuation Report.
- (e) The Proposed Second Auction (JIC Trust) took place as originally scheduled and the Huashan Building had been sold at RMB335,690,000, being the starting bid listed for the Proposed Second Auction (JIC Trust).
- (f) Please refer to the Company's announcements dated August 16, 2021, September 30, 2021 and December 30, 2021 for further details.

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# MANAGEMENT DISCUSSION AND ANALYSIS

Shanghai Jingan has filed an application for a review (the “Review”) of the application of law and factual errors in the rulings in the judicial process of execution of auctioning (i) the Lot #4 Land through the Proposed Auction; (ii) the Lot #3 Land and the Lot #5 Land through the Proposed Auction (JIC Trust); and (iii) the Huashan Building through the Proposed Second Auction (JIC Trust) (collectively, the “Auctions”), to the PRC Supreme Court. The PRC Supreme Court has conducted the filing and examination for the Review. As at the date of this report, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan. The Company will continue to take all necessary actions to vigorously contest against each of the Auctions.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the period.

## IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE JUNE 30, 2022

Save as disclosed below and the section headed “CONTINGENT LIABILITIES”, to the knowledge of the directors of the Company, there is no other important event affecting the Group since June 30, 2022 and up to the date of this report:

### (a) Winding up petition against the Company

On February 28, 2022, the Company received a petition (the “Petition”) from JIC Trust in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the “High Court”) under Companies Winding-up Proceedings No. 67 of 2022 that the Company may be wound up by the High Court for failing to pay an outstanding debt of Shanghai Jingan, a wholly-owned subsidiary of the Company, which the Company has provided a corporate guarantee, in the sum of HK\$904,433,593.19. The Shanghai Second Intermediate People’s Court (上海市第二中级人民法院) has yet to issue the confirmation for the judgement amount (the “Subject Amount”) as at the date of the Petition. The Petition was scheduled to be heard before the High Court on May 4, 2022 and was subsequently further adjourned to November 28, 2022. The Company is opposing the Petition and will continue to seek legal advice on the matter. Please refer to the Company’s announcements dated March 18, 2022, May 4, 2022, June 1, 2022, July 13, 2022, July 25, 2022 and September 19, 2022 for further details.

As disclosed in the section headed “CONTINGENT LIABILITIES — Legal disputes” above, Shanghai Jingan has filed the Review which the PRC Supreme Court has conducted the filing and examination. As at the date of this report, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan.

Accordingly, the Company believes that the grounds for the Petition and the Subject Amount may be subject to dispute and the Company will continue to take all necessary actions to vigorously contest against each of the Auctions and the Petition.

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## MANAGEMENT DISCUSSION AND ANALYSIS

Further announcement(s) will be published as and when necessary to keep the shareholders and potential investors informed.

### **(b) Suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

- (i) The Company failed to announce its preliminary financial results for the year ended December 31, 2020 which shall have been agreed with the auditor on or before March 31, 2021. Accordingly, pursuant to Rule 13.50 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), trading in the shares of the Company has been suspended since April 1, 2021, and remains suspended as at the date of this report.
- (ii) On May 27, 2021, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange may cancel the Company’s listing under Rule 6.01A of the Listing Rules if the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by September 30, 2022. In such case, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Please refer to the Company’s announcement dated May 31, 2021 for further details.
- (iii) On May 5, 2022, the Company received additional resumption guidance from the Stock Exchange. Please refer to the Company’s announcement dated May 6, 2022 for further details.

### **(c) Default in repayment of the USD226,000,000 15.0% Senior Notes due 2021 by Cheergain Group Limited**

- (i) On October 15, 2018, Cheergain Group Limited (the “Issuer”), a wholly-owned subsidiary of the Company, issued USD226,000,000 15.0% Senior Notes due 2021 (the “15% US\$ Senior Notes”) which were listed on the Official List of The International Stock Exchange.
- (ii) The 15% US\$ Senior Notes have matured on October 15, 2021 (the “Maturity Date”) and delisted from The International Stock Exchange on the Maturity Date. Yet, no payment was made by the Issuer on the Maturity Date and such non-payment constitutes an event of default under the indenture constituting the 15% US\$ Senior Notes.
- (iii) The total amount due under the 15% US\$ Senior Notes comprises the outstanding principal of USD225,600,000 and interest accrued thereon (the “Outstanding Amount”).
- (iv) The Company has been proactively communicating with the holders of the 15% US\$ Senior Notes (the “Noteholders”) and will continue to engage in active dialogue with the Noteholders with a view to keep the Noteholders informed of the actions taken and to be taken by the Company in arranging for settlement of the Outstanding Amount.

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# MANAGEMENT DISCUSSION AND ANALYSIS

## **EMPLOYEES AND REMUNERATION POLICY**

As at June 30, 2022, the Group had approximately 277 employees (June 30, 2021: 352 employees) in Hong Kong and the PRC. There is no significant change in the Group's emolument policies.

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## ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

#### Directors' and Chief Executives' Interests in Securities of the Company

As at June 30, 2022, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Long positions in ordinary shares of HK\$0.1 each of the Company

As at June 30, 2022, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,356,800,000 shares	75.00%	(i)

Note:

- (i) Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.



## ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

### (b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK\$1.00 each	100%	(ii)
	Personal	Hillwealth	1 share of US\$1.00	100%	(iii)

*Notes:*

- (ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).
- (iii) As Hillwealth directly holds approximately 75% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at June 30, 2022, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at June 30, 2022, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

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## ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in “Directors’ and Chief Executives’ Interests in Shares and Underlying Shares and Debentures”, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at June 30, 2022 and as at the date of this report.

### SHARE OPTION SCHEME

The share option scheme which was adopted by the Company on February 5, 2007 had a term of 10 years and had expired on February 5, 2017, and all options which were granted under that scheme had also lapsed.

On June 29, 2017, the Company by ordinary resolution approved the adoption of a new share option scheme with terms in line with the provisions of Chapter 17 of the Listing Rules. No options have yet been granted under such new share option scheme.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

### CORPORATE GOVERNANCE CODE COMPLIANCE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules (the “CG Code”). Throughout the six months ended June 30, 2022 and up to the date of this report, the Group has complied with all code provisions in the CG Code except code provision C.1.8 and D.1.2.

### CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standard of dealings as set out in the Model Code and the Company’s Code of Conduct during the six months ended June 30, 2022.

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## ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

### AUDIT COMMITTEE

The Company has established the Audit Committee and has formulated its written terms of reference in accordance with the provisions set out in the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Warren Talbot Beckwith (Chairman of the Audit Committee), Mr. Luk Koon Hoo and Dr. Garry Alides Willinge. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information and review of the relationship with the external auditor of the Company. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2022.

### REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Dr. Wang Shih Chang, George and two Independent Non-executive Directors, namely Mr. Luk Koon Hoo and Dr. Garry Alides Willinge (Chairman of Remuneration Committee).

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remunerations.

### APPRECIATION

The Directors would like to take this opportunity to express sincere gratitude to all shareholders for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

By Order of the Board  
**CHINA PROPERTIES GROUP LIMITED**  
**Dr. Wang Shih Chang, George**  
*Chairman*

Hong Kong, September 30, 2022

\* For identification purpose only

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	NOTES	Six months ended June 30,	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4 & 5	<b>107,129</b>	119,482
Cost of sales		<b>(50,289)</b>	(85,844)
Gross profit		<b>56,840</b>	33,638
Other income, gains and losses, net	5	<b>142</b>	143
Net exchange (loss)/gain		<b>(50,451)</b>	19,489
Selling expenses		<b>(2,175)</b>	(2,841)
Administrative expenses		<b>(44,194)</b>	(84,660)
Provision for settlement fee and other relevant cost		<b>(136,218)</b>	(228,239)
Finance costs	6	<b>(301,675)</b>	(381,140)
Loss from operation before changes in fair value of investment properties		<b>(477,731)</b>	(643,610)
Changes in fair value of investment properties		<b>4,624,709</b>	(1,986,609)
Profit/(loss) before tax		<b>4,146,978</b>	(2,630,219)
Income tax (expense)/credit	7	<b>(1,159,254)</b>	494,466
Profit/(loss) and total comprehensive income for the period attributable to owners of the Company	8	<b>2,987,724</b>	(2,135,753)
		<b>RMB</b>	RMB
Earnings/(loss) per share			
Basic and diluted	9	<b>1.65</b>	(1.18)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	NOTES	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		134,930	294,345
Investment properties	11	18,607,786	13,819,100
		<b>18,742,716</b>	<b>14,113,445</b>
<b>Current assets</b>			
Properties under development for sale		4,789,781	4,664,017
Properties held for sale		321,752	364,763
Other receivables, deposits and prepayments	12	154,049	157,030
Pledged/restricted bank deposits		24,773	24,750
Bank balances and cash		2,202	4,257
		<b>5,292,557</b>	<b>5,214,817</b>
<b>Current liabilities</b>			
Contract liabilities		219,868	300,942
Construction costs accruals		264,563	194,278
Other payables and accruals		1,581,895	1,444,585
Amount due to a shareholder	17(i)	4,233,923	4,190,663
Lease liabilities		2,439	2,604
Tax payables		208,403	205,546
Borrowings	13	4,309,746	4,120,751
15.0% fixed-rate senior notes	14	1,802,415	1,599,716
		<b>12,623,252</b>	<b>12,059,085</b>
<b>Net current liabilities</b>		<b>(7,330,695)</b>	<b>(6,844,268)</b>
<b>Total assets less current liabilities</b>		<b>11,412,021</b>	<b>7,269,177</b>
<b>Non-current Liabilities</b>			
Lease liabilities		492	1,550
Deferred tax liabilities		3,300,949	2,144,771
		<b>3,301,441</b>	<b>2,146,321</b>
<b>Net assets</b>		<b>8,110,580</b>	<b>5,122,856</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	15	170,173	170,073
Share premium and reserves		7,940,507	4,952,783
<b>Total equity</b>		<b>8,110,580</b>	<b>5,122,856</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Special reserve RMB'000 (Note a)	Other reserve RMB'000 (Note b)	General reserve RMB'000 (Note c)	Shareholder contribution reserve RMB'000 (Note d)	Retained earnings RMB'000	Total RMB'000
At January 1, 2021 (audited)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	17,791,289	22,790,314
Loss and total comprehensive income for the period	—	—	—	—	—	—	—	(2,135,753)	(2,135,753)
At June 30, 2021 (unaudited)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	15,655,536	20,654,561
At January 1, 2022 (audited)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	123,831	5,122,856
Loss and total comprehensive income for the period	—	—	—	—	—	—	—	2,987,724	2,987,724
At June 30, 2022 (unaudited)	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	3,111,555	8,110,580

## Notes:

- Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation (“Corporate Reorganisation”) to rationalise the Group structure prior to the listing of the Company’s share on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- Other reserve arose from the acquisition by Mr. Wong Sai Chung (“Mr. Wong”), the ultimate controlling shareholder of the Company, of the interests in the Company’s subsidiaries owned by other shareholders and the implementation of the Corporation Reorganisation.
- As stipulated by the relevant laws and regulations in the People’s Republic of China (the “PRC”), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.
- Shareholder contribution reserve represents the deemed contribution arising from the loan from a shareholder, Mr. Wong.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(20,636)</b>	49,886
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(319)	(303)
Additions to investment properties	(5,938)	(4,424)
(Increase in)/withdrawal of pledged/restricted bank deposits	(23)	17
Interest received	17	4
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,263)</b>	(4,706)
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	5,520	62,880
Repayment of borrowings	—	(19,847)
Advance from a shareholder	24,483	37,847
Repayment of principal portion of the lease liabilities	(1,378)	(1,513)
Interest paid	(3,781)	(125,747)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>24,844</b>	(46,380)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,055)</b>	(1,200)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>4,257</b>	2,521
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> represented by bank balances and cash	<b>2,202</b>	1,321

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Properties Group Limited (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange. Its parent and ultimate holding company is Hillwealth Holdings Limited (“Hillwealth”), a limited company incorporated in British Virgin Islands. Its ultimate controlling shareholder is Mr. Wong, who is also Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in property development and property investment in the PRC.

The condensed consolidated interim financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The condensed consolidated interim 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 provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2021.

In preparing the condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net gain of RMB2,987,724,000 for the period ended June 30, 2022. As of June 30, 2022, the Group has net current liabilities of RMB7,330,695,000 including construction costs accruals of RMB264,563,000, other payables and accruals of RMB1,581,895,000, amount due to a shareholder of RMB4,233,923,000, borrowings of RMB4,309,746,000 and 15.0% fixed-rate senior notes (the “15% US\$ Senior Notes”) of RMB1,802,415,000 are repayable on demand or due to be repaid within one year from the end of the reporting period.

In addition, the borrowings and 15% US\$ Senior Notes referred to above with the total principal and interest amounting to RMB4,309,746,000 and US\$270,047,000 (equivalent to RMB1,802,415,000), respectively, were overdue pursuant to the borrowing agreements and in default, and did not repay up to the date of the approval of these condensed consolidated interim financial statements while its cash and cash equivalents amounted to RMB2,202,000. These lenders have taken legal action to demand repayment of these borrowings and some of these lenders have exercised their right to sell the pledged assets. The Group also had commitments for future construction contracted but not provided for in the condensed consolidated interim financial statements of approximately RMB1,368,073,000. In addition, a winding-up petition was filed to the court by one of the lenders, 中建投信託股份有限公司 (the “JIC Trust”), against the Company on February 28, 2022.



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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION — continued

The above conditions indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern. Nevertheless, the condensed consolidated interim financial statements have been prepared on the going concern basis because the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from the date of approval of these financial statements, after taking into consideration of the following:

- 1) the Company has been actively negotiating with several financial institutions to obtain new borrowings of RMB3,500,000,000 (the "First Refinancing") to fully settle amounts due (including accrued interest and penalties) to (a) 平安大華匯通財富管理有限公司 and its fellow subsidiaries ("PinganDahua Group"), where PinganDahua Group has assigned all its rights thereunder to 西藏領達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.); and (b) JIC Trust, further details of which are set out in note 18. If the First Refinancing is successful, certain pledged properties located in Shanghai and Chongqing currently pledged as security to these lenders are expected to be released. The carrying value of these properties at June 30, 2022 is approximately RMB11,174,945,000. It is the Group's intention to seek additional borrowings of approximately RMB4,240,000,000 (the "Second Refinancing") from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to the aforementioned pledged properties). The directors believe the Second Refinancing should be sufficient to settle all amounts due (including accrued interest and penalties) under the 15% US\$ Senior Notes (further details of which are set out in note 21), the entrusted loan granted by 陸家嘴國際信託有限公司 ("Lujiazui") (further details of which are set out in note 18) and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital.
- 2) Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") has filed applications to The Supreme People's Court of the People's Republic of China (最高人民法院) (the "PRC Supreme Court") for a review (the "Review") of the application of law and factual errors in the rulings in the judicial process of execution of auctioning (the "Auctions") of (i) a land parcel with total site area of 19,800 square meters located in the southern portion of Shanghai Concord City Phase II ("Lot #4 Land"); (ii) a land parcel with a total site area of 7,838 square meters located in the northern portion of Shanghai Concord City Phase II ("Lot #3 Land"); (iii) a land parcel with a total site area of 11,208 square meters located in the northern portion of Shanghai Concord City Phase II ("Lot #5 Land"); and (iv) a property owned by Shanghai Jingan located at West Nanjing Road, Jing'an District, Shanghai, the People's Republic of China with gross floor area of 7,340 square meters (the "Huashan Building"). The PRC Supreme Court has conducted the filing and examination for the Review. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan, which in turn, may affect the grounds for the winding-up petition filed by JIC Trust against the Company in Hong Kong (the "Petition");
- 3) the Company has been convincing other creditors not to exercise their rights to demand for immediate repayment of borrowings and 15% US\$ Senior Notes;
- 4) a confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of RMB4,233,923,000 until the Group has excess cash to repay; and
- 5) the Group will be able to derive proceeds from the sales of properties held for sale and pre-sale of properties under development for sale of certain projects in Shanghai and Chongqing during the Group's ordinary and usual course of business.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION — continued

The directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements of the Group for the period ended June 30, 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures, Whether the Group will be able to continue as a going concern will depend upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to generate adequate financing and operating cash flows as set out above, including:

- (1) (i) the successful negotiation of the First Refinancing to fully settle amounts due (including accrued interest and penalties) to (a) PinganDahua Group where PinganDahua Group has assigned all its rights thereunder to Tibet Lingdaxin Investment Management Co., Ltd.; and (b) JIC Trust; and (ii) the successful negotiation and obtainment of further borrowings of the Second Refinancing from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to properties which are currently used as collaterals and are expected to be released upon obtaining the First Refinancing) to fully settle amounts due (including accrued interest and penalties) under the 15% US\$ Senior Notes, the entrusted loan granted by Lujiazui and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital;
- (2) the successful dismissal of the Petition;
- (3) successfully convinced the other creditors not to exercise their rights to demand for immediate repayment of borrowings and the 15% US\$ Senior Notes; and
- (4) derivation of proceeds from the sales of properties held for sale and pre-sale of properties under development for sale of certain projects in Shanghai and Chongqing during the Group's ordinary and usual course of business.

Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the condensed consolidated interim financial statements.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA which are relevant to the Group:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the above amendments has had no material impact on the Group's results and financial position.

### Impact of accounting standards to be applied in future periods

There is a new standard and a number of amendments to standards which have been issued by the HKICPA that are effective for periods beginning subsequent to December 31, 2022 (the date of the Group's next annual financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

## 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended December 31, 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 4. SEGMENT INFORMATION

- (a) The Group determines its operating segments based on the reports reviewed by the executive directors, who are the chief operating decision-makers that make strategic decisions about the Group's operations and future directions and objectives. The following is an analysis of the Group's revenue and results by reportable and operating segments:

### For the six months ended June 30, 2022 (unaudited)

	Property development		Property investment		Others RMB'000	Total RMB'000
	Shanghai RMB'000	Chongqing RMB'000	Shanghai RMB'000	Chongqing RMB'000		
Revenue						
External revenue	5,600	94,725	685	664	5,455	107,129
Segment profit/(loss)	110	56,722	3,841,465	784,593	(1,341)	4,681,549
Other income, gains and losses, net						142
Net exchange loss						(50,451)
Finance cost						(301,675)
Unallocated items						(182,587)
Profit before tax						4,146,978

### For the six months ended June 30, 2021 (unaudited)

	Property development		Property investment		Others RMB'000	Total RMB'000
	Shanghai RMB'000	Chongqing RMB'000	Shanghai RMB'000	Chongqing RMB'000		
Revenue						
External revenue	50,311	63,004	344	695	5,128	119,482
Segment profit/(loss)	10,817	21,968	(1,709,672)	(275,897)	(187)	(1,952,971)
Other income, gains and losses, net						143
Net exchange gain						19,489
Finance cost						(381,140)
Unallocated items						(315,740)
Loss before tax						(2,630,219)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 4. SEGMENT INFORMATION — continued

- (b) In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

### Disaggregation of revenue

*For the six months ended June 30, (unaudited)*

	Sales of properties				Property management income		Total	
	Shanghai		Chongqing		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000				
<b>Timing of revenue recognition</b>								
At a point in time	5,600	50,311	94,725	63,004	—	—	100,325	113,315
Transferred over time	—	—	—	—	5,455	5,128	5,455	5,128
	<b>5,600</b>	<b>50,311</b>	<b>94,725</b>	<b>63,004</b>	<b>5,455</b>	<b>5,128</b>	<b>105,780</b>	<b>118,443</b>

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 2. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties without allocation of other income, gains and losses, net, net exchange loss, finance costs, selling expense and administrative expenses including directors' emoluments. This is the measure reported to the Company's CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 5. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Sales of properties	100,325	113,315
Property rental income	1,349	1,039
Property management income	5,455	5,128
	107,129	119,482
Other income, gains and losses, net		
Interest on bank deposits	17	4
Others	125	139
	142	143
Total revenue and other income, gains and losses, net	107,271	119,625

Contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB84,335,320 (six months ended June 30, 2021: RMB83,302,000) of the contract liabilities as of January 1, 2022 were recognised as revenue for the six months ended June 30, 2022.

As at June 30, 2022, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligations under the Group's existing contracts was RMB219,868,000 (December 31, 2021: RMB300,942,000). This amount represents revenue expected to be recognised in the future from acceptance of properties by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 5 to 12 months.

## 6. FINANCE COSTS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on other borrowings	179,415	262,332
Effective interest expense on 15.0% fixed-rate senior notes	122,008	118,378
Interest on lease liabilities	252	430
Total finance costs	301,675	381,140

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
Enterprise Income Tax ("EIT")		
— Provision for the year	—	(156)
Land Appreciation Tax ("LAT")		
— Provision for the year	(3,076)	(2,030)
	(3,076)	(2,186)
Deferred tax:		
Current period	(1,156,178)	496,652
	(1,159,254)	494,466

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both periods.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 8. PROFIT/(LOSS) FOR THE PERIOD

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Directors' emoluments	398	401
Other staff costs		
— salaries and other benefits	13,878	12,748
— contributions to retirement benefits schemes	2,235	1,847
Total staff costs	16,511	14,996
Less: Amount capitalised in investment properties under construction and properties under development for sale	(2,299)	(3,603)
	14,212	11,393
Auditors' remuneration	—	471
Depreciation of property, plant and equipment	3,321	3,703
Less: Amount capitalised in construction in process under property, plant and equipment	(1,458)	(1,554)
	1,863	2,149
Cost of properties sold (included in cost of sales)	43,493	80,529
Gross rental income from investment properties	(1,349)	(1,039)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	—	1
	(1,349)	(1,038)
Provision for settlement fee and other relevant cost incurred in respect of the litigations with certain lenders	136,218	228,239



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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 9. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company for the six months ended June 30, 2022 amounted to RMB2,987,724,000 (six months ended June 30, 2021: loss attributable to owners of the Company RMB2,135,753,000) and the weighted average number of 1,809,077,000 ordinary shares (six months ended June 30, 2021: 1,809,077,000 ordinary shares) in issue during the six months ended June 30, 2022.

### (b) Diluted earnings/(loss) per share

For the six months ended June 30, 2022 and 2021, basic and diluted earnings/(loss) per share are equal as there are no potential dilutive ordinary shares in issue for the both periods.

## 10. DIVIDENDS

No dividend was paid, declared or proposed during the reporting periods. The directors of the Company do not recommend the payment of any dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 11. INVESTMENT PROPERTIES

	<b>June 30, 2022</b>	December 31, 2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
<b>FAIR VALUE</b>		
Completed properties held for rental purpose	<b>2,023,595</b>	2,176,484
Investment properties under construction	<b>16,584,191</b>	11,642,616
Total	<b>18,607,786</b>	13,819,100

The fair values of the Group's investment properties at June 30, 2022 and December 31, 2021 were determined with the assistance of Vincorn Consulting and Appraisal Limited ("Vincorn") in respect of the properties situated in Shanghai and Chongqing, the PRC. Vincorn is an independent qualified professional valuer not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing as at June 30, 2022 determined with the assistance of independent professional valuer were approximately RMB9,448,283,000 (December 31, 2021: RMB5,607,503,000) and RMB9,159,503,000 (December 31, 2021: RMB8,211,597,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the completed properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developers profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. There has been no change in the valuation technique used as compared with 2021.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 11. INVESTMENT PROPERTIES — continued

The Group owns a piece of land situated in Chongqing under the project name “Chongqing International Commerce Centre (“CQ ICC”). This project covers a total expected construction area of 1,400,000 square meters and comprises a mix of residential, office and retail space. During the year ended 31 December 2020, the Chongqing Municipal Bureau of Planning and Natural Resources (“CQ Bureau”) passed a resolution in March 2020 whereby the planned construction area for CQ ICC project was reduced from 1,400,000 square meters to not more than 760,000 square meters. This was in line with the Chongqing Municipality “Two Rivers and Four Riversides governance improvement plan” which sought to limit the height at which developers could build in order to preserve the scenic beauty of the city. The Group did not agree with this resolution and is entitled to claim compensation for this change. In the opinion of the directors, the Group will seek to claim compensation from the CQ Bureau either in the form of cash or additional land use right equal to the difference in value arising from this change. During the year ended December 31, 2021, the Group had determined the fair value of this investment property based on the reduced construction area. The Group applied the same basis in the current interim period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

### For investment properties located in Shanghai

For the six months ended June 30, 2022, in determining the fair values of the investment properties located in Shanghai, Vincorn has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

- a. Gross capitalisation rate is ranging from 3% to 6% (December 31, 2021: ranging from 3% to 6%).
- b. Rental rate per month per square metre is ranging from RMB367 to RMB1,465 (December 31, 2021: ranging from RMB388 to RMB1,544).
- c. Occupancy rate for the investment properties is ranging from 40% to 90% (December 31, 2021: ranging from 40% to 90%).
- d. Expected developer profit is 20% (December 31, 2021: 20%).
- e. Discount rate of retail portion is ranging from 8% to 9% (December 31, 2021: ranging from 8% to 9%) per annum.
- f. Rate of finance cost is 5% (December 31, 2021: 5%).
- g. Annual growth rate of rental income is ranging from 5% to 6% (December 31, 2021: ranging from 5% to 6%).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 11. INVESTMENT PROPERTIES — continued

### For investment properties located in Chongqing

For the six months ended June 30, 2022, in determining the fair values of the investment properties located in Chongqing, Vincorn has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

- i. Gross capitalisation rate is ranging from 7% to 8% (December 31, 2021, ranging from 7% to 8%).
- ii. Rental rate per month per square metre is ranging from RMB221 to RMB818 (December 31, 2021: ranging from RMB229 to RMB852).
- iii. Occupancy rate for the investment properties is ranging from 60% to 85% (December 31, 2021: ranging from 60% to 85%).
- iv. Expected developer profit is ranging from 25% to 30% (December 31, 2021: ranging from 25% to 30%).
- v. Discount rate of retail and office portion is 10% (December 31, 2021: 10%) per annum and 5% (December 31, 2021: 5%) respectively.
- vi. Rate of finance cost is 5% (December 31, 2021: 5%).
- vii. Annual growth rate of rental income is ranging from 5% to 6% (December 31, 2021: ranging from 5% to 6%).

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are received from customers in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Prepayment of business taxes and other PRC taxes	34,542	38,412
Other receivables	25,494	25,788
Deposits	22,062	21,505
Prepayments	71,951	71,325
	<b>154,049</b>	157,030

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 13. BORROWINGS

	Notes	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
PinganDahua Group	18(1)	<b>1,891,235</b>	1,811,306
Lujiazui	18(2)	<b>1,454,608</b>	1,412,370
JIC Trust	18(3)	<b>524,137</b>	500,732
Other borrowings		<b>439,766</b>	396,343
Total borrowings, secured		<b>4,309,746</b>	4,120,751

As at June 30, 2022 and December 31, 2021, entire balances of other borrowings represent fixed-rate borrowings. Based on scheduled repayment dates set out in the loan agreements, entire balances of other borrowings are past due and for which the lenders have demanded repayment and shown under current liabilities.

The weighted average rate of the other borrowings is 10.83% (December 31, 2021: 10.74%) per annum. Other borrowings outstanding as of June 30, 2021 were secured by the following:

- property, plant and equipment with a carrying value of approximately RMB94,879,000 (December 31, 2021: RMB95,129,000);
- investment properties with a value of approximately RMB17,208,371,000 (December 31, 2021: RMB12,914,738,000);
- properties under development for sale with a carrying value of approximately RMB1,881,520,000 (December 31, 2021: RMB2,700,390,000);
- properties held for sale with a carrying value of approximately RMB167,157,000 (December 31, 2021: RMB167,157,000); and
- pledged bank deposits of approximately RMB24,400,000 (December 31, 2021: RMB24,400,000).

As at June 30, 2022, the significant secured fixed rate borrowings from PinganDahua Group, Lujiazui and JIC Trust are denominated in RMB, carrying interests at fixed rates ranging from 7.2% to 13.9% (December 31, 2021: 7.2% to 13.9%) per annum. At June 30, 2022 and December 31, 2021, borrowings of RMB3,869,980,000 and RMB3,724,408,000, respectively were past due and for which the lenders have demanded repayment. Further details are set out in note 18.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 14. 15.0% FIXED-RATE SENIOR NOTES

On October 11, 2018, the Group issued approximately US\$226 million (equivalent to RMB1,550,559,000) principal amount of the 15% US\$ Senior Notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 15.00% per annum. The interest charged for the period is calculated by applying an effective interest rate of approximately 16.72% per annum. Interest on the notes is payable on April 15 and October 15 of each year. The notes matured on October 15, 2021 but the Group was unable to repay the notes and accrued interest, and accordingly was in default. The notes are guaranteed by certain of the Company's subsidiaries and Mr. Wong Sai Chung, the managing director of the Company.

Details of the fixed rate senior notes are set out in the Company's annual report for the year ended December 31, 2021 dated September 30, 2022.

## 15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At January 1, 2021, June 30, 2021, December 31, 2021, January 1, 2022 and June 30, 2022	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2021, June 30, 2021, December 31, 2021, January 1, 2022 and June 30, 2022	1,809,077,000	180,907
Presented in condensed consolidated interim financial statements as:		
At January 1, 2021, June 30, 2021, December 31, 2021, January 1, 2022 and June 30, 2022		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 16. FINANCIAL GUARANTEE CONTRACTS

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties	<b>73,325</b>	87,918

The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as contract liabilities in the condensed consolidated statement of financial position.

## 17. RELATED PARTY TRANSACTIONS

### (i) Amount due to a shareholder

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Group has excess cash.

### (ii) Other transactions

The Group had the following transactions during both periods:

Nature of transactions	<b>Six months ended June 30,</b>	
	<b>2022 RMB'000 (unaudited)</b>	2021 RMB'000 (unaudited)
Office premises expenses	<b>14</b>	13

The tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2020 to July 31, 2023.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 17. RELATED PARTY TRANSACTIONS — continued

### (iii) Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during both periods was as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	398	401

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

## 18. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

### Legal disputes

As at June 30, 2022, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business and disputes with some of its lenders as disclosed below. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sale and properties held for sale in an aggregate amount of approximately RMB20,411 million (December 31, 2021: RMB14,889 million) and the withdrawal of bank deposits of approximately RMB0.4 million (December 31, 2021: RMB0.3 million) as at June 30, 2022. In the opinion of the Directors, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group.

The management has sought advice from the independent legal advisors or internal legal counsel on these matters. As at June 30, 2022, the Group has provided construction cost liabilities amounting to RMB218 million (December 31, 2021: RMB165 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB165 million (December 31, 2021: RMB176 million) in aggregate in which RMB103 million (December 31, 2021: RMB117 million) in relation to disputes under construction contracts. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 18. CONTINGENT LIABILITIES — continued

### Legal disputes — continued

Except for the matters disclosed elsewhere in the condensed consolidated interim financial statements, the Group has the following litigations with some of its lenders:

#### (1) *Legal disputes with PinganDahua Group*

- (a) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. (“Shanghai Jingan”) and Shanghai Minhang Concord Property Development Co., Ltd. (“Shanghai Minhang”), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with PinganDahua whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted (the “PinganDahua Entrusted Loan”), originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties had been in negotiations on new repayment arrangements. PinganDahua, without notice to Shanghai Jingan and Shanghai Minhang, made an application to the notary office for an execution certificate at the end of December 2018 and filed an application for enforcement with the High Court of Shanghai.
- (b) On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. (“Chongqing Riverside”), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 (“PinganDecheng”), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the “PinganDecheng Entrusted Loan”) repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People’s Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.
- (c) On January 26, 2016, Chongqing Riverside as borrower entered into an entrusted loan agreement with 深圳市思道科技投資有限公司 (“SSI”), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted (the “SSI Entrusted Loan”) to Chongqing Riverside repayable by January 27, 2020. The SSI Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. SSI without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People’s Court on April 16, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the SSI Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.
- (d) Each of PinganDahua, PinganDecheng and SSI has since assigned all its respective rights under the PinganDahua Entrusted Loan, the PinganDecheng Entrusted Loan and the SSI Entrusted Loan to 西藏領達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.).

## 18. CONTINGENT LIABILITIES — continued

### Legal disputes — continued

#### (1) *Legal disputes with PinganDahua Group — continued*

- (e) On June 10, 2021, the Company noted from 公拍網 (Public Auction Platform\*), an online public auction platform established by the Shanghai Trade Association of Auctioneers that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #4 Land Notice") in relation to the proposed auction of a parcel of land (lot #4) (the "Lot #4 Land") owned by Shanghai Jingan with total site area of 19,800 square meters located in the southern portion of Shanghai Concord City Phase II, which was mortgaged as security under the PinganDahua Entrusted Loan (the "Proposed Auction"). The Proposed Auction was scheduled to take place from July 11, 2021 to July 14, 2021. According to the Lot #4 Land Notice, as the Lot #4 Land was determined as idle land by Shanghai Jingan District Planning and Natural Resources Bureau in July 2018, the Lot #4 Land would be auctioned on the basis that it is idle land.
- (f) The Company has sought legal advice and has filed an objection against the listing of the Lot #4 Land on 公拍網 (Public Auction Platform\*) and commenced an administrative proceeding to contest against the Proposed Auction (the "Proceeding").
- (g) On 6 July 2021, the Company was given to understand that the Higher People's Court of Shanghai Municipality (上海市高級人民法院) has notified the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) that the Proposed Auction should not proceed as it is subject to the Proceeding. The Company however noted from the 公拍網 (Public Auction Platform\*) on July 14, 2021 that the Proposed Auction took place as originally scheduled and indicated that the Lot #4 Land had been sold at RMB2,468,390,000, being the starting bid listed for the Proposed Auction. The Company also noted that payment of the balance of the purchase price under the Proposed Auction was scheduled for July, 19 2021 but understands that, before the purchase completes, a new land use right sales contract would need to be entered into.
- (h) The Company had filed an application for the revocation of the sale of the Lot #4 Land through the Proposed Auction with the Shanghai High People's Court (上海市高級人民法院), which upheld the decision of the Shanghai Second Intermediate People's Court (上海市第二中級人民法院).
- (i) Please refer to the Company's announcements dated June 30, 2021, July 16, 2021 and December 30, 2021 for further details.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 18. CONTINGENT LIABILITIES — continued

### Legal disputes — continued

#### (2) *Legal disputes with Lujiazui*

On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the “Lujiazui Entrusted Loan Agreement”) with Lujiazui whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018. Shanghai Jingan filed an appeal to The Supreme People’s Court of the People’s Republic of China (最高人民法院) (the “PRC Supreme Court”) against the decision of the High Court of Shanghai on August 7, 2019. The appeal was dismissed by the PRC Supreme Court on December 27, 2019, and Shanghai Jingan was ordered to repay RMB1.24 billion to Lujiazui together with interest and legal costs incurred (the “Lujiazui Entrusted Loan”). Since then, the above parties had been in negotiations on repayment arrangements.

#### (3) *Legal disputes with JIC Trust*

(a) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the “JIC Trust Entrusted Loan Agreement”) with JIC Trust whereby an entrusted loan in the aggregate amount of RMB1.2 billion (the “JIC Trust Entrusted Loan”) was granted in twelve tranches. The loan tenure for each tranche is 24 months and will be due from October 13, 2019 to December 29, 2019 (the “Loan Term”). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower’s financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million. Since then, the above parties had reached settlement whereby Shanghai Jingan will repay the principal amount of RMB1.2 billion under the JIC Trust Entrusted Loan together with interest and legal costs incurred.

## 18. CONTINGENT LIABILITIES — continued

### Legal disputes — continued

#### (3) Legal disputes with JIC Trust — continued

- (b) Whilst the Company was in the process of obtaining a new loan from an independent financial institution for the repayment of the JIC Trust Entrusted Loan, on August 6, 2021, the Company noted from 工行融e購 (ICBC Global E-Trade Service\*), an online trade platform established by the Industrial and Commercial Bank of China that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #3 and Lot #5 Land Notice") in relation to the proposed auction of two parcels of land (together with the constructions constructed thereon) owned by Shanghai Jingan, being a parcel of land (lot #3) (the "Lot #3 Land") and a parcel of land (lot #5) (the "Lot #5 Land"), each located in the northern portion of Shanghai Concord City Phase II with a total site area of 7,838 square meters and 11,208 square meters, respectively, which were mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Auction (JIC Trust)"). The Proposed Auction (JIC Trust) was scheduled to take place from September 15, 2021 to September 18, 2021. According to the Lot #3 and Lot #5 Land Notice, a judicial valuation report (司法鑑定評估報告) on the Lot #3 Land and the Lot #5 Land has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.\*) (the "Judicial Valuation Report") with a total appraised value of RMB1,855,900,500. The Directors are of the view that the Judicial Valuation Report was made based on erred information on the Lot #3 Land and the Lot #5 Land, which substantively undervalued the Lot #3 Land and the Lot #5 Land and hence the Company disagreed with the Judicial Valuation Report.
- (c) On September 18, 2021, the Company noted from the 工行融e購 (ICBC Global E-Trade Service\*) that the Proposed Auction (JIC Trust) took place as originally scheduled and indicated that the Lot #3 Land and the Lot #5 Land had been sold at RMB1,299,140,000, being the starting bid listed for the Proposed Auction (JIC Trust).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 18. CONTINGENT LIABILITIES — continued

### Legal disputes — continued

#### (3) Legal disputes with JIC Trust — continued

- (d) In addition to the Proposed Auction (JIC Trust), the Company further noted from 工行融e購 (ICBC Global E-Trade Service\*) that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Second Notice (JIC Trust)") in relation to the proposed auction of the Huashan Building, a property owned by Shanghai Jingan located at West Nanjing Road, Jiang'an District, Shanghai, the People's Republic of China with gross floor area of 7,340 square meters (the "Huashan Building"), which was mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Second Auction (JIC Trust)"). The Proposed Second Auction (JIC Trust) was scheduled to take place from October 8, 2021 to October 11, 2021. According to the Second Notice (JIC Trust), a judicial valuation report (司法鑑定評估報告) on the Huashan Building has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.\*) (the "Second Judicial Valuation Report") with a total appraised value of RMB419,608,600. The Directors are of the view that the Second Judicial Valuation Report erred in classifying the Huashan Building as a hotel instead of a commercial property, which substantively undervalued the Huashan Building. Accordingly, the Company disagreed with the Second Judicial Valuation Report.
- (e) The Proposed Second Auction (JIC Trust) took place as originally scheduled and the Huashan Building had been sold at RMB335,690,000, being the starting bid listed for the Proposed Second Auction (JIC Trust).
- (f) Please refer to the Company's announcements dated August 16, 2021, September 30, 2021 and December 30, 2021 for further details.

Shanghai Jingan has filed an application for a review (the "Review") of the application of law and factual errors in the rulings in the judicial process of execution of auctioning (i) the Lot #4 Land through the Proposed Auction; (ii) the Lot #3 Land and the Lot #5 Land through the Proposed Auction (JIC Trust); and (iii) the Huashan Building through the Proposed Second Auction (JIC Trust) (collectively, the "Auctions"), to the PRC Supreme Court. The PRC Supreme Court has conducted the filing and examination for the Review. As at the date of these condensed consolidated interim financial statements, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan. The Company will continue to take all necessary actions to vigorously contest against each of the Auctions.

## 19. OTHER COMMITMENTS

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Construction commitment contracted but not provided for	<b>1,368,073</b>	1,524,778

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of financial assets and liabilities that are not measured on a recurring basis

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

## 21. IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE JUNE 30, 2022

Save as disclosed below and in note 18, to the knowledge of the directors of the Company, there is no other important event affecting the Group since June 30, 2022 and up to the date of this report:

### (a) Winding up petition against the Company

On February 28, 2022, the Company received a petition (the "Petition") from JIC Trust in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 67 of 2022 that the Company may be wound up by the High Court for failing to pay an outstanding debt of Shanghai Jingan, a wholly-owned subsidiary of the Company, which the Company has provided a corporate guarantee, in the sum of HK\$904,433,593.19. The Shanghai Second Intermediate People's Court (上海市第二中级人民法院) has yet to issue the confirmation for the judgement amount (the "Subject Amount") as at the date of the Petition. The Petition was scheduled to be heard before the High Court on May 4, 2022 and was subsequently further adjourned to November 28, 2022. The Company is opposing the Petition and will continue to seek legal advice on the matter. Please refer to the Company's announcements dated March 18, 2022, May 4, 2022, June 1, 2022, July 13, 2022, July 25, 2022 and September 19, 2022 for further details.

As disclosed in note 18, Shanghai Jingnan has filed the Review which the PRC Supreme Court has conducted the filing and examination. As at the date of this report, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan.

Accordingly, the Company believes that the grounds for the Petition and the Subject Amount may be subject to dispute and the Company will continue to take all necessary actions to vigorously contest against each of the Auctions and the Petition.

Further announcement(s) will be published as and when necessary to keep the shareholders and potential investors informed.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 21. IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE JUNE 30, 2022 — continued

### (b) Suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

- (i) The Company failed to announce its preliminary financial results for the year ended December 31, 2020 which shall have been agreed with the auditor on or before March 31, 2021. Accordingly, pursuant to Rule 13.50 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), trading in the shares of the Company has been suspended since April 1, 2021, and remains suspended as at the date of this report.
- (ii) On May 27, 2021, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange may cancel the Company’s listing under Rule 6.01A of the Listing Rules if the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by September 30, 2022. In such case, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Please refer to the Company’s announcement dated May 31, 2021 for further details.
- (iii) On May 5, 2022, the Company received additional resumption guidance from the Stock Exchange. Please refer to the Company’s announcement dated May 6, 2022 for further details.

### (c) Default in repayment of the USD226,000,000 15.0% Senior Notes due 2021 by Cheergain Group Limited

- (i) On October 15, 2018, Cheergain Group Limited (the “Issuer”), a wholly-owned subsidiary of the Company, issued USD226,000,000 15.0% Senior Notes due 2021 (the “15% US\$ Senior Notes”) which were listed on the Official List of The International Stock Exchange.
- (ii) The 15% US\$ Senior Notes have matured on October 15, 2021 (the “Maturity Date”) and delisted from The International Stock Exchange on the Maturity Date. Yet, no payment was made by the Issuer on the Maturity Date and such non-payment constitutes an event of default under the indenture constituting the 15% US\$ Senior Notes.
- (iii) The total amount due under the 15% US\$ Senior Notes comprises the outstanding principal of USD225,600,000 and interest accrued thereon (the “Outstanding Amount”).
- (iv) The Company has been proactively communicating with the holders of the 15% US\$ Senior Notes (the “Noteholders”) and will continue to engage in active dialogue with the Noteholders with a view to keep the Noteholders informed of the actions taken and to be taken by the Company in arranging for settlement of the Outstanding Amount.