SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4, 5*	**1,348,592**	7,172,037
Cost of sales	*7*	**(1,030,595)**	(6,360,457)
Gross profit		**317,997**	811,580
Other income and gains/(losses)-net	*6*	**18,213**	(24,038)
Net impairment losses on financial assets		**(102,669)**	(56,963)
Selling and marketing expenses	*7*	**(137,763)**	(196,909)
Administrative expenses	*7*	**(375,339)**	(340,270)
Change in fair value of investment properties		**(12,560)**	1,705
Share of results of an associate		**(18,916)**	(48,498)
Finance costs – net	*8*	**(771,034)**	(805,072)
Loss before income tax		**(1,082,071)**	(658,465)
Income tax credit/(expense)	*9*	**20,673**	(321,711)
Loss for the year		**(1,061,398)**	(980,176)
Loss for the year attributable to:			
– Owners of the Company		**(1,058,026)**	(905,485)
– Non-controlling interests		**(3,372)**	(74,691)
		(1,061,398)	(980,176)
Loss per share			
– Basic	*11*	**HK$(7.11) cents**	HK$(6.09) cents
– Diluted	*11*	**HK$(7.11) cents**	HK$(6.09) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(1,061,398)**	(980,176)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(56,289)**	(258,442)
Release of exchange differences on disposal of subsidiaries	**–**	31,548
Release of exchange differences on disposal of an associate	**–**	(1,335)
	(56,289)	(228,229)
Items that will not be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	8,262
Other comprehensive loss for the year, net of tax	**(56,289)**	(219,967)
Total comprehensive loss for the year	**(1,117,687)**	(1,200,143)
Total comprehensive loss attributable to:		
– Owners of the Company	**(1,104,444)**	(1,125,222)
– Non-controlling interests	**(13,243)**	(74,921)
Total comprehensive loss for the year	**(1,117,687)**	(1,200,143)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,004,676**	595,709
Investment properties		**3,250,502**	3,180,068
Land use rights	*3*	**–**	470,810
Investment in an associate		**–**	18,994
Financial assets at fair value through other comprehensive income		**37,304**	37,984
Amounts due from an associate		**244,797**	246,884
Deferred income tax assets		**3,302**	5,234
Pledged bank deposits	*13*	**549,957**	254,695
Total non-current assets		**5,090,538**	4,810,378
Current assets			
Properties under development and completed properties held-for-sale		**10,982,091**	11,000,960
Inventories		**2,749**	3,218
Contract assets		**18,242**	11,455
Trade, other receivables and prepayments	*12*	**344,136**	664,668
Deposits for properties under development		**1,836**	15,268
Amounts due from an associate		**10,386**	10,575
Financial assets at fair value through profit or loss		**24,049**	13,366
Tax prepayments		**274,003**	215,167
Pledged bank deposits	*13*	**895,094**	879,943
Cash and cash equivalents		**510,151**	843,049
Total current assets		**13,062,737**	13,657,669
Total assets		**18,153,275**	18,468,047
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,722,719**	2,769,137
Accumulated losses		**(1,410,893)**	(352,867)
		1,609,413	2,713,857
Non-controlling interests		**61,143**	74,386
Total equity		**1,670,556**	2,788,243

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	As at 31 December **2019** *HK$'000*	2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings and loans		**3,005,212**	3,828,558
Lease liabilities	*3*	**76,244**	–
Deferred income tax liabilities		**708,867**	749,764
Other payables	*14*	**5,855**	19,326
Total non-current liabilities		**3,796,178**	4,597,648
Current liabilities			
Trade and other payables	*14*	**2,670,050**	3,681,881
Contract liabilities		**4,665,769**	3,279,438
Amounts due to minority owners of subsidiaries		**112,857**	570,966
Borrowings and loans		**4,909,250**	3,140,228
Lease liabilities	*3*	**36,066**	–
Tax payables		**292,549**	409,643
Total current liabilities		**12,686,541**	11,082,156
Total liabilities		**16,482,719**	15,679,804
Total equity and liabilities		**18,153,275**	18,468,047

NOTES TO THE RESULT ANNOUNCEMENT

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza,18 Harbour Road, Wanchai, Hong Kong.

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

The consolidated financial statements are presented in HK dollars ("HK$") and have been approved for issue by the Board of Directors (the "Board") on 26 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets, which are carried at fair value.

2.1 Going concern consideration

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's properties developed for sale; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in the performance of the Group's operations and the possible disposal of certain projects, show that the Group should be able to operate within the level of its current facilities. The directors of the Company are of the view that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, interpretation and annual improvements for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3 below. Most of the other amendments, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and revised conceptual framework not yet adopted

Certain new and amended standards and revised conceptual framework for financial reporting have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards and revised conceptual framework are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements.

As indicated in Note 2.2 (a) above, the Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases of office premises and retail properties (the "leased properties") which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9%. In addition, the land use rights for hotel buildings as owned by the Group also meets the definition of right-of-use assets under HKFRS 16. Accordingly, the land use rights have been reclassified as right-of-use assets and included in property, plant and equipment starting from 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients (if applicable) permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities in connection with leased properties

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**131,175**
Discounted using the lessee's incremental borrowing rate of 9% at the date of initial application and lease liability recognised as at 1 January 2019	**119,032**
Of which are:	
Current lease liabilities	**17,651**
Non-current lease liabilities	**101,381**
	119,032

(iii) Measurement of right-of-use assets in connection with leased properties

Right-of-use assets were initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- property, plant and equipment– increase by HK$477,705,000
- land use rights – decrease by HK$470,810,000
- investment properties – increase by HK$112,137,000
- lease liabilities – increase by HK$119,032,000

The adoption of HKFRS 16 has no impact on the Group's accumulated losses at 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4. SEGMENT REPORTING

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

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

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

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

Segment information is presented below:

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

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**846,060**	6,684,554	**133,982**	159,846	**401,420**	359,411	**1,381,462**	7,203,811
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(32,870)**	(31,774)	**(32,870)**	(31,774)
Reportable segment revenue from external sales *(i)*	**846,060**	6,684,554	**133,982**	159,846	**368,550**	327,637	**1,348,592**	7,172,037
Reportable segment (loss)/profit before income tax	**(340,285)**	152,354	**(15,136)**	(20,731)	**97,397**	77,481	**(258,024)**	209,104
Other information (items included in determining the reportable segment (loss)/profit):								
Bank interest income	**3,454**	10,774	**29**	54	**1,380**	926	**4,863**	11,754
Depreciation of property, plant and equipment (including land use rights)	**9,648**	3,102	**44,196**	29,709	**989**	1,150	**54,833**	33,961
Amortisation of land use rights	**–**	–	**–**	21,351	**–**	–	**–**	21,351
Change in fair value of investment properties	**–**	–	**–**	–	**(12,560)**	1,705	**(12,560)**	1,705
Share of results of an associate	**–**	–	**(18,916)**	(48,498)	**–**	–	**(18,916)**	(48,498)
Loss on sale of property, plant and equipment	**(3)**	(1,132)	**(185)**	(83)	**–**	–	**(188)**	(1,215)
Gain on disposal of subsidiaries	**–**	17,363	**–**	–	**–**	–	**–**	17,363
Reportable segment assets	**11,964,388**	12,618,389	**986,956**	992,017	**3,726,213**	3,654,002	**16,677,557**	17,264,408
Amounts included in the measure of segment assets:								
Additions to non–current assets *(ii)*	**6,808**	45,781	**455**	539	**25,130**	5,041	**32,393**	51,361
Investment in an associate	**–**	–	**–**	18,994	**–**	–	**–**	18,994
Reportable segment liabilities	**13,221,327**	12,595,202	**64,454**	85,299	**773,197**	606,129	**14,058,978**	13,286,630

(i) For the year ended 31 December 2019, revenue from sales of properties of HK$648,328,000 (2018: HK$6,215,306,000) was recognised at a point in time and the remaining HK$197,732,000 (2018: HK$469,248,000) was recognised over time. The revenue from hotel operations, management and agency services of HK$329,661,000 (2018: HK$318,061,000) were recognised over time. Rental income of HK$172,871,000 (2018: HK$169,422,000) was recognised on a straight-line basis over the term of respective leases.

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

(b) ***Reconciliation of reportable segment (loss)/profit before income tax, assets and liabilities***

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Reportable segment (loss)/profit before income tax	**(258,024)**	209,104
Unallocated bank interest income	**75**	108
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**–**	3,555
Finance costs	**(771,034)**	(805,072)
Unallocated head office and corporate expenses	**(53,088)**	(66,160)
Loss before income tax	**(1,082,071)**	(658,465)

	As at 31 December	
Assets	**2019**	2018
	HK$'000	*HK$'000*
Reportable segment assets	**16,677,557**	17,264,408
Pledged bank deposits	**1,445,051**	1,134,638
Head office and corporate assets	**30,667**	69,001
Total assets	**18,153,275**	18,468,047

	As at 31 December	
Liabilities	**2019**	2018
	HK$'000	*HK$'000*
Reportable segment liabilities	**14,058,978**	13,286,630
Unallocated borrowings and loans	**2,110,019**	2,250,272
Unallocated head office and corporate liabilities	**313,722**	142,902
Total liabilities	**16,482,719**	15,679,804

(c) ***Geographical information***

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's revenue and non-current assets (other than financial instruments and deferred tax assets) are also located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2019 and 2018.

5 REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Sales of properties	**846,060**	6,684,554
Hotel operations	**133,982**	159,846
Properties rental, management and agency income	**368,550**	327,637
	1,348,592	7,172,037

6. OTHER INCOME AND GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**4,938**	11,862
Gains on early termination of lease agreement	**3,349**	2,674
Rental income	**2,847**	6,770
Government grants	**1,920**	498
Gain on disposal of subsidiaries	**–**	17,363
Loss on settlement of arbitration	**–**	(62,858)
Gain on disposal of an associate	**–**	3,739
Dividend income from financial assets at FVOCI	**–**	3,555
(Losses)/gains on disposal of property, plant and equipment	**(188)**	(1,215)
Others	**5,347**	(6,426)
Total	**18,213**	(24,038)

7. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Cost of properties sold	**803,286**	5,983,546
Cost of rendering property management service and others	**182,691**	207,224
Tax and levies	**44,618**	99,675
Impairment of properties under development and completed properties held-for-sale	**–**	70,012
Employee benefit expense	**237,223**	200,451
Auditors' remuneration:		
– Audit services	**2,880**	2,880
– Non-audit services	**300**	300
Consulting and service expenses	**53,272**	50,198
Depreciation and amortisation charge	**54,833**	55,312
Advertising costs	**63,973**	102,136
Leasing expenses	**4,896**	9,155
Maintenance and consumption expenses for hotel operations	**55,527**	76,713
Other expenses	**40,198**	40,034
Total	**1,543,697**	6,897,636

8. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest expense:		
– Bank borrowings	**243,362**	361,100
– Other borrowings	**643,802**	681,347
Interest and finance changes paid/payable for lease liabilities	**11,603**	–
	898,767	1,042,447
Less: amounts capitalised in properties under development at a capitalisation rate of 8.0% (2018: 6.7%) per annum	**(127,733)**	(237,375)
Finance costs – net	**771,034**	805,072

9. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
– PRC enterprise income tax	**8,399**	250,883
– PRC land appreciation tax ("LAT")	**(7,368)**	205,491
Deferred income tax credit	**(21,704)**	(134,663)
Income tax (credit)/expenses	**(20,673)**	321,711

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2019 and 2018.

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2018: 25%) during the year ended 31 December 2019.

LAT

LAT is levied 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 costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

10. DIVIDENDS

No dividend was proposed for the years ended 31 December 2019 and 2018.

11. LOSS PER SHARE

Basic loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company	**(1,058,026)**	(905,485)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	*HK$ cents*
Basic loss per share	**(7.11)**	(6.09)

Diluted loss per share

Since there was no dilutive ordinary shares during the years ended 31 December 2019 and 2018, diluted loss per share is equal to basic loss per share.

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**47,453**	43,871
Less: provision for loss allowance	**(851)**	(424)
Trade receivables-net (a)	**46,602**	43,447
Other receivables	**310,255**	317,406
Deposits	**17,274**	16,123
	327,529	333,529
Less: provision for loss allowance (b)	**(131,354)**	(50,881)
Other receivables-net	**196,175**	282,648
Prepayments for turnover tax	**101,359**	338,573
	344,136	664,668

As at 31 December 2019 and 2018, the majority of the Group's trade, other receivables and prepayments are dominated in RMB.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

(a) The aging analysis of trade receivables based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**41,210**	40,347
More than 3 months but less than 12 months	**782**	935
More than 12 months	**4,610**	2,165
	46,602	43,447

Movements on the provision for loss allowance on trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**(424)**	–
Provision for the year	**(428)**	(424)
Exchange differences	**1**	–
At 31 December	**(851)**	(424)

(b) Movements on the provision for loss allowance on other receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**(50,881)**	(48,026)
Provision for the year	**(84,862)**	(2,855)
Exchange differences	**4,389**	–
At 31 December	**(131,354)**	(50,881)

13. PLEDGED BANK DEPOSITS

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current portion	**895,094**	879,943
Non-current portion	**549,957**	254,695
	1,445,051	1,134,638

Certain pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (2018: 0.35% to 1.00%) per annum.

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,672,034**	2,240,884
Other payables and accruals	**1,003,871**	1,460,323
	2,675,905	3,701,207
Less: non – current portions	**(5,855)**	(19,326)
	2,670,050	3,681,881

The aging analysis of trade payables based on date of when the construction costs payable have been vertified with the contractors is as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**1,426,855**	1,896,445
More than 3 months but less than 12 months	**11,299**	3,360
More than 12 months	**150,278**	201,985
	1,588,432	2,101,790
Retention money	**83,602**	139,094
	1,672,034	2,240,884

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

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2019 as set out above in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "**Directors**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$1,348,592,000, representing a significant decrease of HK$5,823,445,000 as compared with approximately HK$7,172,037,000 for 2018. The significant decrease in turnover was mainly due to the fact that the key projects of the Group, being the third phase of the "Nanjing Himalayas Center" and the second phase of Riverside Mansion（濱江閱公館）of "Riverside Thumb Plaza" in Nanjing, are still in the stage of pre-sale, and it is expected that they could be delivered to buyers and the turnover shall be recognised in 2020. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of service apartments, commercial units, office buildings and hotels of the first and second phases of Nanjing Himalayas Center

- revenue recognition of the apartments and commercial units of the first and second phases of Riverside Thumb Plaza in Nanjing

- revenue recognition of residential properties in Nantong, Xizhen and Haimen

- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$1,058,026,000 as compared to the loss of approximately HK$905,485,000 for the year ended 31 December 2018. Basic loss per share of the Company (the "**Share**") was HK$7.11 cents (basic loss per Share for 2018: HK$6.09 cents). The Group recorded an increase in loss for the year, which was attributable to a substantial decline in turnover and gross profit during the year.

BUSINESS REVIEW

During the year under review, with the development and operation for multiple types of properties including residential, office buildings, art hotels, art galleries, and complexes, Shanghai Zendai has risen as a comprehensive urban developer with commercial real estate as its core business. Relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management, Shanghai Zendai has developed its domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major cities nationwide.

During the year, projects in the first and second tier cities, such as the "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing remained the major sales, and thus the important drivers for the Group's future turnover growth. Following the Nanjing Himalayas Center project of Nanjing Zendai being honored as the "Benchmarking Project for the Commercial Property Sector of China in 2018" and being ranked among the TOP10 Commercial Property Developers of China for 2018 in terms of brand value, the Nanjing Himalayas Center project won yet another award. In the one-year MAD X exhibition launched in Center Pompidou in 2019, the Nanjing Himalayas architectural model was collected by Center Pompidou as a permanent collection. The shopping mall is tentatively scheduled to bloom gorgeously in the end of the year, when it will open a new era for art shopping malls in Nanjing. In Shanghai, the Group, leveraging its solid strength established over years of operation, kept on exploring new development opportunities.

The Group intends to dispose the "Zendai Garden-Riverside Town" project in Haimen by way of a public tender, a further step to realise the development strategy of gradually stripping off its business from the non-core developing areas. While actively seeking for any opportunity that can enable it to strip off its projects from these cities, and operating under such an asset-light business strategy, the Group is capable of concentrating resources and efforts in extensively exploring development potential in Nanjing, Shanghai and other major cities, and continually deploying and planning for quality and industry benchmarking commercial and residential property projects.

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "**Plaza**") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2019, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 31 December 2019, more than 94% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB67,773,000 (equivalent to approximately HK$76,875,000).

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the "Grand Mercure" brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four storey ancillary building and one level of basement. During the year under review, the average occupancy rate of the hotel was 78%, and total income amounted to approximately RMB67,717,000 (equivalent to approximately HK$76,811,000).

Shanghai Himalayas Center

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

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 74%, with a total revenue of approximately RMB217,514,000 (equivalent to approximately HK$246,726,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded "Best Business Hotel of 2019" by Meituan Hotel, Expedia group – Best Customer Engagement and Tripadvisor – Certificate of Excellence 2019. Shang-High Cuisine Restaurant was awarded as Ctrip Gourmet List Selected Restaurant in 2019 by Ctrip and as an one-star restaurant by Michelin Guide Shanghai. During the year under review, an average of approximately 71% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB71,647,000 (equivalent to approximately HK$81,269,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres, including 20,394 square metres of service apartments, 3,437 square metres of commercial space, 71,084 square metres of office building, 19,558 square metres of hotel and 68,185 square metres of underground car-parking space. The first phase, with a total saleable area of 132,380 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space, 70,283 square metres of office building, 13,964 square metres of car-parking space and 24,532 square metres of hotel, commenced pre-sale in April 2015. A total amount of RMB58,862,000 (equivalent to approximately HK$66,767,000) was recognised as turnover during the year. The Group had signed a contract for sale of the hotel portion with a total contract value[#] of RMB364,640,000 (equivalent to approximately HK$413,612,000) and RMB347,276,000 (equivalent to approximately HK$393,916,000) was recognised as turnover. As at 31 December 2019, the majority of the first phase of the project had been sold. Cumulative areas of 20,164 square metres, 3,317 square metres, 67,826 square metres, 3,485 square metres and 24,532 square metres of service apartments, commercial space, office building, car-parking space and hotel had been sold respectively, generating a total contract value of RMB340,574,000 (equivalent to approximately HK$386,314,000), RMB129,031,000 (equivalent to approximately HK$146,360,000), RMB1,206,564,000 (equivalent to approximately HK$1,368,607,000), RMB26,431,000 (equivalent to approximately HK$29,981,000) and RMB364,640,000 (equivalent to approximately HK$413,612,000) respectively.

[#] *Value added tax is included in the total contract value*

The second phase of the project, covering a gross floor area of approximately 208,488 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 53,967 square metres of service apartments, 17,968 square metres of commercial space, 53,136 square metres of office building and 83,417 square metres of underground car-parking space. The second phase of the project commenced pre-sale in July 2016, with a total saleable area of 144,860 square metres, including 52,677 square metres of service apartments, 16,648 square metres of commercial space, 50,199 square metres of office building and 25,336 square metres of underground car-parking space. During the year under review, total contracted areas of service apartments, office building and underground car-parking space of 546 square metres, 623 square metres and 2,653 square metres were sold respectively, generating a total contract value of RMB9,462,000 (equivalent to approximately HK$10,733,000), RMB10,022,000 (equivalent to approximately HK$11,368,000) and RMB23,203,000 (equivalent approximately HK$26,319,000) respectively. During the year, the delivered areas of service apartments, commercial space and office building were 2,098 square metres, 1,259 square metres and 2,498 square metres respectively, with a total contract value of RMB37,441,000 (equivalent to approximately HK$42,469,000), RMB36,543,000 (equivalent to approximately HK$41,451,000) and RMB39,454,000 (equivalent to approximately HK$44,753,000) respectively. During the year, a total amount of RMB108,009,000 (equivalent to approximately HK$122,515,000) was recognised as turnover. As at 31 December 2019, the majority of the second phase of the project had been sold. As at 31 December 2019, the cumulative areas of 52,583 square metres, 16,577 square metres, 50,199 square metres and 2,653 square metres of service apartments, commercial space, office building and underground car parking space had been sold respectively, generating a total contract value of RMB1,004,258,000 (equivalent to approximately HK$1,139,131,000), RMB615,754,000 (equivalent to approximately HK$698,451,000), RMB885,366,000 (equivalent to approximately HK$1,004,272,000) and RMB23,203,000 (equivalent to approximately HK$26,319,000) respectively.

The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. The third phase of the project commenced pre-sale in the first half of 2018, with a total saleable area of 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the year under review, total contracted areas of service apartments and office building of 2,285 square metres and 25,026 square metres were sold, respectively, generating a total contract value of RMB50,838,000 (equivalent to approximately HK$57,666,000) and RMB479,235,000 (equivalent to approximately HK$543,597,000), respectively. A total amount of RMB81,981,000 (equivalent to approximately HK$92,991,000) was recognised as turnover during the year. As at 31 December 2019, the cumulative areas of 14,188 square metres and 35,732 square metres of service apartments and office building had been sold respectively, generating a total contract value of RMB349,711,000 (equivalent to approximately HK$396,678,000)and RMB688,029,000 (equivalent to approximately HK$780,432,000) respectively. The third phase of the project is expected to be delivered in the second half of 2020.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 85,487 square metres, comprising 77,374 square metres of apartments, 3,786 square metres of commercial space and 4,327 square metres of underground car parking space. As at 31 December 2019, cumulative areas of 77,374 square metres, 2,978 square metres and 3,027 square metres of apartments, commercial space and undergoing car-parking space had been sold respectively, generating a total contract value of RMB1,927,083,000 (equivalent to approximately HK$2,185,893,000), RMB134,110,000 (equivalent to approximately HK$152,121,000) and RMB47,901,000 (equivalent to approximately HK$54,334,000) respectively. The majority of the project has been sold. During the year, a total amount of RMB1,190,000 (equivalent to approximately HK$1,350,000) was recognised as turnover.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments, commercial space and office building with a gross floor area of approximately 163,184 square metres, including 134,627 square metres of apartments, 7,042 square metres of commercial space and 21,515 square metres of office building. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 160,307 square metres, including 132,965 square metres of apartments, 6,745 square metres of commercial space and 20,597 square metres of office building. During the year under review, the total contracted areas of commercial space and office building of 808 square metres and 8,615 square metres were sold respectively, generating a total contract value of RMB35,617,000 (equivalent to approximately HK$40,400,000) and RMB164,044,000 (equivalent to approximately HK$186,075,000). As at 31 December 2019, cumulative areas of 132,890 square metres, 3,876 square metres and 18,187 square metres of apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB4,209,906,000 (equivalent to approximately HK$4,775,302,000), RMB215,106,000 (equivalent to approximately HK$243,995,000) and RMB342,436,000 (equivalent to approximately HK$388,426,000) respectively. During the year, the delivered areas of apartments and commercial space were 123 square metres and 41 square metres respectively, with a total contract value of RMB3,276,000 (equivalent to approximately HK$3,716,000) and RMB2,861,000 (equivalent to approximately HK$3,245,000). During the year, a total amount of RMB54,146,000 (equivalent to approximately HK$61,418,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale started in October 2019. During the year under review, the total contracted area of apartment of 34,465 square metres was sold, generating a total contract value of RMB1,293,854,000 (equivalent to approximately HK$1,467,620,000). The project is expected to be delivered in early 2022.

The Fourth Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into office building and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office building and 23,094 square metres of commercial space. Construction of the project commenced in January 2019 and the pre-sale is planned to start in the fourth quarter of 2020.

Other Cities

Qingdao Zendai Thumb Plaza

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

As at 31 December 2019, a cumulative area of 63,203 square metres had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,051,438,000).

As at 31 December 2019, around 86% of the commercial space (with a leasable area of 46,127 square metres) was leased, with a rental income of RMB34,191,000 (equivalent to approximately HK$38,783,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 76%, with a total income of RMB50,402,000 (equivalent to approximately HK$57,171,000).

Zendai Nantong Yicheng Thumb Plaza

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

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 97% has been leased as at 31 December 2019, with a rental income of RMB5,619,000 (equivalent to approximately HK$6,374,000) during the year.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which have been sold. As at 31 December 2019, a total cumulative contracted area of 71,585 square metres (including 41,065 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total contract value of RMB848,522,000 (equivalent to approximately HK$962,480,000). During the year under review, an area of 1,356 squares metres (including 485 square metres of multi-storey apartments and 871 square metres of detached villas) was delivered with a total contract value of RMB27,942,000 (equivalent to approximately HK$31,695,000). During the year, a total amount of RMB27,540,000 (equivalent to approximately HK$31,239,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 257 square metres of residential properties and 2,968 square metres of commercial space were sold during the year under review, generating a total contract value of RMB7,250,000 (equivalent to approximately HK$8,224,000) and RMB52,160,000 (equivalent to approximately HK$59,165,000) respectively. As at 31 December 2019, a cumulative area of 33,563 square metres of residential properties and 6,695 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK$650,870,000) and RMB101,316,000 (equivalent to approximately HK$114,923,000) respectively.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2019, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Zendai Xizhen Thumb Plaza

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

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. As at 31 December 2019, the total cumulative residential and commercial areas of 23,084 square metres and 22,527 square metres had been sold respectively, generating a total contract value of RMB442,587,000 (equivalent to approximately HK$502,027,000) and RMB469,705,000 (equivalent to approximately HK$532,787,000) respectively. Residential properties with areas of 568 square metres and commercial space with areas of 1,105 square metres were delivered respectively during the year with a total contract value of RMB13,015,000 (equivalent to approximately HK$14,763,000) and RMB20,135,000 (equivalent to approximately HK$22,839,000). During the year, a total amount of RMB31,840,000 (equivalent to approximately HK$36,116,000) was recognised as turnover.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected respectively. The portion of the resort hotel had been sold and delivered in April 2018. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 31 December 2019, a cumulative area of resort villas of 34,829 square metres had been sold, generating a total contract value of RMB568,915,000 (equivalent to approximately HK$645,321,000).

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

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

“Multiflora Garden”, the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2019, an area of 293 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2019, a total cumulative area of 78,375 square metres had been sold, generating a total contract value of RMB464,499,000 (equivalent to approximately HK$526,882,000). During the year, an area of 3,245 square metres was delivered with a total contract value of RMB23,582,000 (equivalent to approximately HK$26,749,000). During the year, a total amount of RMB23,403,000 (equivalent to approximately HK$26,546,000) was recognised as turnover.

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

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2019, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK$261,395,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2019, a cumulative area of 79,780 square metres was sold, generating a total contract value of RMB359,490,000 (equivalent to approximately HK$407,770,000). During the year, an area of 765 square metres involving a contract value of RMB3,451,000 (equivalent to approximately HK$3,914,000) was delivered. During the year, a total amount of RMB3,370,000 (equivalent to approximately HK$3,823,000) was recognised as turnover.

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

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres.

A Parcel of Land in Yantai Development Zone

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

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The regulatory principle of "keeping land price, housing price and expectations at a stable level" in 2019 began to take effects in the second half, with the market witnessing an overall stability. However, it is inevitable that cities will take on differentiated development, and there is a noticeable trend that property enterprises are withdrawing their businesses to the first and second tier cities.

At the beginning of 2020, affected by the new coronavirus epidemic, measures of controlling the population movements and postponing the time for work resumption have been taken up to fight the epidemic in China. At present, the epidemic has been basically controlled in China. It is expected that the epidemic may have a short-term impact on China's overall economy and real estate market. As the situation of epidemic prevention and control improves, China's economy will return to normal operation.

Looking forward, the Group will continue to adhere to the development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", concentrate on studies on market trends and demands, and optimize and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The Group will actively capture market trends and further develop core strategic areas such as Shanghai and Nanjing to fully explore local market demands. Centering on Shanghai and Nanjing, the Group will steadily expand across the country and launch new development projects constantly. In addition, the Group will steadily improve the quality of property management services, replicate the Group's experience through an asset-light model, strive to seek opportunities for business strategic cooperation with third-party developers, and provide business management output services to expand its business.

The Group has always adhered to the differentiated brand strategy of "Architecture • Art • Life" while maintaining development. The Group not only provides cities with high quality living spaces, but also strives to build excellent products which can meet the spiritual, cultural and aesthetic requirements of consumers. We pursue humanist spirits, focus on social values and give all our property projects their respective individualized elements and cultural connotation. As for future commercial property trends, the Group will actively make use of existing technologies to meet the demands of consumers, make continuous and deep innovations and implement strategies such as attracting specific groups with themed projects to meet the demands of consumers at a higher spiritual level, thus rewarding its shareholders and the society.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group continued to record loss for the year ended 31 December 2019 due primarily to the small amount of turnover and gross profit which were insufficient to cover the expenses and costs.

As the key projects of the Group, being the third phase of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion（濱江閱公館）of "Riverside Thumb Plaza" in Nanjing are expected to be delivered to buyers and the turnover be recognised in 2020, the operating performance of the Group will be improved when the delivery of such projects are recognised.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2019, the Group had a healthy financial position with net assets value of approximately HK$1,671 million (31 December 2018: approximately HK$2,788 million). Net current assets amounted to approximately HK$376 million (31 December 2018: approximately HK$2,576 million) with current ratio decreasing from 1.23 times at 31 December 2018 to approximately 1.03 times at 31 December 2019. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2019, the Group had consolidated borrowings and loans of approximately HK$7,914 million, of which HK$4,909 million was repayable within one year and HK$3,005 million was repayable more than one year. As at 31 December 2019, borrowings of the amount of HK$6,391 million (31 December 2018: HK$5,904 million) bear interest at fixed interest rates ranging from 4.77% to 18.15% per annum (31 December 2018: ranging from 5.0% to 18.15% per annum). As at 31 December 2019, the Group's bank balances and cash including pledged bank deposits were approximately HK$1,955 million (31 December 2018: HK$1,978 million). The gearing ratio of the Group increased from 2.05 times at 31 December 2018 to 3.84 times at 31 December 2019 (basis: net debts, which is defined as total amounts of borrowings and loans, amounts due to minority owners of subsidiaries and lease liabilities less cash and cash equivalents and pledged bank deposits, divided by equity attributable to owners of the Company).

Segment Information

Sales of properties

The turnover of this segment for the year was approximately HK$846,060,000 (2018: HK$6,684,554,000). The decrease was primarily due to the substantial decrease in the areas of the property delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$368,550,000 (2018: HK$327,637,000). The increase was due to the increase in the areas of chargeable properties as a result of commencement of management of "Nanjing Himalayas Center" and the first and second phases of "Riverside Thumb Plaza" by the Group since the end of last year.

Hotel Operations

The turnover of this segment for the year was HK$133,982,000 (2018: HK$159,846,000). The decrease was due to the decrease in the total number of operable hotel rooms as a result of renovation of certain hotel rooms.

Foreign Currency and Interest Rates Exposures and Hedging

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2019 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 31 December 2019 were mainly denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and restricted bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Employees

As at 31 December 2019, the Group employed approximately 955 employees (2018: 1,202 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this announcement, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

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

As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this announcement, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2019 is:

(a) The Group will dispose the entire equity interest in Haimen Zendai Binjiang Real Estate Co., Ltd.* （海門証大濱江置業有限公司）and the outstanding shareholder loans owed to the subsidiaries of the Company ("**Proposed Disposal**") by public tender through Shanghai United Asset and Equity Exchange. The minimum bidding price for the Proposed Disposal is RMB1,582.9 million (equivalent to approximately HK$1,770.6 million). The Consideration, i.e. the final consideration for the Proposed Disposal, will depend on the final bid price offered by the successful bidder, but in any event will be no less than the minimum bidding price. Further details of the transaction are set out in the announcements of the Company dated 3 February 2020 and 13 February 2020.

(b) Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

    The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

- The development of the COVID-19 outbreak and the gradual recovery of the macroeconomic environment may have impact on the timing of the full resumption of Group's property construction works or the launch of Group's pre-sale of properties. All of these possible uncertainties may affect the Group's revenue or cash flows from property sales.

- The Group's rental and management fee income in 2020 could possibly be affected by the temporary waivers of rentals and property management fees offered to tenants, tenant's requests in adjustments of existing lease contract terms if any.

- The Group's revenue from hotel operations may also be affected due to the recent drop in international travelers and inter-cities travelers in China.

- The Group applies the fair value model to measure its investment properties and the carrying amounts of the investment properties are determined based on the condition as of 31 December 2019. In 2020, the fair value of the Group's investment properties may be subject to fluctuation due to the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of the announcement.

The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2019	2018
	HK$'000	*HK$'000*
Property, plant and equipment	**951,732**	541,688
Land use rights	**–**	454,452
Investment properties	**2,178,353**	2,680,346
Properties under development and completed properties held-for-sale	**2,476,444**	4,483,740
Pledged bank deposits	**1,444,812**	568,335
	7,051,341	8,728,561

As at 31 December 2019, certain equity shares of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group provided guarantees to the extent of approximately HK$596,772,000 (2018: HK$988,658,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the CG Code during the year.

The Company's annual results for the year ended 31 December 2019 has been reviewed by the audit committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaiproperty.com). The 2019 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board
Shanghai Zendai Property Limited
Mr. Wang Letian
Chairman

Hong Kong, 26 March 2020

As at the date of this announcement, the executive Directors are Mr. Wang Letian, Mr. Qin Renzhong, Mr. Zhang Huagang and Mr. Tang Jian. The non-executive Directors are Ms. Wang Zheng, Mr. Gong Ping and Ms. Jiang Zhengyan. The independent non-executive Directors are Mr. Chow Alexander Yue Nong, Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng.

* *For identification purpose only*