

Group Financial Highlights

For the six months ended
30 June 2020

Revenue (RMB'000)	110,556
Loss attributable to owners of the Company (RMB'000)	(51,243)
Basic loss per share (RMB cents)	(0.25)
Dividend per share – Interim (RMB cents)	–

Interim Results

The board (the “**Board**”) of directors (the “**Directors**”) of SRE Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 together with comparative figures for the previous corresponding period in 2019. The unaudited interim financial information for the six months ended 30 June 2020 has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Revenue	3	110,556	469,700
Cost of sales		(40,970)	(362,174)
Gross profit		69,586	107,526
Gains/(losses) from disposal of subsidiaries and partial interests in a joint venture – net	18	81,418	(17)
Net impairment losses on financial assets		(50,394)	(50,970)
Other gains – net	19	59,199	14,807
Selling and marketing expenses		(9,195)	(17,944)
Administrative expenses		(61,016)	(105,928)
Operating profit/(loss)		89,598	(52,526)
Finance income		4,552	19,406
Finance costs		(154,297)	(184,153)
Finance costs – net		(149,745)	(164,747)
Share of results of associates	7	50,086	55,788
Share of results of joint ventures	8	(27,351)	(26,173)
Loss before income tax		(37,412)	(187,658)
Income tax expense	4	(18,735)	(11,341)
Loss for the period		(56,147)	(198,999)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Other comprehensive income/(losses), net of tax			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		4,019	(2,544)
<i>Item recycled to profit or loss:</i>			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		(392)	1,917
Total comprehensive loss for the period		(52,520)	(199,626)
<i>(Loss)/profit attributable to:</i>			
Owners of the Company		(51,243)	(199,175)
Non-controlling interests		(4,904)	176
		(56,147)	(198,999)
<i>Total comprehensive loss attributable to:</i>			
Owners of the Company		(47,616)	(195,834)
Non-controlling interests		(4,904)	(3,792)
		(52,520)	(199,626)
<i>Losses per share attributable to owners</i>			
of the Company	5		
– Basic		RMB(0.0025)	RMB(0.0097)
– Diluted		RMB(0.0025)	RMB(0.0097)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	30 June 2020 Unaudited	31 December 2019 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		180,847	185,628
Investment properties		4,292,679	4,270,400
Right-of-use assets		225,574	230,705
Goodwill		16,271	16,271
Investments in associates	7	1,242,603	1,192,517
Investments in joint ventures	8	2,844,058	3,177,540
Deferred tax assets		243,445	243,869
Financial assets at fair value through other comprehensive income		150,657	150,657
Other non-current assets	9	176,238	173,634
		9,372,372	9,641,221
Current assets			
Prepaid land lease payments		916,932	931,711
Properties held or under development for sale		1,115,967	996,677
Inventories		14	876
Trade receivables	10	14,067	11,573
Other receivables		1,894,286	2,103,803
Prepayments and other current assets		50,540	35,298
Prepaid income tax		72,331	68,302
Other financial assets at amortised cost		1,141,358	1,169,623
Cash and cash equivalents	11	735,435	518,956
Restricted cash	11	2,636	2,632
		5,943,566	5,839,451
Total assets		15,315,938	15,480,672

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

		30 June	31 December
		2020	2019
	Notes	Unaudited	Audited
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital and share premium	12	6,747,788	6,747,788
Other reserves		228,406	236,121
Accumulated losses		(1,854,590)	(1,803,347)
Equity attributable to owners of the Company		5,121,604	5,180,562
Non-controlling interests		300,044	304,948
Total equity		5,421,648	5,485,510
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	13	2,987,873	3,938,973
Lease liabilities		30,289	35,025
Deferred tax liabilities		1,446,871	1,436,028
		4,465,033	5,410,026
Current liabilities			
Interest-bearing bank and other borrowings	13	1,598,708	697,855
Lease liabilities		11,269	7,538
Contract liabilities		473,814	295,791
Trade payables	14	493,778	453,755
Other payables and accruals		1,964,204	2,237,226
Current income tax liabilities		887,484	892,971
		5,429,257	4,585,136
Total liabilities		9,894,290	9,995,162
Total equity and liabilities		15,315,938	15,480,672

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

From 1 January 2020 to 30 June 2020

(Unaudited)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital and premium	Surplus reserve	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total			
At 1 January 2020	6,747,788	395,391	(4,291)	(154,979)	(1,803,347)	5,180,562	304,948	5,485,510	
Comprehensive income/(loss)									
Loss for the period	-	-	-	-	(51,243)	(51,243)	(4,904)	(56,147)	
Other comprehensive income	-	-	3,627	-	-	3,627	-	3,627	
Total comprehensive income/(loss) for the period	-	-	3,627	-	(51,243)	(47,616)	(4,904)	(52,520)	
Transaction with owners									
Share-based payments	-	-	-	(11,342)	-	(11,342)	-	(11,342)	
Total transactions with owners	-	-	-	(11,342)	-	(11,342)	-	(11,342)	
At 30 June 2020	6,747,788	395,391	(664)	(166,321)	(1,854,590)	5,121,604	300,044	5,421,648	

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

From 1 January 2019 to 30 June 2019

(Unaudited)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Issued capital and premium	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total		
At 1 January 2019	6,747,788	387,553	(517)	(151,107)	461,772	7,445,489	372,762	7,818,251
Comprehensive income/(loss)								
Loss for the period	-	-	-	-	(199,175)	(199,175)	176	(198,999)
Other comprehensive income/(losses)	-	-	3,341	-	-	3,341	(3,968)	(627)
Total comprehensive loss for the period	-	-	3,341	-	(199,175)	(195,834)	(3,792)	(199,626)
Transactions with owners								
Disposal of subsidiaries	-	-	-	-	-	-	(16,588)	(16,588)
Share-based payments	-	-	-	(67)	-	(67)	-	(67)
Total transactions with owners	-	-	-	(67)	-	(67)	(16,588)	(16,655)
At 30 June 2019	6,747,788	387,553	2,824	(151,174)	262,597	7,249,588	352,382	7,601,970

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	For the six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Cash flows from operating activities			
Cash used in operations	16	(5,397)	(144,324)
Interest paid		(116,974)	(124,783)
Income tax paid		(11,887)	(20,413)
Income tax refunds received		–	10,579
Net cash outflow from operating activities		(134,258)	(278,941)
Cash flows from investing activities			
Purchases of property, plant and equipment		(515)	(2,447)
Proceeds from disposal of property, plant and equipment		254	379
Net of cash (disposed)/proceeds from disposal of subsidiaries		(83,528)	236,435
Proceeds from disposal of an investment property		3,220	–
Investments in a joint venture		–	(6,563)
Reduction of capital from joint ventures		329,821	–
Advance received in relation to disposal of a subsidiary		–	150,000
Collection of amounts due from a third party associated with disposal of a subsidiary		239,945	–
Return of advances made to joint ventures and an associate		84,215	448,367
Advance received from a joint venture		34,418	–
Advances to joint ventures and an associate		(22,076)	(54,585)
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	128,436
Interest received		1,464	677
Dividends received from a joint venture and an associate		68,440	16,781
Payments for costs incurred on investment properties		(22,278)	(250)
Proceeds from other investment activities		–	24,668
Net cash inflow from investing activities		633,380	941,898

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	For the six months ended 30 June	
Notes	2020	2019
	Unaudited	Unaudited
Cash flows from financing activities		
Proceeds from borrowings	52,000	387,069
Repayments of borrowings	(128,563)	(1,504,316)
Return of amount due to a related party	(200,000)	–
Principal elements of lease payments	(2,128)	(3,402)
Increase in restricted deposits in relation to bank borrowings	(4)	(4)
Payment of deposit for guarantee of a borrowing	–	(11,886)
Net cash outflow from financing activities	(278,695)	(1,132,539)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period	518,956	698,610
Effect of foreign exchange rate changes, net	(3,948)	(234)
Cash and cash equivalents at end of period	735,435	228,794
Reconciled to cash and cash equivalents on the statement of financial position		
Cash and cash equivalents	735,435	222,664
Cash and cash equivalents included in assets classified as held for sale	–	6,130
	735,435	228,794

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

1. Basis of Preparation and Accounting Policies

1.1 General information

SRE Group Limited (the “Company”) was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the “Reorganisation”) in connection with the listing of the Company’s shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company’s prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. Effective from 15 August 2019, the Company changed its principal place of business from Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong to Level 11, Admiralty Center Tower II, 18 Harcourt Road, Admiralty, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed and developing markets.

As at 30 June 2020, the Company’s parent company is China Minsheng Jiaye Investment Co., Ltd. (“China Minsheng Jiaye”), which holds 61.44% (31 December 2019: 61.41%) of the Company’s shares.

The interim condensed consolidated financial statements are presented in thousands of Renminbi (“RMB”), unless otherwise stated.

1.2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as of and for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

1. Basis of Preparation and Accounting Policies (continued)

1.2 Basis of preparation (continued)

Going concern basis

As at 30 June 2020, the Group's current liabilities included RMB1,598.7 million of borrowings, out of which RMB1,150.7 million were defaulted and became immediately repayable triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also resulted in the default of a joint venture's loan of RMB3,452 million guaranteed by the Group which gave rights of the relevant lenders to demand the Group to fulfill its guarantee obligation to repay the loan of the joint venture. As at 30 June 2020, however, the Group's cash and cash equivalents amounted to RMB735 million only.

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have 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 funds to fulfill its financial obligations and continue as going concern. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

1. Basis of Preparation and Accounting Policies (continued)

1.2 Basis of preparation (continued)

Going concern basis (continued)

- 1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.
- 2) The Group has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident to convince the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.
- 3) The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. Considering the Group's ability in providing sufficient pledges of properties and other assets and the Group's good credit history, the directors are confident that the Group will be able to secure new loans at a reasonable cost, when necessary.

1. Basis of Preparation and Accounting Policies (continued)

1.2 Basis of preparation (continued)

Going concern basis (continued)

Management has prepared the Group's cash flow forecast which covers a period of at least 12 months from 30 June 2020. The directors, after making due inquiries and considering the basis of management's projections described above, believe that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 30 June 2020. 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 Group is 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 followings:

- (i) successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant borrowings;

1. Basis of Preparation and Accounting Policies (continued)

1.2 Basis of preparation (continued)

Going concern basis (continued)

- (ii) successful maintenance of a continuing and normal business relationship with the lenders of the joint venture of the Group such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the joint venture's loan and request the Group to fulfill its guarantee obligation; and
- (iii) successful in obtaining additional sources of financing as and when needed.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values 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 the interim condensed consolidated financial statements.

1. Basis of Preparation and Accounting Policies (continued)

1.3 Significant accounting policies

Except as described below and for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

1.3.1 New amendments of HKFRSs adopted by the Group in 2020

The Group adopts the following new amendments of HKFRSs effective for the financial year ending 31 December 2020.

- Amendments to HKAS 1 and HKAS 8
- Amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Amendments to HKFRS 16 – COVID-19-Related Rent Concessions

The adoption of above new amendments of HKFRSs does not have a material impact on the financial position and performance of the Group for the six months ended 30 June 2020, nor results in restatement of comparative figures.

The Group has not early adopted any new financial reporting and accounting standards, amendments or interpretations of HKFRSs that were issued but are not yet effective.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

1. Basis of Preparation and Accounting Policies (continued)

1.4 Estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

1.5 Financial risk management and financial instruments

1.5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks comprising mainly the liquidity risk (Note 1.5.2), together with the foreign currency risk, interest rate risk and credit risk.

These interim condensed consolidated financial statements do 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 2019.

There have been no changes in the risk management policies since last year end.

1.5.2 Liquidity risk

Please refer to Note 1.2 for analysis of going concern basis of preparation.

1. Basis of Preparation and Accounting Policies (continued)

1.5 Financial risk management and financial instruments (continued)

1.5.3 Fair value estimation

There were no changes to the valuation techniques used during the current interim period as compared with last year end.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services. The reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties; and
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties.

The other operations comprise, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of property management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

2. Operating Segment Information (continued)

An analysis by operating segment is as follows:

	Six months ended 30 June 2020 (unaudited)			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	19,331	29,203	62,022	110,556
Intersegment sales	–	–	43,399	43,399
	<u>19,331</u>	<u>29,203</u>	<u>105,421</u>	<u>153,955</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(43,399)
Revenue				<u>110,556</u>
Segment profit	<u>7,985</u>	<u>11,696</u>	<u>69,917</u>	<u>89,598</u>
Finance income				4,552
Finance costs				(154,297)
Finance costs – net				<u>(149,745)</u>
Share of results of associates				50,086
Share of results of joint ventures				(27,351)
Loss before income tax				<u>(37,412)</u>

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

2. Operating Segment Information (continued)

	Six months ended 30 June 2019 (unaudited)			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	360,598	63,827	45,275	469,700
Intersegment sales	–	–	21,772	21,772
	<u>360,598</u>	<u>63,827</u>	<u>67,047</u>	<u>491,472</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(21,772)
Revenue				<u>469,700</u>
Segment (loss)/profit	<u>(41,085)</u>	<u>26,296</u>	<u>(37,737)</u>	<u>(52,526)</u>
Finance income				19,406
Finance costs				(184,153)
Finance costs – net				<u>(164,747)</u>
Share of results of associates				55,788
Share of results of joint ventures				(26,173)
Loss before income tax				<u>(187,658)</u>

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

3. Revenue

An analysis of revenue is as follows:

	(unaudited)	
	For the six months ended 30 June	
	2020	2019
Revenue from sale of properties	19,482	361,459
Revenue from property leasing	29,417	69,587
Revenue from property management	11,025	11,858
Revenue from construction of infrastructure for intelligent network	708	5,264
Other revenue	50,310	27,249
	110,942	475,417
Less: Tax and surcharges (a)	(386)	(5,717)
Total revenue	110,556	469,700

(a) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Policies for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT. Revenue from property management services is subject to VAT at 6%.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

4. Income Tax Expense

	(unaudited)	
	For the six months ended 30 June	
	2020	2019
Current taxation		
– Mainland China income tax (a)	5,866	5,877
– Mainland China LAT (c)	1,602	(12,635)
	7,468	(6,758)
Deferred taxation		
– Mainland China income tax	10,950	18,601
– Mainland China LAT	(318)	(1,076)
– Mainland China withholding tax (d)	635	574
	11,267	18,099
Total tax charge for the period	18,735	11,341

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

4. Income Tax Expense (continued)

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2019: Nil).

(c) Mainland China land appreciation tax (“LAT”)

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2019: 2% to 5%) on proceeds from the sale and pre-sale of properties. Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

5. Losses per Share Attributable to Owners of the Company

The calculation of basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 20,564,713 thousand (2019: 20,564,713 thousand) in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 June 2020 and 2019, as the average market share price of the Company's shares was lower than assumed exercise price being the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on earnings per share is anti-dilutive.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	(unaudited)	
	For the six months ended	
	30 June 2020	30 June 2019
Earnings		
Loss attributable to owners of the Company	(51,243)	(199,175)

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

5. Losses per Share Attributable to Owners of the Company (continued)

	(unaudited)	
	Number of shares	
	For the six months ended	
	30 June	30 June
	2020	2019
	(Thousand	(Thousand
	shares)	shares)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	20,564,713	20,564,713

Shares

Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations

20,564,713

20,564,713

There have been no other transactions involving ordinary shares or potential ordinary shares between 30 June 2020 and the date of issuance of these interim condensed consolidated financial statements.

6. Dividend

On 26 August 2020, the board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

7. Investments in Associates

	For the six months ended 30 June 2020 Unaudited
Opening balance – before provision	1,196,689
– Mayson Resources Limited (“Mayson”)	1,145,574
– Shanghai Telecom Broadband Networking Co., Ltd. (“Broadband”)	22,830
– Shanghai Housing Industry New Technology Development Co., Ltd. (“New Technology”)	16,669
– Shanghai Real Estate Asset Management Co., Ltd. (“SRE Asset”)	6,779
– Shanghai Orda Opto-electronics Science & Tech Co., Ltd. (“Orda”)	2,574
– Shang Xin Richgate Investment Management Co., Ltd. (“Richgate”)	2,263
– Ningbo Meishan Free Trade Zone Jia Miao Investment Co., Ltd. (“Ningbo Jia Miao”)	–
Less: Provision for impairment	(4,172)
	1,192,517
Share of results	50,086
– Mayson	23,125
– Broadband	1,585
– New Technology	26,034
– SRE Asset	(705)
– Orda	–
– Richgate	47
– Ningbo Jia Miao	–
Ending balance – net	1,242,603

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

8. Investments in Joint Ventures

For the six months
ended 30 June 2020
Unaudited

Opening balance – before provision	3,757,331
– Shanghai Jinxin Real Estate Co., Ltd. (“Jinxin Real Estate”) (b)	2,042,088
– 75 Howard Owner LP (“75 Howard”) (b)	889,020
– Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP (“Ningbo Zhi Miao”) (b)	465,398
– Changsha Horoy Real Estate Development Co., Ltd. (“Changsha Horoy”) (b)	149,049
– SRegal Sinclair LLP (“Sinclair”) (b)	109,422
– Napa Lifestyle Holdings, LLC (“NAPA”) (b)	89,555
– Certain Business of Golden Luodian (“Relevant Business of Golden Luodian”) (b)	–
– Jiangsu Da Run Sensor Technology Co., Ltd. (“Da Run”) (b)	12,581
– Shanghai Gaoxin Business Management Co., Ltd. (“Gao Xin”) (b)	218
Less: Provision for impairment	(579,791)
	3,177,540
Addition of investment amount	
– Revenue Concept Investment Ltd. (“Revenue Concept”) (a)	75,280
Reduction of investment amount	(364,041)
– Sinclair (a)	(103,041)
– Meishan Zhi Miao (Note 18(a))	(261,000)
Share of results	(27,351)
– Jinxin Real Estate	(289)
– 75 Howard	–
– Ningbo Zhi Miao	(10,909)
– Changsha Horoy	(10,875)
– Sinclair	(4,548)
– NAPA	–
– Relevant Business of Golden Luodian	–
– Da Run	–
– Gao Xin	–
– Revenue Concept	(730)
Eliminated interest cost	
– Jinxin Real Estate	(27,670)
Currency translation differences	10,300
Ending balance – net	2,844,058

8. Investments in Joint Ventures (continued)

- (a) In April 2020, the Group disposed of 50% of its equity interests in a then wholly owned subsidiary of the Company, Revenue Concept, which held 92.91% of equity interests in Sinclair, one of the joint ventures of the Group, for a consideration of approximately GBP8.86 million (equivalent to approximately RMB77.92 million) and recorded part of disposal gain of approximately RMB7.81 million. After the transaction, Revenue Concept also became a joint venture of the Group which includes the interests in the joint venture of Sinclair. On the disposal date, the net assets value of Revenue Concept attributable to the Group was approximately RMB140.23 million. After the disposal of 50% equity interest in Revenue Concept, the 50% remaining interests held by the Group was remeasured to its fair value of approximately RMB75.28 million at the date when control was lost, and the difference with its then carrying amount of approximately RMB5.17 million was recognised as part of disposal gain. As such, the Group recorded a disposal gain of approximately RMB12.98 million.
- (b) The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

9. Other Non-current Assets

Other non-current assets represent a deposit for guarantee for a long-term loan of a joint venture of approximately RMB176 million (31 December 2019: approximately RMB174 million) on which an impairment provision according to HKFRS 9 of approximately RMB0.2 million (31 December 2019: approximately RMB0.2 million) was made.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

10. Trade Receivables

	30 June 2020 Unaudited	31 December 2019 Audited
Trade receivables	36,810	34,316
Less: Provision for impairment	(22,743)	(22,743)
	14,067	11,573

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognized, is set out below:

	30 June 2020 Unaudited	31 December 2019 Audited
Within 6 months	5,663	3,335
6 months to 1 year	–	–
1 to 2 years	8,404	8,238
Over 2 years	22,743	22,743
	36,810	34,316

Trade receivables are non-interest-generating. The credit terms offered by the Group are normally less than six months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

11. Cash and Bank Balances

	30 June 2020 Unaudited	31 December 2019 Audited
Cash on hand	62	39
Demand deposits	735,373	518,917
Cash and cash equivalents	735,435	518,956
Restricted bank deposits relating to bank borrowings	2,636	2,632
Cash and bank balances	738,071	521,588

12. Issued Share Capital and Share Premium

	Number of shares (thousands)	Share capital and premium RMB'000
As at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	20,564,713	6,747,788

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

13. Interest-bearing Bank and Other Borrowings

	30 June 2020 Unaudited	31 December 2019 Audited
Non-current	2,987,873	3,938,973
Current	1,598,708	697,855
	4,586,581	4,636,828

Movements in borrowings are analysed as follows:

	For the six months ended 30 June 2020 Unaudited	30 June 2019 Unaudited
Opening amount as at 1 January	4,636,828	7,643,002
Proceeds from borrowings	52,000	387,069
Repayments of borrowings	(128,563)	(1,504,316)
Amortisation of discount or premium	5,290	14,487
Disposal of subsidiaries	–	(564,921)
Reclassification to liabilities directly associated with the assets classified as held for sale	–	(258,035)
Currency translation differences	21,026	40,169
Closing amount as at 30 June	4,586,581	5,757,455

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

13. Interest-bearing Bank and Other Borrowings (continued)

Interest-bearing bank and other borrowings include bank loans, a trust loan and corporate bonds.

As at 30 June 2020, the Group's bank and other borrowings of approximately RMB1,711 million (31 December 2019: approximately RMB1,743 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment, right-of-use assets, properties held or under development for sale, or by pledge of equity interests in a subsidiary or bank deposits.

As at 30 June 2020 and 31 December 2019, pledged assets as collateral for the Group's borrowings were as follows:

	30 June 2020 Unaudited	31 December 2019 Audited
Leasehold land	512	519
Investment properties	2,031,679	2,009,400
Properties held or under development for sale	60,462	60,455
Property, plant and equipment	77,929	78,282
Right-of-use assets	42,113	42,718
Bank deposits	2,636	2,632
Equity interests in a subsidiary	—	—

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

14. Trade Payables

	30 June 2020 Unaudited	31 December 2019 Audited
Trade payables	493,778	453,755

An aged analysis of trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	30 June 2020 Unaudited	31 December 2019 Audited
Within 1 year	293,096	278,514
1 to 2 years	103,039	85,845
Over 2 years	97,643	89,396
	493,778	453,755

Trade payables are mainly payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

15. Related Party Transactions

In addition to the related party transactions and balances disclosed elsewhere in these interim condensed consolidated financial statements and compensation to key management personnel, the Group had the following transactions and balances with related parties.

(a) Name and relationship with related parties

Name	Relationship
Broadband	An associate of the Group
New Technology	An associate of the Group
Da Run	A joint venture of the Group
Relevant Business of Golden Luodian	A joint venture of the Group
Mayson	An associate of the Group
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng")	A subsidiary of an associate of the Group
Jinxin Real Estate	A joint venture of the Group
Changsha Horoy	A joint venture of the Group
NAPA	A joint venture of the Group
Ningbo Jia Miao	An associate of the Group
CMIG Southern China (Guangzhou) Real Estate Co., Ltd. ("CMIG Southern")	An associate of the Group
Jiasheng (Holding) Investment Limited ("Jiasheng")	A fellow subsidiary of the Group
Shanghai Dongjia Zhiye Co., Ltd. ("Dongjia")	A fellow subsidiary of the Group
Revenue Concept	A joint venture of the Group

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties

(i) Trade receivable due from a related party

	30 June 2020 Unaudited	31 December 2019 Audited
Broadband	247	247

(ii) Trade payable due to a related party

	30 June 2020 Unaudited	31 December 2019 Audited
New Technology	109	109

(iii) Other receivables due from related parties

	30 June 2020 Unaudited	31 December 2019 Audited
Jinxin Real Estate	498,228	454,524
Relevant Business of Golden Luodian	412,788	411,019
Mayson	167,223	163,990
Boardband	13	–
Ningbo Jia Miao	4,900	4,900
CMIG Southern	3,736	3,735
Shuo Cheng	–	48,000
	1,086,888	1,086,168

Amounts due from related parties are unsecured, bear no interest and are expected to be collected within one year. Movements during the period represent payments on behalf, normal advances, repayments or currency translation differences.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(iv) Other payables due to related parties

	30 June 2020 Unaudited	31 December 2019 Audited
Shuo Cheng	836,560	836,560
China Minsheng Jiaye	62,784	104,531
Revenue Concept	59,438	–
Dong Jia	–	200,000
Broadband	–	42
	958,782	1,141,133

Amounts due to related parties are unsecured, bear no interest and are repayable on demand. Movements during the period represent normal advances, repayments or currency translation differences.

(v) Prepayments due from a related party

	30 June 2020 Unaudited	31 December 2019 Audited
Da Run	1,500	1,500

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(vi) Loans receivable due from related parties

	30 June 2020 Unaudited	31 December 2019 Audited
Relevant Business of Golden Luodian (a)	676,675	697,259
Changsha Horoy (b)	432,791	432,791
Jinxin Real Estate(c)	52,500	52,500
NAPA (d)	29,943	23,155
	1,191,909	1,205,705

- (a) The loans receivable due from Relevant Business of Golden Luodian are interest-bearing loans of approximately RMB677 million (31 December 2019: approximately RMB697 million) with an interest rate of 8% per annum. For the six months ended 30 June 2020, interest incurred in relation to these loans was approximately RMB31 million (Six months ended 30 June 2019: approximately RMB25 million).
- (b) The loans receivable due from Changsha Horoy are interest-bearing loans of approximately RMB433 million (31 December 2019: approximately RMB433 million) with an interest rate of 10% per annum. For the six months ended 30 June 2020, interest incurred in relation to these loans was approximately RMB22 million (Six months ended 30 June 2019: approximately RMB22 million).
- (c) The loans receivable due from Jinxin Real Estate are interest-bearing loans of approximately RMB53 million (31 December 2019: approximately RMB53 million) with an interest rate of 24% per annum. For the six months ended 30 June 2020, interest incurred in relation to these loans was approximately RMB10 million (Six months ended 30 June 2019: Nil).

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(vi) Loans receivable due from related parties (continued)

- (d) The loans receivable due from NAPA are interest-bearing loans of approximately RMB30 million (31 December 2019: approximately RMB23 million) with an interest rate of 10% per annum. For the six months ended 30 June 2020, interest incurred in relation to these loans was approximately RMB1.6 million (Six months ended 30 June 2019: approximately RMB0.4 million).

Interests receivable from related parties in relation to the loans above are summarised as below:

	30 June 2020 Unaudited	31 December 2019 Audited
Relevant Business of Golden Luodian	342,129	311,116
Changsha Horoy	139,002	117,333
Jinxin Real Estate	10,552	–
NAPA	3,836	2,249
	495,519	430,698

(vii) Loans due to related parties

	30 June 2020 Unaudited	31 December 2019 Audited
Loans due to China Minsheng Jiaye (a)	2,012,564	2,012,564
Loans due to Jiasheng (a)	869,641	860,397
	2,882,205	2,872,961

15. Related Party Transactions (continued)

(b) Transactions and balances with related parties (continued)

(vii) Loans due to related parties (continued)

- (a) As at 30 June 2020, the loans of approximately RMB2,013 million (31 December 2019: approximately RMB2,013 million) were provided by the parent company and the loans of approximately RMB870 million (31 December 2019: approximately RMB860 million) were provided by Jiasheng, a fellow subsidiary of the Group, among which, RMB560 million (31 December 2019: 560 million) was secured by pledge of equity interest of a subsidiary. Interest rates of loans from the parent company ranged from 7% to 8% per annum (31 December 2019: 7% to 8% per annum), and the interest rate of the loan from Jiasheng was 6% per annum. For the six months ended 30 June 2020, interest incurred in relation to these loans from the parent company and Jiasheng was approximately RMB99 million (Six months ended 30 June 2019: approximately RMB111 million). In June 2020, the repayment date of the existing loans of approximately RMB2,882 million was further extended to 31 August 2021 with further agreements reached with the parent company and Jiasheng.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

16. Notes to the Condensed Consolidated Statement of Cash Flows

Reconciliation of loss before income tax to cash used in operations:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Loss before income tax	(37,412)	(187,658)
Adjustments for:		
Depreciation of property, plant and equipment	9,555	9,684
Depreciation of right-of-use assets	5,131	–
Net gains on disposal of items of property, plant and equipment	(182)	(375)
Other gains – net	(59,017)	–
(Gains)/losses from disposal of subsidiaries, and partial interest in a joint venture – net	(81,418)	17
Share of results of associates	(50,086)	(55,788)
Share of results of joint ventures	27,351	26,173
Share-based payments	(11,342)	(67)
Fair value gains on investment properties	–	(12,031)
Reversal of provision for properties held or under development for sale	(4,937)	(12,996)
Reversal of provision for prepaid land lease payments	(746)	(2,250)
Provision for impairment of other financial assets at amortised cost	13,890	21,639
Provision for impairment of other receivables	36,501	29,406
Provision for/(reversal of) impairment of other non-current assets	3	(1)
Reversal of provision for trade receivables	–	(74)
Finance income	(4,552)	(19,228)
Finance costs	154,297	185,573
	(2,964)	(17,976)
Decrease/(increase) in prepaid land lease payments	15,526	(346,227)
(Increase)/decrease in properties held or under development for sale	(114,354)	334,723
Decrease in inventories	862	378
(Increase)/decrease in trade receivables	(2,494)	5,880
Increase in other receivables	(44,269)	(33,454)
(Increase)/decrease in prepayments and other current assets	(15,242)	277,018
Increase/(decrease) in trade payables	40,023	(32,883)
Decrease in other payables and accruals	(60,508)	(46,465)
Increase/(decrease) in contract liabilities	178,023	(285,318)
Cash used in operations	(5,397)	(144,324)

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

17. Commitments and Contingencies

- (a) The Group had the following capital commitments and commitments in respect of property development for sale at the end of the reporting period:

	30 June 2020 Unaudited	31 December 2019 Audited
Contracted, but not provided for		
Properties held or under development for sale	331,958	155,631
Committed investments in a land development	63,529	63,514
Committed renovation for investment property	11,576	17,879
Committed investments in associates	15,640	15,640
	422,703	252,664

- (b) The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the banks grant the relevant mortgage loans and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB197 million (31 December 2019: approximately RMB118 million) and these contracts were still effective as at 30 June 2020.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realizable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty as the principal of each of the mortgage loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with these guarantees.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

17. Commitments and Contingencies (continued)

- (c) As at 30 June 2019, the Group also provided guarantee to the bank loan for a joint venture of the Group, such guarantee amounted to approximately RMB3,452 million (31 December 2019: approximately RMB3,414 million).

For the six months ended 30 June 2020, the Group charged approximately RMB43 million (Six months ended 30 June 2019: approximately RMB30 million) (before consolidation elimination) of income from Jinxin Real Estate in relation to this guarantee.

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US\$106 million as at 30 June 2020 (31 December 2019: US\$34.95 million). Relatively, the Group provided a deposit of US\$24.92 million as at 30 June 2020 (31 December 2019: US\$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

- (d) In addition, the Group's certain equity interests in subsidiaries have been frozen in connection with a litigation against a subsidiary. The Group also has some other litigations in relation to certain prior transactions. The directors consider that it is very remote for the Group to incur any losses arising from these litigations and thus not meaningful to provide any details.

18. Gains/(losses) from Disposal of Subsidiaries and Partial Interests in a Joint Venture – Net

	(unaudited)	
	For the six months ended 30 June	
	2020	2019
Gains/(losses) from disposal of subsidiaries (Note 8(a))	12,978	(1,816)
Gains from disposal of partial interests in a joint venture (a)	68,440	1,799
	81,418	(17)

- (a) In June 2020, the Group reduced its investment in Ningbo Zhi Miao of RMB261 million and received basic earnings of approximately RMB68.44 million in relation to this capital reduction.

Notes to the Interim Condensed Consolidated Financial Statements

(Amounts presented in thousands of Renminbi unless otherwise stated)

19. Other Gains – Net

	(unaudited)	
	For the six months ended 30 June	
	2020	2019
Interest income from loans receivable due from related parties*	57,859	–
Net fair value gain on investment properties	–	12,031
Net gains on disposal of property, plant and equipment	182	375
Others	1,158	2,401
	59,199	14,807

* Interest income from loans receivable due from related parties of approximately RMB 17,564 thousand for the six months ended 30 June 2019 was recorded in finance income.

20. Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value of financial assets and financial liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and bank balances, receivables and financial assets at fair value through other comprehensive income.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

20. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Financial assets at fair value through other comprehensive income of the Group are measured at fair value as at 30 June 2020 and 31 December 2019.

Liabilities measured at fair value:

The Group did not have any financial liability measured at fair value as at 30 June 2020 and 31 December 2019.

21. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorized for issue by the board of directors of the Company on 26 August 2020.

Management Discussion and Analysis

FINANCIAL REVIEW

During the six months ended 30 June 2020 (the “Reporting Period”), the Group recorded a net revenue of approximately RMB111 million (six months ended 30 June 2019: RMB470 million), which represents a decrease by approximately 76% compared with that of the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately RMB51 million while loss attributable to owners of the Company for the corresponding period of last year was approximately RMB199 million. The decrease in revenue and gross profit is mainly attributable to the reduction in the delivered area of properties sold by Group and the termination of tenancies by tenants of the commercial properties held by the Group due to reduction in customer flow as a result of the COVID-19 epidemic. The decrease in loss is mainly attributable to gain from disposal of investment of the Group and the reduction in various expenses of the Group as a result of the implementation of a series of effective cost reduction measures during the Reporting Period.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019: Nil).

Liquidity and Financial Resources

As at 30 June 2020, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB738 million (31 December 2019: approximately RMB522 million). Working capital (net current assets) of the Group as at 30 June 2020 amounted to approximately RMB514 million (31 December 2019: approximately RMB1,254 million), representing a decrease by approximately 59% as compared with the previous year. Current ratio was at 1.09 (31 December 2019: 1.27).

As at 30 June 2020, the Group’s gearing ratio was 42% (31 December 2019: 43%), calculated on the basis of the Group’s net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

Interest-bearing liabilities and their composition

As at 30 June 2020, the Group's interest-bearing liabilities amounted to RMB4,587 million, representing 30% of total assets.

In respect of financing sources, bank borrowings, shareholder loans and other borrowings accounted for 25%, 63% and 12% respectively. In respect of types of interest rates, liabilities with fixed interest rates accounted for 74% and liabilities with floating interest rates accounted for 26%. In respect of currencies, RMB liabilities and foreign currencies liabilities accounted for 76% and 24% respectively.

Charges on Assets and Contingent Liabilities

As at 30 June 2020, the Group's bank and other borrowings of approximately RMB1,711 million (31 December 2019: approximately RMB1,743 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment, right-of-use assets and properties held or under development for sale, or by pledge of equity interests in a subsidiary and bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the banks grant the relevant mortgage loans and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into such guarantee contracts with principal amounts totalling approximately RMB197 million (31 December 2019: approximately RMB118 million) and these contracts were still effective as at 30 June 2020.

The Group did not incur any material losses during the Reporting Period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. On this basis, the Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realizable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty as the principal of each of the mortgage loans is normally below 70% of sales price of the respective property as at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

Management Discussion and Analysis

The Group also provided guarantee for bank loans of a joint venture of the Group. As at 30 June 2020, such guarantee amounted to approximately RMB3,452 million (31 December 2019: approximately RMB3,414 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US\$106 million as at 30 June 2020 (31 December 2019: US\$34.95 million). Relevantly, the Group provided a deposit of US\$24.92 million as at 30 June 2020 (31 December 2019: US\$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

In addition, the Group's certain equity interests in subsidiaries have been frozen in connection with a litigation against a subsidiary. The Group also had certain other litigations in connection with transactions in the past years. The Directors consider that the risk for the Group to incur any losses arising from those litigations is very remote.

Risk of fluctuations in exchange rates

The Group conducts a majority of its business operations in the PRC, which most of the revenue and expenses are denominated in RMB. The Group currently has no foreign currency hedging policies, but the management monitors risks of fluctuations in exchange rates and will consider hedging significant risks of fluctuations in exchange rates when necessary.

BUSINESS REVIEW

In recent years, due to the factors such as decline in economic growth of China, the Sino-US trade frictions, the weakening of the demographic dividend, coupled with the unexpected impact of the COVID-19 epidemic in the first half of 2020, China is facing a short-term cyclical downward pressure and a mid-to long-term structural downward pressure. In terms of real estate policy, the central government has lowered the standards three times to release the economic vitality. Local governments have become more flexible in implementing policies for the city, which have gradually reduced the pressure for the market and enterprises on liquidity of funds, land transfer and real estate transactions. Combined with factors including the easing of the epidemic and the positive relief of housing demand, the real estate industry has experienced a process of shutdown-restart-recovery in the first half of the year. As of the end of June, in terms of sales, the cumulative sales area of commercial housing nationwide has reached 92.4% of the corresponding period of last year, with the cumulative sales has reached 97.2% of the corresponding period of last year, of which, the sales performance of branded real estate is close to the corresponding period of last year. China's real estate industry still maintains a strong resilience.

In face of the severe external situation and the impact of the epidemic, the Group has gradually stabilised the Company with the idea of “stabilising people’s hearts, focusing on the operation, preventing the epidemic and strengthening the management” since the beginning of the year, and in terms of strategy, the Group has defined the three-year development plan of “regional boutique residential developer” in the first half of year. In terms of project operation, development projects have accelerated the progress of collection of sales receivables and commencement of construction, the properties held have resumed operation in an orderly manner. In the first half of the year, the overall sales indicator of the Company’s domestic key development projects on sales achieved the “half of the mission within half of the time”. The properties held have strived to maintain steady operations under the pressure of the epidemic. In terms of investment, the Group has been actively carrying out project resource reserves and negotiating on various investment projects. Meanwhile, collection of transactions have been accelerated to improve the liquidity, and management costs have been significantly reduced. In summary, the Group maintained stable cash flow and various operations have been carried out in an orderly manner in the first half of the year.

Real Estate Development

Sales Progress

In the first half of 2020, major projects for sale of the Group and its joint ventures and associates included Shanghai Albany Oasis Garden, Shanghai Huating Project, Jiaxing Project, the Atelier and the 75 Howard Project in the USA. In the first half of 2020, the Group together with its joint ventures and associates (on a 100% basis) achieved contract sales of approximately RMB892 million for a total floor area of 21,478 m².

Project	Monetary amount of sales contracts signed (RMB'000)	Contractual gross area (m ²)
Jiaxing Project	190,468	16,306
Shanghai Albany Oasis Garden	187,731	2,048
75 Howard Project in the USA	474,865	2,559
Shanghai Huating Project	24,791	306
The Atelier	11,154	86
Other projects	3,212	173
Total	892,221	21,478

Management Discussion and Analysis

Land Bank

As at 30 June 2020, the Group owned a land bank with a total gross floor area of approximately 1.61 million m² (including those of the Group's joint ventures and associates) in Shanghai, Jiaxing, Changsha, Dalian, Beijing, San Francisco, Phnom Penh, etc.

Progress of Construction

Jiaxing Project

During the first half of 2020, the main structure on the south side of the Jiaxing Lanwan Project Phase II has been completed ahead of schedule, while the north side is undergoing installation of doors and windows, and it is expected that the construction on the north side will reach the completion acceptance standards by the end of the year. The project resumed sales in March and exceeded the targets of signing contract and collection of receivables in the first half of the year.

75 Howard Project in the USA

During the first half of 2020, the pouring of structure of the 75 Howard in the USA is completed up to the 19th floor and the installation of curtain walls are completed from 3rd floor to 9th floor, and the construction is proceeding smoothly. The project started local sales in the USA in January, and sales performance has been satisfactory. International marketing and promotion have started simultaneously.

Phnom Penh Romduol City Project

During the first half of 2020, the main structure of Building A of the Cambodia project has been constructed to the 4th floor, and it is expected the construction will be completed by the end of the year. The construction is proceeding smoothly while sales are greatly affected by the epidemic.

Dalian Oasis City Garden

Dalian Oasis City Garden is located in Wafangdian City and divided into 9 plots. During the first half of 2020, the project is undergoing land merger and planning adjustment, while construction is expected to commence within the year.

Shanghai Masters Mansions Project

During the first half of 2020, the Lake Malaren Silicon Phase II completed the adjustment on planning indicators and some of the design optimization, and solved some of the historical issues. Construction is expected to commence at the second half of the year.

Changsha Fudi Albany Project

During the first half of 2020, the project's box culverts at side road have began to be processed.

Progress of Relocation

Shanghai Rich Gate I

During the first half of 2020, contracts were signed for 964 certificates of households (including certificates of individuals) in aggregate, representing a signing rate of 95.63%; 924 certificates of households were relocated, representing a relocating rate of 91.67%; contracts were signed for 34 certificates of enterprises, representing a signing rate of 87.18%; and 23 certificates were settled, representing a relocating rate of 58.97%. The expropriation work was effectively promoted.

Shanty Town Renovation Project in Zhangjiakou

In 2020, contracts were signed for 806 households, and the remaining 151 households have not signed a contract, representing a signing rate of approximately 84.22%. The land planning of "North District + Road" completed the demolition during the year and is eligible for bidding.

Commercial Property Operation

During the first half of 2020, under the severe market environment and the impact of the epidemic, the Group has gradually resumed full operation in an orderly manner, as well as continued to strengthen the management and operation of its commercial properties, ride on its advantages in brand and management, adjust operating strategies as appropriate, strengthen control on expenditure and improve operating efficiency.

Management Discussion and Analysis

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre, is designed as a composite eco-business cluster in the form of a circular commercial street connected with office building. During the first half of 2020, after the epidemic has stabilized, the Oasis Central Ring Centre has resumed operation in an orderly manner with the occupancy rate maintained at 96% and the operating revenue has decreased as compared with that of the corresponding period of last year.

Shenyang Rich Gate Shopping Mall

Leveraging on a number of children's education and children's support services, Shenyang Rich Gate Shopping Mall is strived to deepen two main operational lines of education and catering business to establish the positioning of "Alliance of education and catering". The project was greatly affected by the epidemic in the first half of 2020, with revenue and profit declining compared with that of the corresponding period of last year, and increased withdrawal of merchants due to poor performance. After the epidemic has stabilized, the project actively strengthened business support to merchants, increased revenue and reduced expenditure, as well as maintained the overall occupancy rate at 71% in the first half of the year.

Lake Malaren Golf Course

Lake Malaren Golf Course is a high-level professional golf course in Northern Shanghai and ranked the ninth among the top 100 stadiums in the country. It is undergoing relevant transformations to expand revenue channels, while the operating revenue and operating profit have remained stable.

Retail Street of Lake Malaren

Shanghai Lake Malaren Commercial Street has created the positioning of "a new landmark that combines sports, culture and arts, featuring dining and markets at North Shanghai". With overall upgrade and renovation, as well as the addition of supporting facilities such as tracks with landscape around the lake and night lights, the renovation is completed. The project is in the process of proactive search for potential merchants, with significantly improved overall business outlook and rental efficiency, and it is expected to open in the second half of the year.

Exit from Investment after Making a Profit

Beijing, Shanghai and Shenzhen Asset Package

The asset package project was holding two assets in Beijing and Shenzhen at the beginning of the year, of which, the Shenzhen project was listed for disposal at a premium price at the first quarter of 2020, with a premium rate reaching 13.49%. The Shenzhen project is located in Shekou Industrial Zone, Shenzhen. Since the aforesaid properties were demolished after being included in the Shenzhen Urban Renewal Unit Planning, new housing will be built at the original address as compensation and the Group has the right of return in respect of the corresponding properties and parking spaces. In the second quarter of 2020, pursuant to the agreement, part of the investment shares of the asset package has been withdrawn, realizing a cash inflow of the principal and earnings amounted to RMB330 million.

BUSINESS OUTLOOK

As the epidemic is under periodic control in China, the Central bank and local governments have issued multiple relief policies such as trimmed interest rate, tax exemptions, new policies for talents and housing subsidies to boost the property market and ease the downward pressure on the economy. It is expected that the demand will continue to exist in the second half of the year, and the overheated property market will continue within a certain period of time. In terms of the policy, control policies are expected to focus on stability. In terms of the market, it is expected that the differentiation between cities will continue to intensify, and the transaction volume in first- and second-tier cities is expected to increase steadily, while third- and fourth-tier cities are still tight demand-oriented markets with certain degree of callback pressure. In terms of real estate development and investment, it is expected that most city governments will continue to accelerate the pace of launching land parcels for sale to alleviate the financial pressure from the weakened economy, and the land market in some popular cities will remain certain intensity. In terms of real estate holdings, in the short-term, the domestic economy is still recovering, physical business operations are still facing challenges, and commercial assets are overall under pressure. In general, for real estate, 2020 will be a year where both difficulties and opportunities co-exist.

Management Discussion and Analysis

In the second half of 2020, the Group will focus its work on the “two focuses”. The first is to focus on key projects so as to accelerate the development progress, speed up the collection of sales receivables and create regional boutiques, where the second is to focus on key works, exploring diversified channels in financing to support the development of key projects. In terms of project expansion, the Group will strengthen the policy and land market research of core cities of the Yangtze River Economic Belt, as well as obtain high-quality project reserves according to the funds of the Company, as appropriate.

HUMAN RESOURCES

As at 30 June 2020, the Group had 399 employees in Hong Kong and Mainland China. Total staff costs of the Group excluding directors’ remuneration, for the six months ended 30 June 2020 amounted to approximately RMB31.31 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

MAJOR TRANSACTIONS AND SIGNIFICANT INVESTMENTS DURING THE REPORTING PERIOD

On 22 May 2020, the Company announced that it intended to dispose (the “Proposed Disposal”) of (i) its 51% equity interest in Shanghai Jinxin Real Estate Company Limited (上海金心置業有限公司) (“Shanghai Jinxin”) at a minimum price of RMB1,818,640,193.22 and (ii) outstanding shareholders’ and related loan owed by Shanghai Jinxin which amounted to RMB845,974,805.64 as at 31 March 2020, by way of a listing-for-sale process carried out through Shanghai United Assets and Equity Exchange (上海聯合產權交易所) (“SUAEE”). The publication period (being the period during which the Proposed Disposal was disclosed by way of an announcement published on SUAEE) commenced on 25 May 2020 and ended on 20 July 2020. Since no application had been received in respect of the Proposed Disposal up to 20 July 2020 and thus no qualified bidders were identified, the Possible Disposal had not proceeded. Please refer to the Company’s announcements dated 22 May 2020 and 21 July 2020 for further details.

Save for those disclosed in this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

Disclosure of Interests and Other Information

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the “**SFO**”), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

Long position in shares of the Company (the “**Shares**”) and underlying Shares

Name of Directors	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Zhu Qiang	84,000,000 (Note 1)	–	–	84,000,000	0.41%
Qin Wenying	84,000,000 (Note 1)	–	–	84,000,000	0.41%
Zhuo Fumin	–	160,000 (Note 2)	–	160,000	0.0008%
Jiang Chuming	500,000	–	–	500,000	0.0024%

Notes:

- (1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.
- (2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Disclosure of Interests and Other Information

Save as disclosed above, as at 30 June 2020, none of the Directors or Chief Executive or any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 30 June 2020, so far as is known to any Director or Chief Executive, the following persons, other than a Director or Chief Executive, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Long positions in Shares

Name of Shareholders	Capacity/Nature of interest	Notes	Number of issued ordinary Share (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	<i>i</i>			15,523,751,128	75.49%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	<i>i</i>			15,523,751,128	75.49%
Jiixin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	<i>iv</i>			15,523,751,128	75.49%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	<i>iv</i>			15,389,659,128	74.84%
Jiashun (Holding) Investment Limited	Beneficial owner	<i>iv</i>			15,389,659,128	74.84%
Zhi Tong Investment Limited Partnership	Beneficial owner	<i>i, ii, iii</i>			2,022,761,390	9.84%
Jia Yun Investment Limited					2,889,659,128	14.05%
	Person having a security interest in Shares	<i>vi</i>	866,897,738	4.21%		
	Interest in controlled corporation	<i>ii, iii</i>	2,022,761,390	9.84%		
Shi Jian					2,902,666,119	14.11%
	Beneficial owner		13,006,991	0.06%		
	Interest in controlled corporation	<i>v</i>	2,889,659,128	14.05%		

Disclosure of Interests and Other Information

Name of Shareholders	Capacity/Nature of interest	Notes	Number of issued ordinary Share (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
Si Xiao Dong	Beneficial owner		2,324	0.00%	2,889,661,452	14.05%
	Interest in controlled corporation	<i>v</i>	2,889,659,128	14.05%		
SRE Investment Holding Limited	Beneficial owner	<i>vi</i>	866,897,738	4.21%	2,889,659,128	14.05%
	Interest in controlled corporation	<i>ii, iii</i>	2,022,761,390	9.84%		
Starite International Limited	Interest in controlled corporation	<i>ii, iii</i>			2,022,761,390	9.84%
Zuo Xin	Nominee for another person (other than a bare trustee)	<i>ii, iii</i>			2,022,761,390	9.84%
Jiabo Investment Limited	Interest in controlled corporation	<i>ii, iii, vi</i>			2,889,659,128	14.05%
Jiazhi Investment Limited	Interest in controlled corporation	<i>ii, iii</i>			2,022,761,390	9.84%

Notes:

- i. China Minsheng Investment Corp., Ltd. holds a 67.26% direct interest in China Minsheng Jiaye Investment Co., Ltd. Pursuant to Part XV of the SFO, China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. are respectively deemed to be interested in the Shares directly held or interested in by (a) Jiashun (Holding) Investment Limited (12,500,000,000 Shares), (b) Zhi Tong Investment Limited Partnership (2,022,761,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou Investment Limited (134,092,000 Shares).
- ii. A 100% direct interest in Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% indirectly owned by China Minsheng Investment Co., Ltd. Jia Yun Investment Limited holds a 60% direct interest in Jiazhi Investment Limited, which is a general partner of Zhi Tong Investment Limited Partnership. Accordingly, each of Jiabo Investment Limited, Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

The remaining 40% interests in Jiazhi Investment Limited is held by Starite International Limited, which is wholly-owned by Zuo Xin (as a nominee and representative of SRE Investment Holding Limited). Therefore, Starite International Limited, Zuo Xin and SRE Investment Holding Limited are deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

Disclosure of Interests and Other Information

- iii. These Shares are held by Zhi Tong Investment Limited Partnership. Jiazhi Investment Limited is a general partner of Zhi Tong Investment Limited Partnership and is held as to 60% by Jia Yun Investment Limited and 40% by Starite International Limited. Jia Yun Investment Limited is also a limited partner of Zhi Tong Investment Limited Partnership.
- iv. These Shares are held by Jiashun (Holding) Investment Limited. Jiashun (Holding) Investment Limited is 100% directly owned by Jiasheng (Holding) Investment Limited, which is 100% directly owned by Jiaxin Investment (Shanghai) Co., Ltd. Jiaxin Investment (Shanghai) Co., Ltd. is 100% directly owned by China Minsheng Jiaye Investment Co., Ltd., which is owned as to 67.26% by China Minsheng Investment Corp., Ltd. Therefore, according to Part XV of the SFO, Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. are deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited.
- v. As each of Mr. Shi Jian and Ms. Si Xiao Dong has one-third or more of the voting rights at shareholders' meetings of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited under the SFO.
- vi. 866,897,738 Shares held by SRE Investment Holding Limited are charged to Jia Yun Investment Limited. SRE Investment Holding Limited retains the voting rights attached to the Shares. China Minsheng Investment Corp., Ltd. has confirmed to the Company that if the enforcement of the share charge will result in the Company failing to meet the public float requirement, China Minsheng Investment Corp., Ltd. will use its best efforts to assist the Company to maintain or restore its public float to comply with Rule 8.08(1)(a) of the Listing Rules, such as to sell its Shares in the open market.

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Sufficiency of Public Float

As at the date of this report, 5,907,200,332 Shares (representing approximately 28.72% of the issued share capital of the Company) were held by the public. Accordingly, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Share Option Scheme

On 3 June 2016, the Board proposed to adopt a new share option scheme (the “**Scheme**”), which was approved and adopted by the shareholders of the Company on 6 July 2016.

Disclosure of Interests and Other Information

On 14 July 2016 (the “**Date of Grant**”), options to subscribe (the “**Share Options**”) for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the “**Grantees**”). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK\$0.2132 per Share, which represents the highest of (i) the closing price of the Shares of HK\$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK\$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK\$0.10.

The Share Options were granted to the following Directors:

Executive Directors	Number of Share Options Granted
He Binwu (<i>resigned on 24 October 2017</i>)	160,000,000
Peng Xinkuang (<i>removed on 29 June 2020</i>)	160,000,000
Zhu Qiang	120,000,000
Qin Wenying	120,000,000
Chen Donghui (<i>removed on 29 June 2020</i>)	80,000,000
Chen Chao (<i>retired on 3 June 2019</i>)	80,000,000
Shi Janson Bing (<i>resigned on 13 July 2018</i>)	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, Chief Executive or substantial shareholder of the Company, or an associate of any of them.

Disclosure of Interests and Other Information

The fair value of options granted during the period determined on the date on which the options were granted using the Binomial valuation model was divided into three trenches according to vesting period, being HK\$7.80 cents per option for options vested on 30 August 2016, HK\$7.99 cents per option for options vested on 30 August 2017 and HK\$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK\$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. The Binomial valuation model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

390,002,583 Share Options were cancelled during the six months ended 30 June 2020. 160,000,000 Share Options were lapsed during 2017. 309,115,393 Share Options were lapsed during 2018. 1,400,000 Share Options were lapsed during 2019. The number of outstanding Share Options as at 1 January 2020 and 30 June 2020 were 603,202,583 and 213,200,000 respectively.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the “**Eligible Employees**”), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

2. Participants of the Scheme:

The Board may at its discretion grant options to the Eligible Employees.

Disclosure of Interests and Other Information

3. Grant of option under the Scheme

An offer of the grant of an option shall be made to an Eligible Employee by letter in such form as the Board may from time to time determine, requiring the Eligible Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme. The offer shall remain open for acceptance for a period of 14 days from the date of grant. Subject to the terms of the offer letter, there shall be no minimum holding period for the vesting or exercise of the options.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date of grant.

4. Total number of Shares available for issue under the Scheme and percentage of issued share capital as at 30 June 2020:

As at 30 June 2020, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

5. Maximum entitlement of each participant under the Scheme:

Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

6. The period within which the options must be exercised under the Scheme:

The period during which an option may be exercised in accordance with the terms of the Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date of grant.

Disclosure of Interests and Other Information

7. The basis of determining the exercise price:

The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

8. The remaining life of the Scheme:

Subject to early termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the disclosure made in the Annual Report 2019 and up to the date of this interim report of the Company are set out below:

Name of Director(s)	Detail(s) of Change
Mr. Peng Xinkuang	Removed as an executive director and Chief Executive Officer on 29 June 2020
Mr. Chen Donghui	Removed as an executive director on 29 June 2020
Mr. Zong Shihua	Resigned as an executive director on 28 May 2020
Mr. Chan, Charles Sheng Wai	Resigned as an independent non-executive director of Changyou.com Limited, a company listed on NASDAQ (stock code: CYOU) on 27 April 2020

Model Code for Securities Transactions by Directors

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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Specific enquiry has been made of all Directors, who have confirmed that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

Disclosure of Interests and Other Information

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai, Mr. Zhuo Fumin, and Mr. Han Gensheng with written terms of reference in compliance with the Listing Rules. Mr. Chan Charles Sheung Wai is the chairman of the Audit Committee. These unaudited condensed consolidated interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

Corporate Governance

Throughout the six months ended 30 June 2020, the Board has reviewed its corporate governance practices and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Details of projects under development:

Project	Location	Land Use	Gross Floor Area (m ²)	Expected Date of Completion	Completion Rate of Construction	Group's Equity Interest
Jiaxing Project	No.1, Linghu Road, Nanhui District, Jiaxing, Zhejiang Province, the PRC	Phase II Residential	42,662	2021	80%	100%
		Phase II Commercial	10,556	2021	70%	100%
		Phase II Facility	2,115	2021	10%	100%
		Phase II Underground	20,029	2021	100%	100%
Shanghai Rich Gate I	Daxing Street, Huangpu District, Shanghai, the PRC	Residential	72,660	2023	0%	51%
		Commercial	9,244	2023	0%	51%
		Office	48,600	2023	0%	51%
		Underground	44,000	2023	0%	51%
Changsha Fudi Albany Garden	Pengjia Lane, Laodaoh Street, Kaifu District, Changsha, Hunan Province, the PRC	Phase I Residential	197,081	2022	0%	49.5%
		Phase I Commercial	5,085	2022	0%	49.5%
		Phase I Underground	52,129	2022	0%	49.5%
		Phase II Residential	82,068	2023	0%	49.5%
		Phase II Underground	31,100	2023	0%	49.5%
		Phase III Residential	41,858	2024	0%	49.5%
		Phase III Commercial	2,877	2024	0%	49.5%
Phase III Underground	15,242	2024	0%	49.5%		

Property Details

Project	Location	Land Use	Gross Floor Area (m ²)	Expected Date of Completion	Completion Rate of Construction	Group's Equity Interest
Dalian Oasis City Garden	West of West Outer Ring Street and South of North Ring Road, Xincheng District, Wafangdian City, Dalian, Liaoning Province, the PRC	Phase I Facility	1,474	2022	0%	51%
		Phase I Residential	105,784	2022	0%	51%
		Phase I Commercial	5,076	2022	0%	51%
		Phase I Underground	39,150	2022	0%	51%
		Phase II Residential	82,399	2023	0%	51%
		Phase II Underground	63,691	2023	0%	51%
		Phase III Residential	90,642	2025	0%	51%
		Phase III Commercial	25,000	2025	0%	51%
		Phase III Underground	31,486	2025	0%	51%
		Phase IV Residential	104,508	2026	0%	51%
Shanghai Malaren World	No.8, Meilanh Road, Baoshan District, Shanghai, the PRC	Phase IV Commercial	3,600	2026	0%	51%
		Phase IV Underground	23,016	2026	0%	51%
		Phase V Residential	125,535	2029	0%	51%
		Phase V Underground	23,716	2029	0%	51%
		Phase II Commercial	63,625	2021	5%	72.63%
		Phase II Facility	736	2021	0%	72.63%
		Phase II Underground	29,257	2021	15%	72.63%
Shanghai Shengnan International Garden	Yongfa Road, Pudong New District, Shanghai, the PRC	Residential	58,492	Not yet decided	0%	100%
75 Howard	75 Howard Street, San Francisco, the USA	Residential	20,318	2021	70%	65%
		Commercial	456	2021	70%	65%
		Underground	3,306	2021	90%	65%
		Facility	7,063	2021	70%	65%
Napa	Devlin Road, Napa County, San Francisco, the USA	Hotel	27,247	Not yet decided	0%	79.33%

Project	Location	Land Use	Gross Floor Area (m ²)	Expected Completion Date	Completion Rate of Construction	Group's Equity Interest
Romduol	Bourei Muoy Roy Khnang Villages,	Residential	83,736	2023	8%	100.00%
	Tuek Thla Commune,	Commercial	6,586	2023	10%	100.00%
	Sen Sok District,	Facility	4,811	2023	0%	100.00%
	Phnom Penh City, Cambodia	Underground	27,498	2022	15%	100.00%

Details of completed investment properties:

Project	Location	Land Use	Gross Floor Area (m ²)	Group's Equity Interest
Shenyang Richgate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, The PRC	Commercial	245,252	100%
Oasis Central Ring Center	No. 915, Zhenbei Road, Putuo District, Shanghai, The PRC	Retail	1,782	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail	32,566	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail	6,499	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Car Park	57,045	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	4,048	97%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, The PRC	Commercial	29,398	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District,	Commercial	72,943	72.63%

Corporate Information

Board of Directors

Lei Dechao (*Chairman*)

(*Appointed on 28 February 2020*)

Zhu Qiang (*Acting Chief Executive Officer*)

Qin Wenying

Jiang Qi

Jiang Chuming

Zong Shihua (*Resigned on 28 May 2020*)

Peng Xinkuang (*Removed on 29 June 2020*)

Chen Donghui (*Removed on 29 June 2020*)

Zhuo Fumin*

Chan, Charles Sheung Wai*

Ma Lishan*

Han Gensheng*

* Independent Non-executive Directors

Authorized Representatives

Lei Dechao

Zhu Qiang

Company Secretary

Chu Hoe Tin

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Level 11

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18 Harcourt Road

Admiralty, Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Principal Bankers

Hong Kong: Agricultural Bank of China

China CITIC Bank

International Limited

PRC: Industrial and Commercial

Bank of China

Agricultural Bank of China

China Construction Bank

Shanghai Pudong

Development Bank

Xiamen International Bank

China Minsheng Bank

China Merchants Bank

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