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CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “Board”) of directors (the “Directors”) of China Sandi Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019. The unaudited condensed consolidated interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended June 30	
		2020	2019
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited and restated)
Revenue			
Goods and services	3	1,538,167	1,276,976
Rental of investment properties	3	51,783	61,823
Total revenue		1,589,950	1,338,799
Cost of sales and services		(1,073,389)	(884,821)
Gross profit		516,561	453,978
Other income	5	1,620	10,607
Other gains and losses		(26,715)	(25,263)
Change in fair value of investment properties		90,016	11,829
Change in fair value upon transfer from inventories of properties to investment properties		–	1,081
Change in fair value on financial assets at fair value through profit or loss (“FVTPL”)		(4,157)	(7,323)
Change in fair value of derivative component of convertible bonds		(3,508)	36,975
Selling and distribution expenses		(84,796)	(57,306)
Administrative expenses		(86,514)	(73,076)
Finance costs	6	(91,505)	(54,886)
Gain on disposal of subsidiaries		19,638	–
Share of results of an associate		–	(6,058)
Profit before tax	7	330,640	290,558
Income tax expense	8	(146,453)	(108,274)
Profit for the period		184,187	182,284
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,424)	169
Total comprehensive income for the period		182,763	182,453

		Six months ended June 30	
		2020	2019
<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)		(unaudited and restated)
Profit (loss) for the period attributable to			
– Owners of the Company	97,237		188,025
– Non-controlling interests	86,950		(5,741)
	184,187		182,284
Total comprehensive income (expense) attributable to:			
– Owners of the Company	95,813		188,194
– Non-controlling interests	86,950		(5,741)
	182,763		182,453
EARNINGS PER SHARE			
Basic (RMB cents)	<i>10</i>	1.91	3.86
Diluted (RMB cents)	<i>10</i>	1.90	3.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		27,086	42,261
Right-of-use assets		996,288	1,011,054
Investment properties		7,659,340	7,451,740
Properties under development		343,515	279,860
Deferred tax assets		48,806	62,122
		<u>9,075,035</u>	<u>8,847,037</u>
Current assets			
Inventories of properties		11,520,191	8,849,683
Contract costs		85,246	111,150
Trade receivables, other receivables and prepayments	11	1,079,301	1,039,976
Prepaid income tax		165,038	119,582
Financial assets at FVTPL	12	1,651	24,889
Amounts due from related companies		362,057	491,784
Amounts due from non-controlling shareholders of subsidiaries		44,623	20,595
Restricted bank deposits		193,562	62,840
Bank balances and cash		927,700	707,276
		<u>14,379,369</u>	<u>11,427,775</u>
Current liabilities			
Trade and other payables and accruals	13	1,984,078	2,303,680
Lease liabilities		1,711	2,500
Contract liabilities		6,709,667	6,553,298
Income tax payable		285,280	153,547
Amounts due to related companies		462,719	642,927
Amount due to a director		99,626	99,626
Bank and other borrowings – due within one year	14	2,092,278	619,493
		<u>11,635,359</u>	<u>10,375,071</u>

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Net current assets		2,744,010	1,052,704
Total assets less current liabilities		11,819,045	9,899,741
Capital and reserves			
Share capital	15	42,881	42,881
Reserves		3,999,022	3,902,682
Equity attributable to owners of the Company		4,041,903	3,945,563
Non-controlling interests		165,419	53,969
Total equity		4,207,322	3,999,532
Non-current liabilities			
Lease liabilities		186	607
Debt component of convertible bonds		342,722	322,972
Derivative component of convertible bonds		303,252	293,981
Promissory note		468,494	446,249
Deferred tax liabilities		1,249,534	1,225,965
Bank and other borrowings – due after one year	14	5,247,535	3,610,435
		7,611,723	5,900,209
		11,819,045	9,899,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PRESENTATION

China Sandi Holdings Limited (the “Company”) is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate parent is United Century International Limited (incorporated in the British Virgin Islands (“BVI”). The ultimate controlling party is Mr. Guo Jiadi. The addresses of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of its subsidiaries are engaged in property development, holding of property for investment and rental purpose in the People’s Republic of China (the “PRC”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

On 26 July 2019, Grand Supreme Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement to acquire the entire interest in Power Success Development Incorporated (“Power Success”) and its subsidiaries (collectively refer to as the “Power Success Group”) from Top Trendy Holdings Limited, a company beneficially owned by Mr. Guo Jiadi. Pursuant to the sale and purchase agreement, the consideration is RMB243,670,000 which is satisfied by cash. Power Success is incorporated in the BVI and its subsidiaries are principally engaged in property development business in the PRC. The acquisition was completed on 28 November 2019.

In applying AG 5 to the acquisition of Power Success, the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2019 have been restated to include the financial performance, changes in equity and cash flows of Power Success Group as if they had been combined throughout the period.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group delayed its construction activities from February 2020 to March 2020 in an effort to contain the spread of the pandemic. On the other hand, the Chinese government and Government of the Hong Kong Special Administrative Region has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. In overall, the financial position and performance of the Group were not significantly affected.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE FROM GOODS AND SERVICES

For the period ended 30 June 2020

Disaggregation of revenue

Segments	Six months ended 30 June 2020 (unaudited)			
	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Types of goods or service				
Sales of properties	1,533,742	–	–	1,533,742
Property management and related fee income	–	4,425	–	4,425
Revenue from contracts with customers	1,533,742	4,425	–	1,538,167
Rental income	–	51,783	–	51,783
	<u>1,533,742</u>	<u>56,208</u>	<u>–</u>	<u>1,589,950</u>
Geographical market				
Mainland China	<u>1,533,742</u>	<u>56,208</u>	<u>–</u>	<u>1,589,950</u>
Timing of revenue recognition				
At point in time	1,533,742	–	–	1,533,742
Over time	–	4,425	–	4,425
	<u>1,533,742</u>	<u>4,425</u>	<u>–</u>	<u>1,538,167</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Six months ended 30 June 2020 (unaudited)			
	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Revenue disclosed in segment information				
External customer	1,533,742	56,208	–	1,589,950
Less: rental income	–	(51,783)	–	(51,783)
Revenue from contracts with customers	<u>1,533,742</u>	<u>4,425</u>	<u>–</u>	<u>1,538,167</u>

For the period ended 30 June 2019

Disaggregation of revenue

Segments	Six months ended 30 June 2019 (unaudited)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service				
Sales of properties	1,257,761	–	–	1,257,761
Hotel operation income				
– Hotel accommodation	–	–	5,811	5,811
– Catering service and other hotel income	–	–	5,364	5,364
Property management and related fee income	–	8,040	–	8,040
Revenue from contracts with customers	1,257,761	8,040	11,175	1,276,976
Rental income	–	61,823	–	61,823
	<u>1,257,761</u>	<u>69,863</u>	<u>11,175</u>	<u>1,338,799</u>
Geographical market				
Mainland China	<u>1,257,761</u>	<u>69,863</u>	<u>11,175</u>	<u>1,338,799</u>
Timing of revenue recognition				
At point in time	1,257,761	–	5,364	1,263,125
Over time	–	8,040	5,811	13,851
	<u>1,257,761</u>	<u>8,040</u>	<u>11,175</u>	<u>1,276,976</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Six months ended 30 June 2019 (unaudited)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information				
External customer	1,257,761	69,863	11,175	1,338,799
Less: rental income	–	(61,823)	–	(61,823)
Revenue from contracts with customers	<u>1,257,761</u>	<u>8,040</u>	<u>11,175</u>	<u>1,276,976</u>

4. SEGMENT INFORMATION

Information regularly reported to the Group's chief executive officer (the chief operating decision maker ("CODM")) for the purposes of resource allocation and assessment of performance focuses on the type of goods and services delivered or provided. The Group ceased the business of hotel operation on 31 December 2019 as the relevant hotel properties had been leased out and operated by independent third parties. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Property development – development and sale of properties

Property investment – lease of investment properties and provision of property management service

Hotel operation – provision of hotel accommodation and catering service

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Segments	Six months ended 30 June 2020 (unaudited)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
External sales	1,533,742	56,208	–	1,589,950
Segment profit	284,478	104,768	–	389,246
Other income				393
Other gains and losses				(26,715)
Change in fair value on financial assets at FVTPL				(4,157)
Change in fair value of derivative component of convertible bonds				(3,508)
Gain on disposal of subsidiaries				19,638
Unallocated corporate expenses				(6,993)
Finance costs				(37,264)
Profit before tax				330,640

Segments	Six months ended 30 June 2019 (unaudited and restated)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
External sales	1,257,761	69,863	11,175	1,338,799
Segment profit (loss)	<u>269,791</u>	<u>52,408</u>	<u>(2,194)</u>	320,005
Other income				8,697
Other gains and losses				(25,263)
Change in fair value on financial assets at FVTPL				(7,323)
Change in fair value of derivative component of convertible bonds				36,975
Unallocated corporate expenses				(11,845)
Finance costs				<u>(30,688)</u>
Profit before tax				<u>290,558</u>

Segment results represent the profit generated or loss incurred by each segment without allocation of part of other income, other gains and losses, change in fair value on financial assets at FVTPL, change in fair value of derivative component of convertible bonds, gain on disposal of subsidiaries, unallocated corporate expenses and part of finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Property development	15,641,330	12,317,840
Property investment	<u>7,762,715</u>	<u>7,569,139</u>
Total segment assets	23,404,045	19,886,979
Unallocated assets:		
Financial assets at FVTPL	1,651	24,889
Bank balances and cash	34,423	342,474
Other unallocated assets	<u>14,285</u>	<u>20,470</u>
Consolidated assets	<u>23,454,404</u>	<u>20,274,812</u>

Segment liabilities

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Property development	15,738,333	12,533,919
Property investment	2,232,444	2,266,362
Total segment liabilities	17,970,777	14,800,281
Unallocated liabilities:		
Debt component of convertible bonds	342,722	322,972
Derivative component of convertible bonds	303,252	293,981
Promissory note	468,494	446,249
Amounts due to related companies	54,126	222,292
Other unallocated liabilities	107,711	189,505
Consolidated liabilities	<u>19,247,082</u>	<u>16,275,280</u>

For the purposes monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable and operating segments other than financial assets at FVTPL, certain bank balances and cash and other unallocated assets not attributable to respective segment.
- all liabilities are allocated to reportable and operating segments other than debt component of convertible bonds, derivative component of convertible bonds, promissory note, certain amounts due to related companies and other unallocated liabilities not attributable to respective segment.

Geographical information

During the six months ended 30 June 2020 and 30 June 2019, the Group's major operations and assets are situated in PRC in which all of its revenue was derived.

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the six months ended 30 June 2020 and 30 June 2019.

5. OTHER INCOME

	Six months ended 30 June 2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited and restated)
Interest income from financial asset at amortised cost:		
Bank interest income	783	1,829
Interest income from loan receivables	–	8,657
Others	837	121
	<u>1,620</u>	<u>10,607</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Interests on bank and other borrowings	211,626	197,007
Interests on bonds payable	–	890
Effective interests on convertible bonds	15,622	13,476
Effective interests on promissory note	21,601	16,322
Interests on contract liabilities	216,997	166,893
Interests on lease liabilities	68	79
	<hr/>	<hr/>
Total borrowing costs	465,914	394,667
Less: amounts capitalised on qualifying assets	(374,409)	(339,781)
	<hr/>	<hr/>
	91,505	54,886
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Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.15% (six months ended 30 June 2019: 9.69%) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Profit before tax has been arrived at after charging:		
Directors' emoluments	1,643	2,075
Other staff costs:		
Staff salaries and allowances	58,872	40,257
Retirement benefit contributions	927	2,050
Share-based payments	527	2,062
	<hr/>	<hr/>
	60,326	44,369
	<hr/>	<hr/>
Cost of inventories recognised as an expense	1,070,198	873,056
Depreciation of property, plant and equipment	5,897	6,074
Depreciation of right-of-use assets	14,801	16,334
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8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Current tax:		
Enterprise Income Tax ("EIT") in the PRC	75,436	90,397
Land Appreciation Tax ("LAT") in the PRC	31,557	11,794
	<u>106,993</u>	<u>102,191</u>
Underprovision in prior years:		
EIT in the PRC	2,575	4,489
Deferred tax	<u>36,885</u>	<u>1,594</u>
	<u>146,453</u>	<u>108,274</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profit derived for the period. No provision for Hong Kong Profits Tax has been made for the period as the income of the Group neither arises in nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2019: 25%) for the period.

The provision of LAT is estimated according to the requirement set forth in the relevant PRC tax law and regulation. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

9. DIVIDENDS

No dividend were paid, declared or proposed to ordinary shareholders of the Company during the six months ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2019: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	97,237	188,025
Effect of dilutive potential ordinary shares on convertible bonds	<u>–</u>	<u>(11,074)</u>
Earnings for the purpose of diluted earnings per share	<u>97,237</u>	<u>176,951</u>

Number of shares

	Six months ended June 30	
	2020 '000 (unaudited)	2019 '000 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,087,208	4,869,566
Effect of dilutive potential ordinary shares:		
convertible bonds	–	1,012,444
share options	28,656	22,346
	<u>5,115,864</u>	<u>5,904,356</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		
	<u>5,115,864</u>	<u>5,904,356</u>

For the six months ended 30 June 2020, the computation of diluted earnings per share does not assume the conversion of the convertible bonds since their assumed conversion would result in increase in earnings per share.

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of the Group's trade receivables determined based on the date that the sales of properties or rental income were recognised.

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
0 – 30 days	4,740	4,174
31 – 90 days	6,949	4,999
Over 90 days	35,620	21,187
	<u>47,309</u>	<u>30,360</u>

As at 30 June 2020, other receivables and prepayments mainly included prepaid construction cost, consideration receivable for disposal of subsidiaries, receivables of refund of the deposit for land auction and deposits for construction work of approximately RMB747,501,000 (31 December 2019: approximately RMB705,919,000). Other tax prepayment mainly represented prepaid value added tax and other taxes (excluding EIT and LAT) of approximately RMB284,491,000 (31 December 2019: approximately RMB303,697,000).

12. FINANCIAL ASSETS AT FVTPL

At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
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Financial assets mandatorily measured at FVTPL:

Listed securities held for trading:

– Equities securities listed in Hong Kong

1,651	24,889
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13. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aging analysis of trade payables determined based on the invoice date, presented based on the analysis used by the Group's management to monitor the Group's financial position.

At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
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Trade payables

0 – 30 days

80,537 85,420

31 – 90 days

88,916 66,572

91 – 365 days

269,353 319,961

Over 1 year

424,383 392,751

863,189 864,704

As at 30 June 2020, other payables and accruals mainly included deposits received from tenants, other tax payables and accrued construction costs of approximately RMB687,476,000 (31 December 2019: approximately RMB1,036,385,000).

14. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to approximately RMB3,422,800,000 (six months ended 30 June 2019: approximately RMB1,706,800,000) and repaid bank and other borrowings amounting to approximately RMB269,265,000 (six months ended 30 June 2019: approximately RMB1,176,454,000). These bank and other borrowings carry interest at fixed rate ranged from 4.75% to 12.8% (six months ended 30 June 2019: 4.75% to 15%) and are repayable in instalments over a period of 1 to 12 years. The proceeds were mainly used to fund the development projects for properties for sale and investment properties.

15. SHARE CAPITAL

	Number of shares		Share capital	
	At 30 June 2020 '000	At 31 December 2019 '000	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Authorised				
Ordinary shares of HK\$0.01 each	200,000,000	200,000,000	1,979,280	1,919,280
Convertible preference shares	602,000	602,000	4,902	4,902
Issued and fully paid				
At beginning of period/year	5,087,208	4,458,901	42,881	37,468
Acquisition of entities under common control	–	485,437	–	4,158
Acquisition of additional interests in a subsidiary from non-controlling interests	–	135,870	–	1,195
Exercise of share options	–	7,000	–	60
At end of period/year	5,087,208	5,087,208	42,881	42,881

16. CONTINGENT LIABILITIES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Guarantees givens in favour of banks for:		
Mortgage facilities granted to purchases of the Group's properties (<i>note a</i>)	2,679,758	3,566,879
Guarantees given to banks in connection with loan facilities granted to related companies (<i>note b</i>)	1,035,900	1,157,000
Guarantees given to banks in connection with loan facilities granted to third parties (<i>note c</i>)	129,200	82,448
	3,844,858	4,806,327

Notes:

- (a) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. The guarantee period commences from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate. In the opinion of the directors, no provision for the guarantee contracts is recognised as the default risk is low and the provision for loss for the financial guarantee contracts is insignificant.

- (b) In the opinion of the directors of the Company, the fair value of the financial guarantees given to banks in connection with loan facilities granted to the related companies which is controlled by Mr. Guo Jiadi, was insignificant as the fair value of assets pledged is higher than the financial guarantees at the date of inception and the end of each reporting period. Also, no provision for the guarantees contracts at the end of the reporting period is recognised as the default risk is low.
- (c) In the opinion of the directors of the Company, the fair value of the financial guarantees given to banks in connection with loan facilities granted to third parties was insignificant as the fair value of assets pledged is higher than the financial guarantees at the date of inception and the end of each reporting period. Also, no provision for the guarantees contracts at the end of the reporting period is recognised as the default risk is low.

17. RELATED PARTY DISCLOSURE

- (a) The Group entered into the following transaction with its related party during the period:

Name of related party	Nature of transaction	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Fujian Sandi Real Estate Development Co., Ltd. <i>(note)</i>	Rental income received	120	120

Note: Mr. Guo Jiadi is a director and beneficial owner of the related company.

- (b) During the current interim period, Mr. Guo Jiadi and Ms. Shen Bizhen, the spouse of Mr. Guo Jiadi, have provided guarantees to banks for the bank and other borrowings of the Group with principal amount of approximately RMB5,542,563,000 (31 December 2019: approximately RMB2,094,000,000).
- (c) The amounts due from (to) related parties balances are of non-trade in nature, unsecured, interest-free, and repayable on demand. Mr. Guo Jiadi is the beneficial owner of these related companies.
- (d) The Group provided guarantees to banks in connection with loan facilities granted to the related companies controlled by Mr. Guo Jiadi and details of guarantees are set out in note 16.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020, the Group recorded a total revenue of approximately RMB1,590.0 million, representing an increase of approximately RMB251.2 million compared with the corresponding period in 2019 and the Group's profit attributable to owners was approximately RMB97.2 million, and its basic earnings per share for the period was RMB1.91 cents (six months ended 30 June 2019: profit of approximately RMB188.0 million, representing a basic earnings per share of RMB3.86 cents).

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS REVIEW

The Group is principally engaged in property development, and holding of property for investment and rental purpose. The Group has ceased to carry on hotel operations since 31 December 2019.

Property development

As at 30 June 2020, the Group had 15 property projects under development which are situated in different cities in the PRC, key cities included Shanghai, Fuzhou, and Xian. The Group primary focuses on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, offices, retail shops and villas, etc.

Contracted property sales

During the six months ended 30 June 2020, the Group achieved contracted sales of approximately RMB936.7 million with contracted gross floor area ("GFA") of approximately 108,098 square meters ("sq.m"), representing a decrease of 50.7% in contracted sales and 42.8% in contracted GFA in compared with the corresponding period in 2019. Such decrease is mainly due to the Group's pre-sale and promotion activities being interrupted by the COVID-19 epidemic since late January and resumed in late March.

The table below illustrates the contracted sales (stated before the deduction of applicable taxes) achieved by the Group for the six months ended 30 June 2020:

Contracted Sales for the six months ended 30 June 2020						
Property projects	Type	Contracted sales RMB'000	Contracted GFA (sq.m.)	Average selling price RMB/sq.m	Percentage of total contracted sales %	Group interest %
Fujian Province						
SandiYungu Fengdan	Residential	295,070	30,789	9,584	31.5	51
Wuyishan Sandi New Times Square	Residential	149,064	12,054	12,366	15.9	60
Sandi Xicheng Fengdan	Residential/Commerical	69,174	5,573	12,103	7.4	51
Shaanxi Province						
Sandi Century New City	Residential/Commerical	168,530	22,520	7,037	18.0	100
Sandi Jinyu Gaoxin	Residential	90,716	18,801	4,825	9.7	100
Qujiang Xiangsong Fengdan • Xian Sandi	Residential/Commerical	68,284	3,791	14,218	7.3	100
Sandi Yunding Fengdan	Residential	51,693	12,438	4,156	5.5	100
Others	Residential/Commerical	44,215	2,132	20,744	4.7	
Total		<u>936,746</u>	<u>108,098</u>	9,263	<u>100.0</u>	
Attributable to the Group		<u>696,721</u>	<u>85,146</u>			

Note:

- (i) Contracted sales and the calculation of average selling price are based on the sales revenue before the deduction of business/value-added tax and other surcharges/taxes.
- (ii) Contracted sales and GFA attributable to the car parking spaces are excluded in the contracted GFA and average selling price calculation.

Property under development

The table below summaries the major property development projects of the Group as at 30 June 2020:

Property projects	Expected completion dates	Site area <i>sq.m.</i>	Completed		GFA under development <i>sq.m.</i>	Planned GFA for future development <i>sq.m.</i>	Group's interest %
			Saleable GFA delivered/ pre-sold <i>sq.m.</i>	GFA available for sale <i>sq.m.</i>			
Shaanxi Province							
Sandi Century New City	2023	169,923	848,110	28,907	285,723	36,964	100
Sandi Jinyu Gaoxin	2023	65,157	—	—	178,508	—	100
Qujiang Xiangsong Fengdan • Xian Sandi	2021	124,304	129,022	18,346	281,133	—	100
Sandi Yunding Fengdan	2022	52,867	—	—	124,753	—	100
Xian Bahe Xinqu project	2024	134,723	—	—	—	207,879	100
Fujian Province							
Wuyishan Sandi New Times Square	2022	168,669	—	—	157,823	—	60
Sandi Jiangshan Waterfront	2021	310,176	10,525	—	84,424	40,086	100
Sandi Xishanyuan	2021	177,010	—	—	96,449	—	100
Sandi Yungu Fengdan	2023	57,813	—	—	265,765	—	51
Sandi Fengdan Yazhu I	2022	28,855	—	—	67,664	—	70
Sandi Fengdan Yazhu II	2022	29,314	—	—	69,151	—	100
Sandi Yasong Fengdan Garden	2022	38,539	—	—	101,752	—	100
Sandi Yunqitai	2022	60,928	—	—	—	92,710	100
Zhejiang Province							
Hangzhou Qiantang Xinqu project	2022	27,491	—	—	108,427	—	100
Shanghai							
Sandi Manhattan	2020	104,251	90,949	—	179,315	—	100
Jilin Province							
Shouchuang International Plaza	2021	30,313	66,092	—	74,552	—	51
Total		1,580,333	1,144,698	47,253	2,075,439	377,639	
Attributable to the Group		1,461,027	1,112,313	47,253	1,825,255	377,639	

Notes:

- (i) The table above includes properties for which the Group has obtained the relevant land use rights certificate(s) but has not obtained the requisite construction permits or the Group has received the confirmation letter on bidding of granting land use rights but in progress to obtain the land use right certificate(s). The figures for “GFA available for sale”, “GFA under development” and “Planned GFA for future development” are based on figures provided in the relevant governmental documents, such as the property ownership certificates, the construction work planning permits, the pre-sale permits, the construction land planning permits or the land use rights certificate. The categories of information are based on our internal records.
- (ii) The figures of “Saleable GFA pre-sold” and “GFA available for sale” include saleable GFA of car parks lot; the figures of “GFA under development” and “Planned GFA for future development” also include non-saleable GFA such as ancillary area.
- (iii) “GFA available for sale” and “GFA under development” and “Planned GFA for future development” are derived from the Group’s internal records and estimates.

The following section provides further details of the development progress of major ongoing projects of the Group.

1) Sandi Yungu Fengdan

Sandi Yungu Fengdan is located in Wuyi New District of Nanping City, Fujian Province with a total site area of approximately 57,813 sq.m. It is planned to be developed into low-rise apartment buildings which is scheduled to be completed by 2023. Phase 1 of the project has been launched for pre-sales on May 2020. The contracted sales amount of approximately RMB295.1 million were recorded during the six months ended 30 June 2020.

2) Sandi Century New City

Sandi Century New City is located in Jintai district, Baoji City, Shannxi Province, involving a site area of 169,923 sq.m planned for a residential and commercial development of which 877,017 sq.m was completed. 322,687 sq.m is under construction which is expected to be completed in 2021. During the six months ended 30 June 2020, the contracted sales amount of approximately RMB168.5 million was achieved.

3) Wuyishan Sandi New Times Square

The project situated at 4 kilometers west of Da Hong Pao Scenic Area, (a PRC National 4A-level scenic spot), Wuyishan City, Fujian Province with a total site area of 168,669 sq.m, and is planned to develop into low-density residential properties with a commercial complex.

Construction work commenced in July 2018 and the project is expected to be completed in 2022. The first and second phase of residential properties were launched for pre-sales following its sales permit granted in November 2018 and contracted sales of approximately RMB149.1 million were recorded during the six months ended 30 June 2020.

4) Qujiang Xiangsong Fengdan • Xian Sandi

Qujiang Xiangsong Fengdan Xian Sandi is a residential project located in Qujiang New District in Xian City, which is a new urban development zone designated for promoting the cultural and tourism industry. The project occupies a site area of approximately 124,304 sq.m in total and divided into 3 phase in development, each phase mainly comprised of high-rise apartments with ancillary facilities.

Phase 1 consists of two zones. Zone A consists of 3 blocks of residential buildings with certain retail units and was completed in 2017. They are mostly delivered to the buyers since then. Zone B consists of 2 block of residential buildings and a kindergarten, was completed in 2019. Pre-sales for Phase 1 had commenced since 2015 and the contracted sales amount of approximately RMB22.0 million was recorded during the six months ended 30 June 2020.

Phase 2 and Phase 3 are currently under construction and scheduled to complete in 2021. Pre-sales for Phase 2 had commenced since 2017 and Phase 3 had launched for pre-sales in September 2018 after pre-sales permits were granted for 2 blocks of residential buildings. During the six months ended 30 June 2020, Phase 2 and Phase 3 achieved the contracted sales amount of approximately RMB7.2 million and RMB39.1 million, respectively.

5) Sandi Manhattan

Sandi Manhattan is situated in the prime location of Shanghai Songjiang District, involving a site area of 104,251 sq.m planned for a mixed-use development complex and an office and shopping complex of which 90,949 sq.m GFA was completed. 179,315 sq.m GFA is under construction which is expected to be completed in 2020. During the six months ended 30 June 2020, the contracted sales amount of approximately RMB38.7 million was achieved.

Land bank replenishment

The Group's strategy is to maintain a land bank portfolio sufficient to support the Group's own development pipeline for the next few years. As at 30 June 2020, the Group had quality land bank amounting to a total GFA of approximately 2,500,000 sq.m, of which approximately 2,250,000 sq.m. were attributable to the owners of the Company.

The table below summaries the landbank by location as at 30 June 2020:

Landbank by location	Total GFA	Attributable
	('000 sq.m)	GFA ('000 sq.m)
Shannxi Province	1,162	1,162
Fujian Province	976	763
Shanghai	179	179
Zhejiang Province	108	108
Jilin Province	75	38
Total	2,500	2,250

Property investment

During the six months ended 30 June 2020, the Group recognised rental income and property management and related fee income of approximately RMB56.2 million (six months ended 30 June 2019: approximately RMB69.9 million), which is mainly generated by two furniture malls situated in Fuzhou and Baoji. The Group's investment properties also included hotels, kindergarten, commercial and office premise, which are all located in the PRC and provided a stable income stream to the Group.

Sets out below were the major investment properties held by the Group as at 30 June 2020:

Location	Existing/ Intended use	Approximate GFA (sq.m)	Group's interest (%)
Completed investment properties			
Sandi Furniture Plaza, No. 173 Gongye Road, Yizhou Street, Taijiang District, Fuzhou City, Fujian Province, the PRC	Shopping Mall	113,252	100%
Various blocks, Sandi Kaixuan Fengdan, No. 202 Minjiang Avenue, Cangshan District, Fuzhou City, Fujian Province, the PRC	Commercial/Hotel	13,308	100%
Red Star Macalline, Block 196 No. 8 Bao Guo Road Jin Tai District, Baoji City, Shaanxi Province, the PRC	Shopping Mall	63,643	100%
Sandi Plaza, Block 186 No. 8 Bao Guo Road Jin Tai District, Baoji City, Shaanxi Province, the PRC	Shopping Mall	63,125	100%
Ramada Hotel Block No. 184 No. 8 Bao Guo Road Jintai District, Baoji City, Shaanxi Province, the PRC	Hotel	15,181	100%
Pesht Boutique, Block No. 25 No. 8 Bao Guo Road Jintai District, Baoji City, Shaanxi Province, the PRC	Hotel	13,520	100%
Jinjiang Inn, Block No. 18 No. 8 Bao Guo Road Jintai District, Baoji City, Shaanxi Province, the PRC	Hotel	7,094	100%
Investment properties under construction			
Fuzhou Sandi Chuangfu Square Zone B, Fuxiz Road, Cangshan District, Fuzhou City, Fujian Province, the PRC	Commercial/Hotel	49,237	100%
Lot N5, No. 11 Zhongshan Street Neighbourhood, Congjiang District, Shanghai, the PRC	Commercial/Hotel	59,293	100%

OUTLOOK

Looking ahead, the economic impact of the COVID-19 pandemic is expected to remain for some time. With a series anti-epidemic measures implemented by the government, the epidemic is currently under control in the PRC. The Group had been closely monitoring the development of the epidemic since the outbreak and making every effort to minimise its impact to the operation of the Group. The Group is confident to the future development of the PRC economy arising from China's further opening-up and reforms over the long term. The Group is also positive in the PRC government's stabilization policy which is important to accelerate the development of the domestic economic system of China. Moreover, the reduction of loan prime rate ("LPR") has played a key role in stabilizing economic development, as well as the real estate industry. It will play a positive role in stabilising the market confidence in the real estate market.

In view of creating the maximum value for customers, shareholders, employees and society, the Group will continue to drive the diversified channels for the land acquisition and proactively look into various opportunities in the property investment sector to expand its operating scale for continuous development and accomplishing sustainable growth in the years ahead.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from property sales, which contributed approximately 96.5% of the revenue for the six months ended 30 June 2020. The table below sets forth the breakdown of the Group's revenue by operating segment as indicated:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	%	RMB'000	%
Property sales	1,533,742	96.5	1,257,761	94.0
Property investment	56,208	3.5	69,863	5.2
Hotel operation	–	–	11,175	0.8
	<u>1,589,950</u>	<u>100.0</u>	<u>1,338,799</u>	<u>100.0</u>

Revenue from property sales

The Group's revenue from property sales increased to approximately RMB1,533.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB1,257.8 million).

The table below summarises the revenue from property sales for the six months ended 30 June 2020:

Property projects	Type	Sales revenue RMB'000	GFA (sq.m)	Average selling price RMB/sq.m	Percentage of total amount %
Fujian Province					
Sandi Xicheng Fengdan	Residential/Commercial	1,103,055	111,520	9,810	71.9
Sandi Jiangshan Waterfront	Residential	153,876	10,525	14,621	10.0
Shanghai					
Sandi Manhattan	Commercial	155,925	2,277	68,490	10.2
Shaanxi Province					
Sandi Century New City	Residential	120,045	13,828	8,836	7.8
Others	Residential/Commercial	841	116	7,748	0.1
Total		<u>1,533,742</u>	<u>138,266</u>	11,043	<u>100.0</u>

Note:

- Sales revenue amount and the calculation of average price are based on the sales revenue after the deduction of business/value-added tax and other surcharges/taxes.
- GFA and sales revenue attributable to the car parking spaces are excluded in the GFA sold and the average selling price calculation.

Revenue from property investment

Revenue from property investment including rental income and property management and related fee income amounted to approximately RMB56.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB69.9 million). The decrease in rental income is mainly due to 1-month rent concession provided to certain tenants during the six months ended 30 June 2020.

Cost of properties sales

The Group's cost of properties sales increased to approximately RMB1,070.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB873.1 million). The increase was primarily attributable to the increase in the total GFA of properties delivered compared with the corresponding period in 2019, which led to the increase in the cost of properties sales.

Change in fair value on investment properties

For the six months ended 30 June 2020, the Group recognised a net fair value gain of approximately RMB90.0 million on its investment properties (six months ended 30 June 2019: net fair value gain of approximately RMB11.8 million).

Change in fair value of derivative components of convertible bonds

During the six months ended 30 June 2020, the Group recognised a fair value loss of approximately RMB3.5 million (six months ended 30 June 2019: fair value gain of approximately RMB37.0 million) on the derivative components of the convertible bonds with principal amount of HK\$500 million, issued to Mr. Guo Jiadi ("Mr. Guo") on 30 January 2019 as the consideration for acquisition of All Excel Industries Limited. The derivative components of the convertible bonds represented the conversion option to convert into shares of the Company and early redemption option before its maturity date on 30 January 2024, which are classified as derivative financial instrument and measured at fair value with changes in fair value recognised in profit or loss.

Gain on disposal of subsidiaries

During the six months ended 30 June 2020, the Group recognised a gain on disposal of subsidiaries of approximately RMB19.6 million which resulted from the disposal of 100% equity interest in Baoji Sandi Hotel Co. Ltd, Baoji Sandi Pace Boutique Hotel Co. Ltd, Baoji Sandi Ecological Catering Management Co. Ltd and Baoji Sandi Ramada Hotel Co. Ltd (collectively referred to as the "Disposed Subsidiaries"). Such gain represents the difference between the sales proceed and the carrying amount of the equity interest in the Disposed Subsidiaries.

Other gains and losses

Other gains and losses for the six months ended 30 June 2020 mainly represented net exchange loss of approximately RMB22.0 million (six months ended 30 June 2019: net exchange loss of approximately RMB25.3 million).

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB27.5 million from approximately RMB57.3 million for the six months ended 30 June 2019 to approximately RMB84.8 million for the six months ended 30 June 2020. The increase was mainly due to sales commission recognised during the six months 30 June 2020.

Administrative expenses

The Group's administrative expenses increased by approximately RMB13.4 million from approximately RMB73.1 million for the six months ended 30 June 2019 to approximately RMB86.5 million for the six months ended 30 June 2020. The increase was primarily attributable to the overall increase in staff cost.

Finance costs

Finance costs consist of interest expenses on bank and other borrowings, convertible bonds, promissory note, contract liabilities and lease liabilities. The finance costs amounted to approximately RMB91.5 million (six months ended 30 June 2019: approximately RMB54.9 million) for the six months ended 30 June 2020, increase in finance costs was mainly due to the increase in the amount of general bank borrowings.

Income tax expense

Income tax expense mainly comprises the PRC enterprise income tax and land appreciation tax amounted to approximately RMB146.5 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB108.3 million). The substantial increase was mainly attributable to the deferred tax on change in fair value of investment properties recognised during the six months ended 30 June 2020.

Investments in security

As at 30 June 2020, the investment portfolio comprises an equity security in EverChina Int'l Holdings Company Limited (stock code: 202) listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (31 December 2019: 2 equity securities). The carrying amount of the investment is equal to its fair values, which are determined by reference to the quoted market bid prices available on the Stock Exchange.

During the six months ended 30 June 2020, the Group fully disposed of 31,964,000 shares in Kingston Financial Group Limited (stock code: 1031) which led to a realised loss of approximately RMB3.8 million.

During the six months ended 30 June 2020, the Group recorded net unrealised fair value losses of approximately RMB0.4 million (six months ended 30 June 2019: net unrealised fair value losses of approximately RMB7.3 million) on the investment.

No investment represented more than 1% of the total assets of the Group as at 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had bank and other borrowings of approximately RMB7,339.8 million denominated in RMB (31 December 2019: approximately RMB4,229.9 million denominated in RMB) and other debts comprising convertible bonds and promissory note in total amount to approximately RMB1,114.5 million denominated in HK\$ (31 December 2019: approximately RMB1,063.2 million denominated in HK\$). As at 30 June 2020 and 31 December 2019, all bank and other borrowings were secured with fixed interest rate. The bank and other borrowings with maturities falling due within one year and after one year amounted to approximately RMB2,092.3 million and RMB5,247.5 million respectively (31 December 2019: approximately RMB619.5 million and RMB3,610.4 million respectively). Further details of the bank and other borrowings are set out in note 14 to the condensed consolidated financial statements in this announcement.

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB927.7 million (31 December 2019: approximately RMB707.3 million) which were mainly denominated in HK\$ and RMB.

As at 30 June 2020, the gearing ratio for the Group was approximately 178.9% (31 December 2019: approximately 114.7%), calculated based on the net debts (comprising bank and other borrowings and other debts comprising convertible bonds and promissory note less cash and cash equivalent) of approximately RMB7,526.6 million (31 December 2019: approximately RMB4,585.8 million) over the total equity of approximately RMB4,207.3 million (31 December 2019: approximately RMB3,999.5 million). The debt ratio was approximately 82.1% (31 December 2019: approximately 80.3%), calculated as total liabilities over total assets of the Group.

The Group's current available liquidity resources are sufficient to meet its capital commitments. As at 30 June 2020, the Group's net current assets amounted to approximately RMB2,744.0 million (31 December 2019: net current assets approximately RMB1,052.7 million). The Group's current ratio, being percentage of its current assets and its current liabilities, amounted to approximately 123.6% (31 December 2019: approximately 110.1%).

The Group continues to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the six months ended 30 June 2020 are summarised as follows:

(i) Bank and other borrowings

As at 30 June 2020, the Group had bank and other borrowings of approximately RMB7,339.8 million (31 December 2019: approximately RMB4,229.9 million), of which approximately RMB2,092.3 million are repayable within one year and approximately RMB5,247.5 million are repayable beyond one year. The Group's bank and other borrowings bears interest rates ranging from approximately 4.8% to 12.8% per annum. All the bank and other borrowings were denominated in RMB.

(ii) Promissory note

As at 30 June 2020 and 31 December 2019, the Company had a 5-year promissory note ("Promissory Note") with principal amount to HK\$600 million to Mr. Guo, director of the Company, with interest to be 3% per annum for the first and second years after the date of issuance, 4.5% per annum for the third and fourth years after the date of issuance and 6% per annum for the fifth year after the date of issuance, with interest payable annually in arrears and the principal will be repaid when the Promissory Note fall due on 30 January 2024. Promissory Note is denominated in HK\$. There is no early redemption of the Promissory Note requested by the Company or Mr. Guo during the six months ended 30 June 2020.

(iii) Convertible bonds

As at 30 June 2020 and 31 December 2019, the Company had a 5-year convertible bonds ("CB") with principal amount to HK\$500 million to Mr. Guo, director of the Company, with interest to be 1% per annum payable annually in arrears and carrying a conversion price of HK\$0.412 per conversion shares, with a conversion rights to convert into a maximum of 1,213,592,233 shares. The principal will be repaid when the CB fall due on 30 January 2024 if no conversion happened on or before 30 January 2024. The CB are denominated in HK\$. There was no early redemption of the CB requested by the Company or Mr. Guo during the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, the Group had disposed of its 100% equity interest in Baoji Sandi Hotel Co. Ltd, Baoji Sandi Pace Boutique Hotel Co. Ltd, Baoji Sandi Ecological Catering Management Co. Ltd and Baoji Sandi Ramada Hotel Co. Ltd to an independent third party at a consideration of RMB18,954,000 and recorded a gain on disposal of approximately RMB19,638,000 in aggregated.

Except for investment in subsidiaries, there were no significant investments held by the Group as at 30 June 2020.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2020, the Group had certain investment properties, land use rights, properties under development, certain inventories of properties and certain property, plant and equipment of an aggregate carrying value of approximately RMB16,688.8 million (31 December 2019: approximately RMB11,888.6 million) which had been pledged to secure the Group's bank borrowings. Besides, shares of certain subsidiaries of the Group were pledged to secure loans facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage facilities granted to purchasers of the Group's properties. As at 30 June 2020, the Group provided guarantees for mortgage loans in an amount of approximately RMB2,679.8 million (31 December 2019: approximately RMB3,566.9 million) to banks in respect of such agreements. Certain subsidiaries of the Group has provided corporate guarantees amounting to approximately RMB1,035.9 million (31 December 2019: approximately RMB1,157.0 million) to certain financial institutions in respect of loan facilities granted to certain companies that were indirectly wholly owned or controlled by Mr. Guo. In addition, certain subsidiaries of the Group had also provided corporate guarantees amounting to approximately RMB129.2 million (31 December 2019: RMB82.4 million) to certain financial institutions in respect of loan facilities granted to certain independent third parties during the six months ended 30 June 2020.

COMMITMENTS

As at 30 June 2020, the Group had commitments in respect of investment properties, properties under development, properties for sales and land use rights amounted to approximately RMB6,013.0 million (31 December 2019: approximately RMB4,160.2 million).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and HK\$, respectively. The functional currency of the Company and its subsidiaries which operate in Hong Kong as investment holdings companies is HK\$. The functional currency of its principal operating subsidiaries in the PRC is RMB. As at 30 June 2020, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 30 June 2020, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

As at 30 June 2020, the Group employed a total of 602 employees (31 December 2019: 795 employees) of which 598 employees (31 December 2019: 791 employees) were hired in the PRC and 4 employees (31 December 2019: 4 employees) in Hong Kong. Total remuneration paid to the employees for the six months ended 30 June 2020 amount to approximately RMB59.8 million (six months ended 30 June 2019: approximately RMB42.3 million). In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") as its code of conduct in respect of the securities dealing by the Directors. The Company has made specific enquiry to all Directors in respect of the securities dealing by the Directors and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2020.

PURCHASE, REDEMPTION OR SALE OF LISTING SECURITIES BY THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise an effective Board, sound internal control, appropriate independence policy, transparency and accountability so as to safeguard the interests of the shareholders of the Company (the "Shareholders").

The Board is committed to comply with the code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules to the extent that the Directors consider it to be practical and applicable to the Company. During the six months ended 30 June 2020 and up to date of this announcement, the Company has complied with the CG Code except for the following deviations:

Code Provision A.2.1

The roles of the chairman and the chief executive officer should be segregated and not be exercised by the same individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

Mr. Guo currently serves as the chairman of the Board (the "Chairman").

Up to date of this announcement, no individual was appointed as the chief executive officer of the Company (the "CEO"). The day-to-day management of the Group's business is monitored by the executive Directors and senior management. Given the size of the Group, the current business operations and administration have been stable, the Board is of the view that the current management structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time and separate the roles of the Chairman and the CEO when necessary.

Code Provision E.1.2

The code provision E.1.2 currently in force stipulates, among other things, that the chairman of the issuer should attend the annual general meeting.

Mr. Guo being the Chairman, was unable to attend the annual general meeting of the Company held on 12 June 2020 (the "2020 AGM") due to other commitment and Mr. Guo appointed Mr. Chan Yee Ping, Michael, an independent non-executive Director, to act as his representative and take the chair of the 2020 AGM to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. This constitutes a deviation of the code provision E.1.2.

The Board will continue to monitor and review the Company's corporate governance practices in order to ensure that such practices may meet the general rules and standards as required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for benefit of the Group and the Shareholders as a whole.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee which comprised Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Zheng Yurui being independent non-executive Directors, has reviewed the accompanying financial statements prior to their publication.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the period, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.chinasandi.com.hk). The 2020 interim report of the Company for the six months ended 30 June 2020 will be despatched to Shareholders and will be published on the same websites in due course.

By order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 21 August, 2020

As at the date of this announcement, members of the Board comprise Mr. Guo Jiadi, Ms. Amika Lan E Guo and Mr. Wang Chao, being the executive Directors; and Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Zheng Yurui, being the independent non-executive Directors.