SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*6*	**195,177**	430,793
Cost of sales		**(103,521)**	(284,752)
Gross profit		**91,656**	146,041
Other income, gains and expenses		**1,894**	5,947
Net impairment losses on financial assets		**(4,825)**	–
Selling and marketing expenses		**(31,231)**	(32,522)
Administrative expenses		**(95,220)**	(137,486)
Gain on disposal of an investment property		**570**	91,605
Change in fair value of investment properties		**–**	13,566
Finance costs		**(458,344)**	(434,676)
Loss before income tax		**(495,500)**	(347,525)
Income tax credit/(expense)	*7*	**26,234**	(6,176)
Loss for the period		**(469,266)**	(353,701)
Loss for the period attributable to:			
– Owners of the Company		**(469,246)**	(342,133)
– Non-controlling interests		**(20)**	(11,568)
		(469,266)	(353,701)
Loss per share			
– Basic	*9*	**HK$(3.15) cents**	HK$(2.30)cents
– Diluted	*9*	**HK$(3.15) cents**	HK$(2.30)cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Loss for the period	**(469,266)**	(353,701)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**98,009**	57,163
Other comprehensive income for the period, net of tax	**98,009**	57,163
Total comprehensive loss for the period	**(371,257)**	(296,538)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	**(361,284)**	(285,875)
– Non-controlling interests	**(9,973)**	(10,663)
	(371,257)	(296,538)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited As at 30 June 2022** *HK$'000*	Audited As at 31 December 2021 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**672,475**	754,109
Investment properties		**3,172,704**	5,380,718
Financial assets at fair value through other comprehensive income		**23,261**	24,331
Amount due from an associate		**–**	–
Properties under development		**777,168**	812,246
Pledged bank deposits	*11*	**–**	12,231
Total non-current assets		**4,645,608**	6,983,635
Current assets			
Properties under development and completed properties held-for-sale		**250,425**	5,465,290
Inventories		**1,517**	2,365
Trade and other receivables and prepayments	*10*	**212,805**	283,874
Amount due from an associate		**–**	–
Deposits for properties under development		**3,170**	4,952
Financial assets at fair value through profit or loss		**8,621**	21,572
Tax prepayments		**12,288**	235,813
Pledged bank deposits	*11*	**123,955**	221,148
Cash and bank balances		**174,202**	315,349
Total current assets		**786,983**	6,550,363
Assets of Disposal Group classified as held-for-sale	*14*	**7,678,438**	–
Assets classified as held-for-sale		**3,185**	3,547
Total assets		**13,114,214**	13,537,545

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	**Unaudited As at 30 June 2022** *HK$'000*	Audited As at 31 December 2021 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,423,776**	2,315,814
Accumulated losses		**(5,101,335)**	(4,632,089)
		(2,379,972)	(2,018,688)
Non-controlling interests		**216,379**	226,352
Total deficit		**(2,163,593)**	(1,792,336)
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**313,287**	648,789
Lease liabilities		**56,035**	67,053
Deferred income tax liabilities		**327,651**	592,818
Total non-current liabilities		**696,973**	1,308,660
Current liabilities			
Trade and other payables	*12*	**904,718**	4,671,068
Contract liabilities		**15,347**	2,138,909
Amounts due to minority owners of subsidiaries		**117,374**	122,770
Borrowings	*13*	**1,930,994**	6,327,694
Lease liabilities		**34,600**	31,492
Tax payables		**102,920**	729,288
Total current liabilities		**3,105,953**	14,021,221
Liabilities of Disposal Group classified as held-for-sale	*14*	**11,474,881**	–
Total liabilities		**15,277,807**	15,329,881
Total equity and liabilities		**13,114,214**	13,537,545

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") is a public limited company incorporated in Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, 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**").

This interim condensed consolidated financial information is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 25 August 2022 by the Board of Directors (the "**Board**").

This interim condensed consolidated financial information has not been audited but has been reviewed by the audit committee of the Board (the "**Audit Committee**") of the Company.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), and any public announcements made by the Company during the interim reporting period.

2.1 Going concern basis

The Group reported a net loss of HK$469 million during the period ended 30 June 2022. As at 30 June 2022, the Group's total deficit attributable to owners of the Company amounted to HK$2,164 million and its current liabilities (including liabilities of Disposal Group classified as held-for-sale) exceeded its current assets (including assets of Disposal Group classified as held-for-sale) by HK$6,112 million. At the same date, the Group's total borrowings (including borrowings of Disposal Group classified as held-for-sale) amounted to HK$6,762 million (including the current portion of HK$5,846 million). Except for the borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of HK$3,004 million and related interest payable of HK$1,215 million which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$9,782 million together with fixed deposits amounting to HK$124 million. As at 30 June 2022, the Group had total cash and bank balances of HK$174 million.

During the period ended 30 June 2022, the Group was unable to repay borrowings and interest payables from several financial institutions according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$4,997 million (the "**Defaulted Borrowings**") and related interest payables of HK$1,446 million. The Defaulted Borrowings and related interest payables included borrowings from the Shareholder and Associated Parties of HK$3,004 million and interest payables of HK$1,215 million since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Shareholder and Associated Parties on 31 December 2020. Such non-repayments are collectively referred to as the "**Default Events**". As a result, the entire outstanding principal and interest payables of these borrowings of HK$6,443 million would be immediately repayable if requested by the financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of HK$1,557 million, all with original contractual repayment dates after 30 June 2023, were classified as current liabilities as at 30 June 2022.

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$660 million and related interest payables of HK$8 million as at 30 June 2022. These amounts, including borrowings of HK$471 million with original contractual repayment dates beyond 30 June 2022, were classified under current liabilities as at 30 June 2022 as they are due upon demand if requested by the respective lenders.

On 7 June 2022, the Company, Power Rider Enterprises Corp., ("**Power Rider**") as purchaser and Myway Developments Limited ("**Myway**") as disposal target entered into an agreement (the "**Disposal Agreement**"), pursuant to which the Company conditionally agree to dispose the entire issued share capital of Myway to Power Rider at cash consideration of RMB225 million (equivalent to approximately HK$263.1 million) (the "**Disposal**"). The Disposal was approved at the special general meeting held on 21 July 2022. Completion of the Disposal (the "**Completion**") is pending for the satisfaction (or waiver) of all the remaining conditions of the Disposal Agreement.

Upon the Completion, Myway and its subsidiaries (the "**Disposal Group**") shall cease to be subsidiaries of the Company. The Group expects an improvement of liquidity as a result of the Disposal, which is mainly attributed to the derecognition of liabilities of the Disposal Group of HK$11,474 million as at 30 June 2022 (including Defaulted Borrowings, interest and surcharge payable totaling HK$5,912 million).

Other than the Defaulted Borrowing ("**Nanjing Defaulted Borrowing**") of an indirectly-owned subsidiary of the Group, 南京立方置業有限公司 ("**Nanjing Lifang**") for which an enforcement order (the "**Nanjing Lifang Court Order**") was received in January 2022 (details of the Nanjing Defaulted Borrowings were disclosed in the note 2.1 to the consolidated financial statements of the Company's Annual Report for the year ended 31 December 2021), another indirectly wholly-owned subsidiary of the Group, 青島証大大拇指商業發展有限公司 ("**Qingdao Zendai Thumb**") as borrower and certain other subsidiaries of the Group received an enforcement order (the "**Qingdao Zendai Thumb Court Order**") issued by the Intermediate People's Court of Lanzhou (the "**Court**") in May 2022 with respect one of the Defaulted Borrowings of Qingdao Zendai Thumb ("**Qingdao Zendai Thumb Defaulted Borrowing**") with outstanding principal of RMB596 million (equivalent to approximately HK$697 million), and interest and surcharge payable of RMB173 million (equivalent to approximately HK$203 million) as at 30 June 2022 with the same financial institution (the "**Financial Institution**"). According to the Qingdao Zendai Thumb Court Order:

(a) Bank deposits of Qingdao Zendai Thumb and Nanjing Lifang be frozen and allocated to settle the Qingdao Zendai Thumb Defaulted Borrowing;

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

(b) The Financial Institution has right of priority to claim for proceeds from any discounted disposal or auction or sale of pledged properties by Qingdao Zendai Thumb;

(c) The Financial Institution shall have right of priority to claim for to the proceeds from 60% equity interest of a subsidiary, Hainan Huayi Real Estate Co., Ltd.(海南華意置業有限公司), that was pledged by another subsidiary of the Group;

(d) Shanghai Zendai Real Estate Co., Ltd.(上海証大置業有限公司)as guarantor ("**Guarantor**"), shall be jointly and severally liable for the Qingdao Zendai Thumb Defaulted Borrowing; and

(e) The Court shall be entitled to seal, seize, auction, sell the equivalent assets of Qingdao Zendai Thumb, Nanjing Lifang and the Guarantor if the balances of bank deposits of Qingdao Zendai Thumb and Nanjing Lifang are insufficient to settle the outstanding sum of the Qingdao Zendai Thumb Defaulted Borrowing.

Up to the approval date of these interim condensed consolidated financial statements, no settlement plans have been reached by the Group with the Financial Institution despite the Group's continuous effort in negotiating with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and the Qingdao Zendai Thumb Defaulted Borrowing.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, the management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by the management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group will continue its ongoing efforts to convince the Lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and Qingdao Zendai Thumb Defaulted Borrowing so as to withdraw these court orders;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

The Directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections prepared by the management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 30 June 2022. The Directors are of the opinion that, taking into account the abovementioned plans and measures and the impact arising from the debt alleviation upon the completion of the Disposal, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 30 June 2022 and consolidated financial performance of the Group for the period then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by the management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these interim condensed consolidated financial statements.

3 ACCOUNTING POLICIES

The accounting policies applied in this interim condensed consolidated financial information are consistent with those of the Group's annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

Amended standards adopted by the Group

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2022 and adopted by the Group for the first time in this interim condensed consolidated financial information:

- Reference to the Conceptual Framework – Amendments to HKFRS 3
- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16
- Property, Plant and Equipment – Proceeds before Intended Use – Amendment to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRSs 2018-2020 – Amendments to HKFRSs

The adoption of the abovementioned amended standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

New and amended standards and annual improvements issued but not yet applied by the Group

Certain new and amended standards and annual improvements have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, 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 consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

There have been no significant changes in the risk management policies since the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Liquidity risk

Since the last annual financial report, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables (excluding prepayments)
- Pledged bank deposits
- Cash and cash equivalents
- Amount due from an associate
- Borrowings
- Trade and other payables, excluding tax payables
- Amounts due to minority owners of subsidiaries
- Lease liabilities

5.4 Fair value estimation

Since the last annual financial report, there was no material change on the judgements and estimates made by the Group in determining the fair values of the financial instruments and investment properties.

6 SEGMENT INFORMATION

The 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) properties rental, management and agency services; and (iii) hotel operations.

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

Total segment assets mainly exclude 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 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 interim condensed consolidated income statement.

The following table presents financial information regarding the Group's operating segments for the six months ended 30 June 2022 and 2021 respectively.

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited			
	Sales of properties *HK$'000*	**Properties rental, management and agency services** *HK$'000*	**Hotel operations** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2022 (Unaudited)				
Total segment revenue (i)	**14,507**	**137,723**	**44,181**	**196,411**
Inter-segment revenue	**–**	**(1,234)**	**–**	**(1,234)**
Revenue from external customers	**14,507**	**136,489**	**44,181**	**195,177**
Loss before income tax	**(39,834)**	**(1,270)**	**(1,668)**	**(42,772)**
Six months ended 30 June 2021 (Unaudited)				
Total segment revenue (i)	204,260	179,619	47,313	431,192
Inter-segment revenue	–	(399)	–	(399)
Revenue from external customers	204,260	179,220	47,313	430,793
(Loss)/profit before income tax	(17,699)	107,927	7,986	98,214

(i) For the six month period ended 30 June 2022, revenue of sales of properties of HK$14,507,000 (six month ended 30 June 2021: HK$204,260,000) was recognised at a point in time. The revenue from hotel operations, properties management and agency services of HK$107,576,000 (six month ended 30 June 2021: HK$133,004,000) were recognised over time. Rental income of HK$73,094,000 (six month ended 30 June 2021: HK$93,529,000) was recognised on a straight-line basis over the term of respective leases.

6 SEGMENT INFORMATION (CONTINUED)

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

	Sales of properties *HK$'000*	Properties rental, management and agency services *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
As at 30 June 2022 (Unaudited)				
Total segment assets	**8,748,568**	**3,398,646**	**709,624**	**12,856,838**
Total segment assets include: Additions to non-current assets (i)	**4,367**	**693**	**6**	**5,066**
Total segment liabilities	**10,482,346**	**805,529**	**87,939**	**11,375,814**
As at 31 December 2021 (Audited)				
Total segment assets	7,667,431	4,768,974	848,249	13,284,654
Total segment assets include: Additions to non-current assets (i)	6,194	9,682	3,401	19,277
Total segment liabilities	10,656,798	900,535	101,078	11,658,411

(i) Amounts comprise additions to investment properties and property, plant and equipment.

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

	Unaudited	
	Six months ended 30 June	
	2022 *HK$'000*	2021 *HK$'000*
(Loss)/profit before income tax for reportable segment	**(42,772)**	98,214
Finance costs	**(458,344)**	(434,676)
Unallocated head office and corporate incomes/(expenses)	**5,616**	(11,063)
Loss before income tax	**(495,500)**	(347,525)

6 SEGMENT INFORMATION (CONTINUED)

(c) Reconciliation of reportable segment assets and liabilities

	Unaudited As at 30 June 2022	Audited As at 31 December 2021
	HK$'000	*HK$'000*
Reportable segment assets	**12,856,838**	13,284,654
Pledged bank deposits	**123,955**	233,379
Unallocated head office and corporate assets	**133,421**	19,512
Total assets	**13,114,214**	13,537,545
Reportable segment liabilities	**11,375,814**	11,658,411
Unallocated borrowings	**2,489,545**	2,636,994
Unallocated head office and corporate liabilities	**1,412,448**	1,034,476
Total liabilities	**15,277,807**	15,329,881

7 INCOME TAX (CREDIT)/EXPENSE

Majority of the group entities are subjected to the PRC Enterprise Income Tax ("**EIT**"), which has been provided for based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the six months ended 30 June 2022 and 2021. Other group entities are subject to rates of taxation prevailing in the countries in which the respective group entities operate.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2022 and 2021.

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current income tax:		
– PRC EIT	**360**	481
– PRC LAT	**(26,594)**	5,695
Income tax (credit)/expense	**(26,234)**	6,176

8 DIVIDEND

No dividend was proposed for the six months ended 30 June 2022 and 2021.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the period attributable to owners of the Company of HK$469,246,000 (six months ended 30 June 2021: HK$342,133,000) and weighted average number of 14,879,352,000 (six months ended 30 June 2021: 14,879,352,000) ordinary shares in issue during the period.

Since there was no dilutive ordinary shares during the six months ended 30 June 2022 and 2021, diluted loss per share is equal to basic loss per share.

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	Unaudited As at 30 June 2022 *HK$'000*	Audited As at 31 December 2021 *HK$'000*
Within 3 months	**62,820**	55,781
More than 3 months but less than 12 months	**1,933**	2,954
More than 12 months	**12,257**	9,940
	77,010	68,675

11 PLEDGED BANK DEPOSITS

Certain pledged bank deposits represent deposits pledged to banks to secure certain borrowings granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (At 31 December 2021: ranging from 0.30% to 2.00%) per annum.

12 TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$298,755,000 (At 31 December 2021: HK$2,204,313,000). The aging analysis of trade payables based on date of services/goods received at the end of the reporting period is as follows:

	Unaudited As at 30 June 2022 *HK$'000*	Audited As at 31 December 2021 *HK$'000*
Within 3 months	**89,979**	1,355,542
More than 3 months but less than 12 months	**291**	193,338
More than 12 months	**155,488**	599,999
	245,758	2,148,879
Retention money	**52,997**	55,434
	298,755	2,204,313

13 BORROWINGS

	Unaudited As at 30 June 2022 *HK$'000*	Audited As at 31 December 2021 *HK$'000*
Secured or guaranteed		
Bank borrowings	**1,764,855**	1,733,568
Borrowings from other financial institutions (Note b)	**4,997,127**	5,242,915
	6,761,982	6,976,483
Less: bank and other borrowings included in liabilities of Disposal Group classified as held-for-sale (Note 14)	**(4,517,701)**	–
	2,244,281	6,976,483
Less: amounts repayable within one year included in current liabilities (Note c)	**(1,930,994)**	(6,327,694)
Total non-current borrowings	**313,287**	648,789

At the end of the reporting period, the borrowings were repayable as follows:

	Unaudited As at 30 June 2022 *HK$'000*	Audited As at 31 December 2021 *HK$'000*
Within one year	**5,846,490**	6,327,694
More than one year, but not exceeding two years	**41,675**	55,271
More than two years, but not exceeding five years	**168,664**	176,419
After five years	**705,153**	417,099
Total borrowings	**6,761,982**	6,976,483

Movements in borrowings (including those under liabilities of Disposal Group classified as held-for-sale) are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022 ***HK$'000***	2021 *HK$'000*
At the beginning of the period	**6,976,483**	7,035,915
Proceeds of new borrowings	**395,553**	82,605
Repayments of borrowings	**(300,424)**	(240,766)
Exchange differences	**(309,630)**	42,364
At the end of the period	**6,761,982**	6,920,118

13 BORROWINGS (CONTINUED)

(a) As at 30 June 2022, the Group's borrowings bear an average interest rate of 10.48% (At 30 June 2021: 10.74%) per annum.

(b) As at 30 June 2022, these balances included borrowings from the Shareholder and Associated Parties of RMB2,569,357,000 (equivalent to approximately HK$3,004,393,000) which are unsecured. Pursuant to the Debt Restructuring Agreement signed on 31 December 2020, the Company's largest shareholder and its ultimate holding company as well as certain related individuals (collectively the "**Guarantors**") have provided guarantees to the Shareholder and Associated Parties in respect of the restructured borrowings and the Guarantors have the right to agree or decline the rights of the Shareholder and the Associated Parties to demand immediate payment of the restructured borrowings if any cross-default of these borrowings occurs due to the defaults of any other borrowings of the Group. The Guarantors have confirmed that they will not offer consent to the lenders of the restructured borrowings to enforce such rights. The Company and certain subsidiaries of the Group have also provided counter indemnity to the Guarantors for a portion of the restructured borrowings with principal amounts of RMB832,000,000 (equivalent to approximately HK$972,872,000).

(c) As at 30 June 2022, the current borrowings included (i) the Defaulted Borrowings and the Cross-Defaulted Borrowings of RMB4,273,493,000 (equivalent to approximately HK$4,997,127,000) and of RMB564,450,000 (equivalent to approximately HK$660,029,000) respectively; and (ii) the other borrowings (which are not yet overdue or defaulted but with contractual repayment dates prior to 30 June 2023) of RMB161,917,000 (equivalent to approximately HK$189,334,000).

14 DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 21 July 2022, the Directors of the Company resolved to dispose the entire issued share capital of Myway, a direct wholly-owned subsidiary of the Company (together with its subsidiaries are collectively referred to as the "**Disposal Group**") which carried out property investment business in PRC to Power Rider. Pursuant to the Disposal Agreement, the Company conditionally agree to dispose the entire issued share of Myway. The Directors expect it is highly probable that the assets and liabilities attributable to the business will be sold within twelve months and classified them as Disposal Group held-for-sale and accordingly, assets and liabilities of Disposal Group classified as held-for-sale are presented separately in the interim condensed consolidated statement of financial position.

The major classes of assets and liabilities of Disposal Group classified as held for sale are as follows:

	Unaudited As at 30 June 2022 *HK$'000*
Property, plant and equipment	**34,840**
Investment properties	**1,973,538**
Properties under development and completed properties held-for-sale	**4,978,520**
Inventories	**720**
Trade and other receivables and prepayments	**444,037**
Deposits for properties under development	**10,393**
Financial assets at fair value through profit or loss	**14,617**
Tax prepayments	**207,720**
Cash and bank balances	**14,053**
Total assets of Disposal Group classified as held-for-sale	**7,678,438**

14 DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

	Unaudited As at 30 June 2022 ***HK$'000***
Trade and other payables	**4,111,304**
Contract liabilities	**2,031,663**
Borrowings	**4,517,701**
Lease liabilities	**651**
Tax payables	**572,378**
Deferred income tax liabilities	**241,184**
Total liabilities of Disposal Group classified as held for sale	**11,474,881**

15 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 30 June 2022 and 31 December 2021:

	Unaudited As at 30 June 2022 ***HK$'000***	Audited As at 31 December 2021 *HK$'000*
Guarantees in respect of mortgage facilities for certain purchasers	**255,621**	982,559

As at 30 June 2022 and 31 December 2021, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received as included in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The board of directors of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby presents the interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2022 (the "**Period**" or "**Period under Review**").

During the Period under Review, the Group recorded a revenue of approximately HK$195,177,000, representing a decrease of HK$235,616,000 as compared with a revenue of approximately HK$430,793,000 for the same period in 2021. As most of the Group's projects are at their closing stages and the rest of lands were still under planning, the property sale revenue was significantly decreased. The revenue of the Group for the Period was mainly attributed to property rental and management service and hotel operations.

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$469,246,000, representing an increase of approximately 37% as compared with the same period last year (loss of approximately HK$342,133,000 for the same period last year). Basic loss per share of the Company (the "**Share**") was HK$3.15 cents (basic loss per Share of HK$2.3 cents for the same period last year). During the Period under Review, the Group recorded an increase in loss, mainly attributable to significant decrease in the turnover and gross profit and significant decrease in gains on disposal of investment property for the Period under Review as compared with that for the same period last year.

Business Review

Shanghai Zendai developed a domestic business presence with Shanghai as the centre and the Yangtze River Delta as the core sector, radiating nationwide by relying on its complete construction, operation and management capabilities and the independent teams responsible for planning and development, investment promotion programming, operation and property management.

With the development and operation for multiple types of properties including residential, office buildings and complexes, Shanghai Zendai is committed to providing cities with a better living space and high-quality commercial operation services. Shanghai Zendai has developed a product series with the core brands of Himalayas Center, Thumb Plaza and Mandarin Palace, and has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

During the Period under Review, area deliverable to purchasers decreased since property development projects of the Group were all at their closing stages, and revenue from hotel, property rental and management service became the main source of revenue, resulting in significant decrease in the total revenue of the Group.

In the first half of 2022, China's economy was under heavy downward pressure amid the severe external environment for the economic operation. Given that the sales of commercial properties across China decreased sharply and the cumulative year-on-year growth in property development investment was negative for the first time, the country implemented the policy of "stabilising the property sector" as an important part of "stabilising the economy". Local governments continuously introduced optimisation and relief measures in the principle of the city-specific policies, bringing the real estate industry into a cycle of loose policy climate. However, there were still sporadic outbreaks of the COVID-19 epidemic across the country in the first half of the year. In particular, the rebound of the COVID-19 epidemic in Shanghai in the second quarter caused a temporary halt to local office and business activities in Shanghai, and even the consequential negative impact went to the Yangtze River Delta region, as a result of which property development, commercial operation and hotel management business carried on by the Group in the region were all influenced to some extent. Since June, market activities have gradually resumed as the current round of epidemic has been brought under control. Under the current challenging operating environment and in consideration of the Group's actual financial position, in early June 2022, the Group entered into an agreement with a subsidiary of China Orient Asset Management Co. Ltd. ("**COAMC**"), a substantial shareholder of the Company, to sell all property development projects of the Group in Nanjing and Haimen in order to improve its liquidity and reduce its debts.

On the basis of continuous optimisation of its capital structure, the Group actively responded to internal and external challenges by improving project operations, enhancing the efficiency of asset operations, and strengthening cash flow management, thus achieving stable progress in and good operation of various projects. At the same time, the Group focused on tapping development potential of the core cities in the Yangtze River Delta and other economically active regions, and continued to focus on quality project opportunities, in line with its city-centric strategy. Details of the development of each business segment are set out below:

Property Development Projects

Nanjing "Himalayas Center"

Nanjing Himalayas Center was designed by Ma Yansong, who is a world-renowned architect. It is another humanistic and artistic peak created by the Group following Shanghai Himalayas Center. The project comprises five business modes including experience-based shopping malls, intercontinental hotels, commercial buildings, hotel apartments and commercial complex 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. As at 30 June 2022, the majority of the first and second phase projects have been sold, and the pre-sale of the third phase project started in the first half of 2018.

		During the Period under Review			Cumulative amount		
Item	**Saleable area**	**Sold area**	**Contract value**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first phase of the Nanjing "Himalayas Center"	132,380	254	4,299	5,190	120,181	2,077,883	2,508,309
The second phase of the Nanjing "Himalayas Center"	144,847	93	1,844	2,226	123,246	2,543,129	3,069,929
The third phase of the Nanjing "Himalayas Center"	69,441	171	1,315	1,587	69,305	1,362,954	1,645,285
Total	**346,668**	**518**	**7,458**	**9,003**	**312,732**	**5,983,966**	**7,223,522**

"Riverside Thumb Plaza" in Nanjing

"Riverside Thumb Plaza" in Nanjing is the flagship complex of Gulou Riverside CBD built by the Group based on in-depth exploration of the characteristics of Nanjing and Riverside CBD. The project comprises apartments, office buildings and commercial space. The project is being developed in four phases.

The first phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC, with a site area of approximately 13,220 square metres and a total saleable area of 85,487 square metres. The majority of the project had been sold.

The second phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, with a site area of approximately 26,318 square metres and a total saleable area of 166,395 square metres, the majority of which had been sold.

The third phase of the project is located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, 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 buildings, commercial space and apartments. Construction of the project has been commenced in June 2018 and the pre-sale started in October 2019.

		During the Period under Review			Cumulative amount		
Item	**Saleable area**	**Sold area**	**Contract value**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first phase of "Riverside Thumb Plaza" in Nanjing	85,487	14	195	235	84,197	2,123,736	2,563,660
The second phase of "Riverside Thumb Plaza" in Nanjing	166,395	–	–	–	164,289	4,936,793	5,959,431
The third phase of "Riverside Thumb Plaza" in Nanjing	126,995	–	–	–	43,567	1,636,440	1,975,423
Total	**378,877**	**14**	**195**	**235**	**292,053**	**8,696,969**	**10,498,514**

The fourth phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing. The land with a site area of approximately 15,234 square metres is planned to be developed into office buildings and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office buildings and 23,094 square metres of commercial space. The construction of the project has been commenced in January 2019.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land, with 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 a total of 52 detached villas which were all sold. Phase II of the "Dong Zhou Mansion" is planned to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres. The construction of the project has been commenced in February 2014 but has been suspended due to changes in market conditions in the early stage.

"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. Phase III has a saleable area of approximately 91,817 square metres, and is still on sale.

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

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 and is still on sale.

Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed in two phases into high-rise, small high-rise residential properties and ancillary commercial space with a saleable area of approximately 273,780 square metres. The first phase offers a saleable area of 81,360 square metres and is still on sale. The second phase offers a saleable area of 192,420 square metres.

Phase III, 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.

Phase IV, "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.

In addition, the project has yet to develop residential land covering a site area of 370,664 square metres and a gross floor area of 638,460 square metres, and 7,998 square metres of educational land, 31,266 square metres of medical land, 18,067 square metres of commercial land, and 6,933 square metres of hotel land.

		During the Period under Review					Cumulative amount		
Item	**Saleable area**	**Sold area**	**Contract value**		**Transfer of operating revenue**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first parcel of land	231,251	768	5,057	6,105	5,064	6,113	87,247	526,544	635,616
The second parcel of land	329,949	657	4,348	5,248	6,954	8,394	134,549	613,219	740,245
Total	**561,200**	**1,425**	**9,405**	**11,353**	**12,018**	**14,507**	**221,796**	**1,139,763**	**1,375,861**

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. For details of relevant operation please refer to the "Operations of Commercial Properties and Hotels Business" section of this announcement.

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 has been sold.

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 (including 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 (including an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started to sale in September 2016.

			Cumulative amount	
Items	**Saleable area**	**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The second phase of Nantong Yicheng Thumb Plaza	74,528	71,585	848,855	1,024,692
The third phase of Nantong Yicheng Thumb Plaza	188,688	40,715	683,353	824,907
Total	**263,216**	**112,300**	**1,532,208**	**1,849,599**

Project in Chengmai County, Hainan Province

The Group owns more than 50% equity interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres which is still in the planning stage.

Operations of Commercial Properties and Hotels Business

Adhering to the commercial operation brands such as "Zhengda Thumb Plaza" and "Himalaya Center", the Group continued to strengthen its business management capabilities for enhancing its business brand value. In the context of the impact of the COVID-19 epidemic and policies, the Group actively adjusted its business plan, and strengthened investment attraction and project promotion, which ensured the vitality and popularity of project operations.

During the Period under Review, the operating revenue from commercial property and hotel operations in total amounted to approximately RMB127,181,000 (equivalent to approximately HK$153,526,000). Approximately 74% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 49%. Details of the operation of each commercial property and hotel project during the period ended 30 June 2022 are as follows:

Commercial project name	City	Interest attributable to the Group	Leasable area	Occupancy rate during the Period under Review	Revenue during the Period under Review	
			(Square metres)		*(RMB'000)*	*(HK$'000)*
Shanghai "Zendai Thumb Plaza"	Shanghai	100%	44,497	89%	33,038	39,882
Shanghai Himalayas Center#	Shanghai	45%	28,499	43%	6,280	7,581
Qingdao "Zendai Thumb Plaza"	Qingdao	100%	46,545	90%	16,604	20,043
Zendai Nantong Yicheng Thumb Plaza	Nantong	100%	38,737	59%	3,475	4,195
Yangzhou Commercial Project	Yangzhou	80%	15,974	99%	4,694	5,666
Nanjing "Himalayas Center"	Nanjing	100%	44,495	68%	2,740	3,308
Total			**218,747**	**74%**	**66,831**	**80,675**

Hotel project name	City	Business model	Floor area	Number of guest room	Occupancy rate during the Period under Review	Revenue during the Period under Review	
			(Square metres)	*(room)*		*(RMB'000)*	*(HK$'000)*
Grand Mercure Shanghai Century Park	Shanghai	Cooperation	31,530	361	60%	25,534	30,823
Jumeirah Himalayas Hotel Shanghai#	Shanghai	Cooperation	60,452	413	40%	23,750	28,670
Himalayas Qingdao Hotel	Qingdao	Proprietary	27,673	208	46%	11,066	13,358
Total			**119,655**	**982**	**49%**	**60,350**	**72,851**

Properties that are held by an associate of the Group, Shanghai Zendai Himalayas Company Ltd. (上海証大喜瑪拉雅有限公司).*

Property Management Service

Thanks to its development of nearly 22 years, the Group has extended its business presence to 10 large and medium-sized cities under its service philosophy of "keep pace with the times, serve the best, focus on quality, and create impressions". The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the reporting period, Shanghai Zendai managed more than 30 property management projects with a total area of over 2.6 million square metres.

During the Period under Review, area under management of Shanghai Zendai Property Management Co., Ltd.* (上海証大物業管理有限公司), a subsidiary of the Group, was 3,282,706 square metres, with operating revenue of RMB34,612,000 (equivalent to approximately HK$41,781,000).

Shanghai Zendai Property Management Co., Ltd.* (上海証大物業管理有限公司)	**Floor area**	**Revenue during the Period under Review**	
	(Square metres)	*(RMB'000)*	*(HK$'000)*
Shanghai Headquarters	753,819	12,919	15,595
Kunshan Branch	107,625	1,803	2,177
Nanjing Branch	888,103	15,711	18,965
Nanning Branch	397,374	499	602
Qingdao Branch	389,298	1,571	1,896
Qingpu Branch	86,774	2,007	2,423
Yantai Branch	35,000	102	123
Total	**2,657,993**	**34,612**	**41,781**

Prospects and Future Plans for Material Investments

In the first half of 2022, in response to the resurgence of the COVID-19 epidemic in some cities in China and the downward pressure on the property market, the central government of China accelerated transformation and adjustment in the property sector with a continued focus on the regulation objectives of "housing being for living in, not speculation" and "stabilising land prices, housing prices and expectations". Local governments frequently released positive signals. The competent regulators for the property industry introduced many incentive policies at regulatory and financial levels, gradually bringing about the effectiveness. Since May, key cities have seen a quarter-on-quarter increase in the sold area of properties, showing a trend of bottom-out. In the second half of the year, the central government emphasised stabilising the property market, boosting market confidence, and encouraging the good use of the policy toolbox in a city-specific manner to safeguard the bottom line of preventing the possible risks and promote a healthy development cycle in the property market. For the development of the industry and enterprises, given that the second half of the year will continue to present both challenges and opportunities, therefore we will seize the current round of policy dividends on external front and promote our own adjustments on internal front.

Looking ahead, the Group will, in the next stage of development, push ahead with its strategic transformation of development, focusing on developing a new segment of light asset development with team development, operation and management services as the value-added core. The Group will systematically promote the transformation based on the management team and upgrade and improve the management mechanism. With the objectives of "profitability model based on innovation" and "brand image rebranding", the Group will establish a new foundation for property development and management by continuously enhancing product and service quality. The Group will improve its commercial property management ability to enhance the level of income from commercial properties. The Group will seize new opportunities in property management development to improve our property management service brand awareness. We will integrate quality resources in multiple dimensions to strengthen the Group's ability to innovate in business operation. We will explore new bright spots for efficiency improvement by gradually cultivating the Group's overall brand and value creation advantages.

In terms of regional presence, the Group will continue focusing on key regions and cities, consolidate the Yangtze River Delta region as its core territory of development and target the quality and opportunity markets across the country in its overall business presence. The Group will optimise its asset portfolio, establish exemplary projects in cities and promote more quality projects on the ground while ensuring continuous optimisation of its capital structure.

The Group will always adhere to "building" and "operation" as two major brand strategy pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. The Group will continue to improve its operation and management to achieve sustained, stable and high-quality development of the Group in an era of management incentives. In the future, the Group will continue to enhance its commercialisation capabilities under new consumption and new scenarios, and fully discover the brand value of its existing projects to develop itself into a comprehensive urban developer with competitive advantages and strong capabilities.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 30 June 2022, the Group had a financial position with net liabilities value of approximately HK$2,164 million (31 December 2021: approximately HK$1,792 million). Net current liabilities (including assets of Disposal Group, assets and liabilities of Disposal Group classified as held-for-sale) amounted to approximately HK$6,112 million (31 December 2021: approximately HK$7,467 million) with current ratio increasing from 0.47 times at 31 December 2021 to approximately 0.58 times at 30 June 2022. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the interim condensed consolidated balance sheet), net of cash and bank balances, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 30 June 2022, the Group had consolidated borrowings of approximately HK$2,244 million, of which HK$1,931 million was repayable within one year and HK$313 million was repayable more than one year. As at 30 June 2022, borrowings of the amount of HK$2,072 million (31 December 2021: HK$6,567 million) bear interest at fixed interest rates ranging from 4.50% to 14.99% per annum (31 December 2021: ranging from 3.85% to 14.99% per annum). As at 30 June 2022, the Group's cash and bank balances and pledged bank deposits were approximately HK$298 million (31 December 2021: HK$549 million). The gearing ratio of the Group decreasing from –3.3 times at 31 December 2021 to -0.91 times at 30 June 2022 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company).

Mitigation Measures and Uncertainties Related to Going Concern

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavour to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and Qingdao Zendai Thumb Defaulted Borrowing so as to withdraw these court orders;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Significant uncertainties exist as to whether the management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the above estimated operating results and possible negative equity attributable to the owners of the Company and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by the management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in such interim condensed consolidated financial information.

* *Capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the interim condensed consolidated financial information in this announcement.*

Segment Information

Sales of properties

The turnover of this segment for the Period under Review was approximately HK$14,507,000 (same period in 2021: HK$204,260,000). The decrease was primarily due to the decrease in the areas of the property to be delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the Period under Review was approximately HK$136,489,000 (same period in 2021: HK$179,220,000). The decrease was due to the rebound of COVID-19 epidemic in Shanghai in the second quarter, decrease in malls activities and rental.

Hotel operations

The turnover of this segment for the Period under Review was HK$44,181,000 (same period in 2021: HK$47,313,000). The decrease was due to the decrease in occupancy rate as a result of sporadic outbreaks of the COVID-19 epidemic across the PRC affecting the travelling of citizen.

Foreign Currency and Interest Rates Exposures and Hedging

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 30 June 2022 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 30 June 2022 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, the management will consider hedging significant interest rate exposure should the need arise.

Employees

As at 30 June 2022, the Group employed approximately 725 employees (31 December 2021: 910 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 Period under Review:

(a) On 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd.*(海門証大創意投資發展有限公司)("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from Nantong Haimen People's Government Haimen Subdistrict Office*(南通市海門區人民政府海門街道辦事處)(the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 square metres, at a consideration of a compensation of RMB106,168,000 (equivalent to approximately HK$129,853,000) payable by the Local Authority to Zendai Creative (the "**Exproriation**"). Details of the Exproriation were set out in the announcement of the Company dated 2 August 2021. As of the date of this announcement, the disposal has not been completed.

(b) On 7 June 2022, the Group entered into a conditional sale and purchase agreement with a subsidiary of its substantial shareholder, COAMC, to dispose of its 100% equity interest in Myway Developments Limited, a wholly-owned subsidiary of the Company, for a total consideration of RMB225,000,000 (equivalent to approximately HK$263,096,000) (the "**Disposal**"). Details of the Disposal are set out in the Company's announcement dated 7 June 2022 and circular dated 30 June 2022. The ordinary resolution in relation to the Disposal was passed by the independent shareholders at the special general meeting of the Company held on 21 July 2022. As at the date of this announcement, the Disposal has not been completed.

Contingent Liabilities

Please refer to note 15 of the interim condensed consolidated financial information of this announcement in relation to the details of financial guarantees. In the opinion of the Board, the fair value of guarantee contracts is insignificant at initial recognition.

Pledge of Assets

As at 30 June 2022, the carrying amounts of following assets (including assets and assets of Disposal Group classified as held-for-sale) of the Group were pledged to secure the credit facilities granted to the Group, the carrying amount of the assets were analysed below:

	HK$'000
Property, plant and equipment	632,099
Investment properties	4,668,653
Properties under development and completed properties held-for-sale	4,480,877
Pledged bank deposits	123,955
	9,905,584

As at 30 June 2022, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

Litigation

(1) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$192,940,000). As at the date of this announcement, the remaining balance of RMB48,000,000 (equivalent to approximately HK$56,128,000) has not been repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees. As at 30 June 2022, the outstanding overdue amounts, liquidated damages and arbitration fees were approximately RMB76,523,000 (equivalent to HK$89,481,000). The Company is still negotiating and communicating proactively with the third-party company on the repayment plan.

(2) In 2018, an indirect wholly-owned subsidiary of the Company, Nanjing Lifang Real Estate Co., Ltd.*（南京立方置業有限公司）("**Nanjing Lifang**") entered into a "Trust Loan Contract" with a financial institution (the "**Financial Institution**") and obtained multiple installment loans. As at the date of this announcement, the remaining principal amount of RMB180,250,000 (equivalent to approximately HK$210,772,000) has not been repaid when due. On 22 July 2021, the Group received a summons issued by the Intermediate People's Court of Lanzhou of Gansu Province*（甘肅省蘭州市中級人民法院）(the "**Lanzhou Court**"), in which the Financial Institution requested the repayment of the principal amount, interests, penalty interests and compound interests amounting to approximately RMB210,000,000 (equivalent to approximately HK$245,559,000) in total. In early March 2022, the Group received and was informed of the enforcement order (the "**Order I**") from the Lanzhou Court against Nanjing Lifang and three indirect wholly-owned subsidiaries of the Company. Details of the Order I were disclosed in the Company's announcement dated 8 March 2022. The Company will pay close attention to the proceed of the Order and communicate proactively to solve the above case.

(3) On 16 March 2022, the Group received a civil judgment (the "**Judgement**") from the People's Court of Yuhuatai District of Nanjing of Jiangsu Province*（江蘇省南京市雨花台區人民法院）(the "**Yuhuatai Court**"). In the Judgment, the Yuhuatai Court made a first-instance judgment on a litigation (the "**Litigation**") between Suzhou Xiongqi Enterprise Management Service Co., Ltd.*（蘇州雄騏企業管理服務有限公司）("**Xiongqi**") as the plaintiff and Nanjing Zendai Thumb Commercial Development Co., Ltd.*（南京証大大拇指商業發展有限公司）("**Nanjing Thumb**"), a wholly-owned subsidiary of the Company, as the defendant, and ordered Nanjing Thumb to return Xiongqi RMB10 million within 15 days from the effective date of the Judgment, together with the interest accrued from 25 July 2021 to the date of actual payment on the basis of RMB10 million at the market quoted interest rate for loans published by the National Interbank Funding Center of the PRC*（中國全國銀行間同業拆借中心）, and also to bear the case acceptance fee of the Litigation. Details of the Litigation were disclosed in the announcement of the Company dated 1 April 2022. In order to protect the best interests of the Group, after Nanjing Thumb appealed against the Litigation in accordance with the law, the Nanjing Intermediate People's Court*（南京市中級人民法院）held a hearing on 15 June 2022 to reverify the case and related documents, and will make a further judgment in due course.

(4) In June 2022, the Group received an enforcement order (the "**Order II**") issued by the Lanzhou Court against Qingdao Zendai Thumb Commercial Development Co., Ltd.*（青島証大大拇指商業發展有限公司）(the "**Qingdao Thumb**"), Nanjing Lifang, Shanghai Zendai Real Estate Co., Ltd.*（上海証大置業有限公司）and Mei Yi International Ltd. (collectively the "**Defendants**"). All of the Defendants are indirect wholly-owned subsidiaries of the Company. The Order II arose from the event of default of the loan owed by Qingdao Thumb to the Financial Institution (the principal and liquidated damages is approximately RMB707,000,000 (equivalent to approximately HK$826,717,000) in total). As at the date of this announcement, principal amount of RMB596,000,000 (equivalent to approximately HK$696,921,000) remained overdue and outstanding. Details of the Order II were disclosed in the announcement of the Company dated 21 June 2022. The Company will pay close attention to the subsequent enforcement procedures and seek a resolution through active communications and coordination.

Audit Committee

The Audit Committee of the Company has discussed with the management and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and considered that the Company has complied with all applicable accounting standards and requirements.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. The Company confirms that, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2022.

Corporate Governance

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the six-month period ended 30 June 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Publication of Interim Results Announcement and Interim 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 2022 interim report of the Company containing the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

By Order of the Board
Shanghai Zendai Property Limited
Huang Yuhui
Chairman

Hong Kong, 25 August 2022

As at the date of this announcement, the executive directors are Mr. Huang Yuhui, Mr. Wang Letian, Mr. He Haiyang and Ms. Li Zhen. The non-executive directors are Ms. Wang Zheng, Mr. Cui Di and Mr. Huang Jiawei. The independent non-executive directors are Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou.

* *For identification purpose only*