

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **DREAMEAST GROUP LIMITED**

### **夢東方集團有限公司**

*(Incorporated in Bermuda with limited liability and  
carrying on business in Hong Kong as “DreamEast Cultural Entertainment”)  
(Stock Code: 593)*

## **ANNOUNCEMENT OF 2020 INTERIM RESULTS**

### **CHAIRMAN’S STATEMENT**

I am pleased to present the interim results of DreamEast Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 (the “period under review”). During the period under review, the Group recorded total revenue of approximately HK\$11.2 million, a decrease of HK\$27.1 million or 70.8% compared to approximately HK\$38.3 million for the corresponding period in 2019. The drop in revenue mainly resulted from the COVID-19 raging around the world, which affected the Group’s revenue. The Group’s results for the period under review recorded a net loss of HK\$209.7 million (six months ended 30 June 2019: net profit of HK\$5.8 million). Such decrease was mainly resulted from fair value change of investment properties of loss of HK\$33.3 million for the current period compared to gain of HK\$129.1 million for the same period of last year.

As at 30 June 2020, the equity attributable to the owners of the Company amounted to approximately HK\$2,231.7 million, representing a decrease of approximately HK\$197.6 million from that of 31 December 2019.

The Board of Directors of the Company (“Board” or “Directors”) has decided not to pay an interim dividend.

## **BUSINESS REVIEW**

At the beginning of 2020, the global economy was hit hard by the new coronavirus pneumonia epidemic, and the global tourism industry also raised alarms. Preliminary estimates from the World Travel & Tourism Council indicate that the new coronavirus pneumonia epidemic will cause losses of at least US\$22 billion to the global tourism industry. China's tourism industry has also suffered heavy losses. The COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused a significant drop in revenue for the period under review as compared to the same period last year. The Group has decisively put in place contingency measures to lower the impact from this outbreak. During the period of implementation of proposed measures, the Group has ensured smooth operation to the extent feasible on the premise of ensuring the safety of employees.

In the first half of 2020, Art Exhibition Center for Children under DreamEast Jiashan has been opened to the public. Children's Theatre and Valt The Wonder Deer Theme Park are carrying on interior decoration and are scheduled to open for trial operation in 2021. In June 2020, DreamEast Jiashan was granted the title of China's Most Anticipated Cultural Tourism Real Estate Projects Top 20 in 2020, which was jointly issued by China Real Estate Association and E-House Kerui. DreamEast Xiake Island Ecological City was on sale for the first time on 20 June 2020. There was an endless queue at the sale site, and it became the first "one thousand people lotteries" in Wuxi this year. The pre-sale buildings were sold out within two hours.

### **Hengyang DreamEast Resort**

The Hengyang DreamEast Resort is situated in Hengyang, Hunan Province, China. It is at the south of Mount Heng and is surrounded by time-honoured cultural heritage and magnificent natural landscape, where is the important origin of Huxiang culture. The project is conveniently located and approximately 20 minutes' drive from the downtown area. By taking High-Speed Rail, it takes around 40 minutes to Changsha, the capital city of Hunan Province, and nearly 2.5 hours to Shenzhen. Hunan was named by the most prestigious personal travel guide Lonely Planet as the Top 10 best value places in 2018, and was the only Asia tourist destination on the list.

The development of the Hengyang DreamEast Resort comprised of “Four Towns and Five Parks”, including the cultural town, the science and technology town, the forest town and the agricultural town as the Four Towns, and the DreamEast Adventure Park, the Fantasy Waterpark, the Pets Kingdom, the Agricultural Cultural Park and the International Sports Park as the Five Theme Parks. The project would facilitate the development of a new tourism landscape featuring “Mount Heng in the North and DreamEast in the South”. It has become a model of coordinated development across the primary, secondary and tertiary industry sectors and a national benchmark of development characterized by industry and city integration, thereby presenting the world a city of Hunan’s culture history.

In July 2017, the Group succeeded in the bid of a land parcel with a site area of approximately 330,000 square metres at a consideration of RMB131 million for the development of Phase 1 of the Hengyang DreamEast Resort. The Hengyang DreamEast Resort will be developed in phases. The Fantastic Hunan Town (夢裏故湘古鎮) in Phase 1 embraces Hunan’s core academic culture, water transport culture and religious culture in the construction of an international cultural tourism town originated from Hunan culture boasting natural landscape, marvellous architecture and business prosperity. At present, the experience centre of the Hengyang DreamEast Resort is opened to the public. The design integrates Hunan-style elements, such as the horse-head wall, and brings out the project’s essence to visitors by highlighting the atmosphere of Huxiang Culture. The DreamEast Shooting (Clay) Centre with a site area of approximately 103 mu in the Hengyang DreamEast Resort was completed, and held the clay shooting match of the thirteenth sports game of Hunan province and the Hunan “DreamEast Cup” Youth Shooting Championship (Clay Project) successfully. The shooting centre will be opened to tourists for shooting experience in the future as one of the entertainment activities.

The Hengyang DreamEast Resort has been included in the “Key Construction Projects in Hunan Province (湖南省重點建設項目)” as an “all-for-one tourism” project. It was highly recognized in the practice of differentiated regional tourism reform in Hengnan County, and was named “Hengyang Reform and Innovation Quality Project 2018(2018年衡陽市改革創新優質項目)”. By virtue of the successful hosting of the clay shooting match of the thirteenth sports game of Hunan province, Hengyang DreamEast Resort won two awards, namely “Outstanding Contributor” and “Special Contributor”. The characteristic Huxiang-style buildings, and the vast and magnificent national AAA scenic spot Yumu Mountain reflect the epitome of Huxiang Culture in every detail, and have gradually become one of Internet celebrities’ favourite scenic spots in Hengyang due to their impressive style of Instagram.

In addition, the DreamEast Group ploughed deep in the cultural industry, marched towards the south of Hengyang, and created the Hengyang DreamEast Resort. It has not only presented the world a city of Huxiang Culture, but also never forgotten to practice social responsibility. In 2019, Hengyang DreamEast assisted retired soldiers and their families in employment, and was honoured as “Innovation Demonstration Base for the Employment and Entrepreneurship of Retired Soldiers in Hengyang”.

## **DreamEast Jiashan**

The DreamEast Jiashan is positioned itself as a children dream world for the whole family and located in Jiashan County, Jiaxing, Zhejiang Province in Greater Shanghai, China. In terms of comprehensive strength, Jiashan County is one of the top 100 counties in China. Situated at the intersection of Jiangsu Province, Zhejiang Province and Shanghai, Jiashan is the core district of the Yangtze River Delta city cluster and the first connection between Zhejiang Province and Shanghai. The DreamEast Jiashan is located in the tourist resort of Dayun Town, Jiashan with a planned area of approximately 1,100 mu and will be developed in three phases. Phase 1 covers DreamEast Jiashan Experience Zone, Deer Elf Discovery Park, Dream Theatre, Dream Space, Hyatt Place Hotel, etc.; Phase 2 and Phase 3 comprise of a water village incorporating the millenniaold Wuyue culture with the functions of cultural experience, homestay tour, themed business, boutique inn and tourist residence, which is a children dream world that connects the whole family with art, aesthetics and innovation.

On 27 December 2018, the DreamEast Jiashan was awarded the “Boutique Special Small Town Award (精品特色小鎮獎)” in the “2018 Forum on the Integrated Development of the Cultural Tourism Industry in China (2018中國文旅產業融合發展論壇)” held by peple.com.cn. On 5 December 2019, the “2019 Asia Attractions Theme Cultural Tourism Leisure and Entertainment Development Summit Cum Asia Attractions • Golden Crown Award Ceremony (2019遊樂界主體文旅休閒娛樂發展峰會暨遊樂界\*金冠獎頒獎典禮活動)” was grandly held by the Asia Attractions magazine in Guangzhou, which commended excellent theme parks and outstanding elites in the cultural tourism industry in 2019. The DreamEast Jiashan stood out from many Chinese participating companies and won the title of “Most Popular Chinese Paradise for Tourists” under “2019 Asia Attractions • Golden Crown Award”. In June 2020, DreamEast Jiashan granted the title of China’s Most Anticipated Cultural Tourism Real Estate Projects Top 20 in 2020, which was jointly issued by China Real Estate Association and E-House Kerui.

At the beginning of 2019, the 101 Experience Centre, which integrates cultural and artistic display and experience, was opened to the public. Later, it will serve as a tourist reception centre and image display window of the DreamEast Jiashan and even the Sweet Town, and be used to display various art forms such as painting, photography, sculpture, Jiangnan folk culture and Jiashan non-heritage culture, so that the whole family can be baptized with art and culture in happiness.

In 2019, Phase 2 of the DreamEast Jiashan was included in the plans including “Zhejiang Province’s ‘4 + 1’ Major Project Construction Plan”, “Zhejiang Province’s ‘Five 100 Billion’ Investment Project”, “Major Projects Intensively Commenced in Zhejiang Province” and “Major Project Plan of the Service Industry in Zhejiang Province”. After the project is completed and put into operation, it will bring considerable benefits. It will further increase the development level of the culture and tourism industry in Jiashan, strengthen the integration and upgrade of cultural and tourism projects in the region, accelerate the construction of Jiashan Chocolate Sweet Town, promote the transformation and upgrading of service industries in the region, to achieve a win-win situation for enterprises and local fiscal revenue.

### **DreamEast Xiake Island Ecological City**

DreamEast Xiake Island Ecological City is located in Xu Xiake Town, Jiangyin City in Jiangsu Province within the greater Shanghai region. With the Yangtze River on its north and Taihu Lake a little way on its south, Jiangyin has been an important transportation hub and a key military site since ancient times. It has a long history and rich cultural heritage, and was the home of the famous explorer Xu Xiake, and has been called “the Ancient County of Yanling” and “a loyal and righteous state”. Having the most listed companies in the county, it is also called the “Number One County-level City with the Most Capital in China”. By leveraging on its nearly 5,000 mu of natural wetland resources, DreamEast Xiake Island Ecological City will turn itself into a highland to present and promote the Xu Xiake culture, and a tourist destination for “its original wetland life forms and an exceptional experience of the Xu Xiake culture”.

On 22 January 2019, the Group made a successful bid for the land use rights of three pieces of lands situated at Xu Xiake Town, Jiangyin City in Jiangsu Province for commercial use at the total price of RMB474 million (approximately HK\$551 million). Meanwhile, the Group entered into the cooperation agreement with an independent third party on 30 January 2019, in relation to the establishment of a joint venture company for codevelopment of DreamEast Xiake Island Ecological City. The joint venture company has been accounted for as a jointly controlled entity of the Group and the Group recognises its interest in the joint venture company using the equity method in accordance with the relevant accounting principles.

### **DreamEast Future World Aerospace Theme Park**

Being China's first and the world's second aerospace theme park, DreamEast Future World is an AAAA National Tourist Attraction and located at Yanjiao National High-Tech Industrial Development Zone in East Beijing. The scenic spot has an exceptional geographical location. It is only 30 minutes' drive from Beijing Tiananmen Square and just across the river from the Beijing Sub Centre. It is also adjacent to transportation hubs such as Capital International Airport and Yanjiao Railway Station. It has won such honours as Beijing Social Classroom Resource Unit, Hebei Province's Top Ten Cultural Industry Projects, Hebei Province's National Science Quality Education Base, Municipal Aerospace Science Popularization Base, and Best Research and Study Scenic Spot. In December 2019, in view of DreamEast Future World's high-quality tourism resources and huge social influence, it was successfully upgraded to an AAAA National Tourist Attraction and officially entered the ranks of national high-quality tourist attractions.

DreamEast Future World covers a total area of 16,000 square metres and contains more than 30 high-tech experience projects. It is a comprehensive aerospace science and technology museum that integrates aerospace technology exhibitions, extracurricular science popularization education, and high-tech interactive experiences. The scenic spot adheres to the mission of “Popularizing Aerospace Knowledge and Spreading Aerospace Spirit” and has accumulatively received more than one million primary and middle school students and members of research and study groups at home and abroad. Through entertaining science popularization, it stimulates children’s love for the aerospace undertaking, plants the seeds of science for children, and enlightens their aerospace dream. It is the second classroom for primary and middle school students to learn and grow and has developed into an influential aerospace technology research and study destination in Beijing.

### **Beijing Fangshan “COMB+” Project (the “Fangshan Project”)**

The Beijing Fangshan “COMB+” Project is located between the Southwest 5th and 6th Ring Roads in Beijing, China and only 2 minutes’ walk from Suzhuang Station on Fangshan Line of the Beijing Subway. In July 2014, the Group acquired 3 land parcels for the North, Central and South Zones of Phase 1 of the project at a total consideration of approximately HK\$3.3 billion. Phase 1 of the project occupies a total site area of approximately 113,000 square meters, with a gross floor area of approximately 410,000 square metres and a planned gross floor area of approximately 325,000 square metres. The project is the first large-scaled integrated community in the district. At present, the project is partially completed and available for sale and rent.

In the second half of 2017, the Beijing government implemented various adjustment measures to cool down the property market. In view of this, the Group accordingly suspended the construction and sales of the project. The management will keep abreast of the market trend and make timely adjustments to the development strategy, with the aim of maximizing profitability and shareholders’ returns.

## **PROSPECTS**

With the vision of “Share the Beauty of China with the World” and the mission of “Fill the World with Joy”, the Group will concentrate on tourist resorts in the three core areas, including Greater Beijing, Greater Shanghai and Greater Shenzhen. Also, with the progress and successive openings of the Hengyang DreamEast Resort, the DreamEast Jiashan and the Xu Xiake DreamEast Resort, the Group will also focus on the operation, the cooperation and the creation and introduction of IPs to create classic projects and operating cases. This will make the Group stand out from the cultural entertainment tourism industry with promising potential, and become a first class offline entertainment platform in China.

DreamEast will develop into a cultural and entertainment conglomerate in a persistent way, so as to create stable and sustainable returns for shareholders. With the progress of project development, the Group’s cultural entertainment business will enter a positive development stage consisting of leasing, operation, ticket income and self-developed IPs, therefore establishing an ecosystem that centres on the cultural entertainment industry. In the future, DreamEast will inherit and innovate Chinese culture with its masterpieces and connect the world with the culture.

## **GROUP RESULTS**

The Board herein presents the unaudited interim results of the Group for the six-month period ended 30 June 2020. These unaudited interim results have not been audited, but have been reviewed by the audit committee of the Company (“Audit Committee”).



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

For the six-months ended 30 June 2020

		Six months ended	
		30.6.2020	30.6.2019
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Revenue</b>	3		
Sales of properties		1,445	7,895
Rental income		8,342	21,378
Tourism park operations and other services		1,424	9,018
		<u>11,211</u>	<u>38,291</u>
Cost of sales and services		<u>(6,851)</u>	<u>(10,873)</u>
Gross profit		4,360	27,418
Other gains and losses		(52,265)	(14,736)
Other income		13,925	20,616
Share of results of joint ventures		(9,935)	1,376
Fair value changes of investment properties		(33,258)	129,126
Impairment loss recognised in respect of financial assets		–	(734)
Selling expenses		(15,033)	(15,324)
Administrative expenses		(61,170)	(52,054)
Finance costs	5	<u>(64,657)</u>	<u>(57,163)</u>
<b>(Loss) Profit before tax</b>	6	<b>(218,033)</b>	<b>38,525</b>
Income tax credit (expense)	7	<u>8,314</u>	<u>(32,772)</u>
<b>(Loss) Profit for the period</b>		<b><u>(209,719)</u></b>	<b><u>5,753</u></b>

		Six months ended	
		30.6.2020	30.6.2019
	NOTE	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Other comprehensive gain (loss):</b>			
<b><i>Item that may be reclassified to profit or loss:</i></b>			
Exchange differences on translation of foreign operations		15,943	3,577
Share of other comprehensive loss of joint ventures		(3,885)	(7,264)
		12,058	(3,687)
<b><i>Item that will not be reclassified subsequently to profit or loss:</i></b>			
Exchange differences on translation to presentation currency		(7,493)	(999)
<b>Other comprehensive gain (loss) for the period</b>		4,565	(4,686)
<b>Total comprehensive (loss) gain for the period</b>		(205,154)	1,067
<b>(Loss) Profit for the period attributable to:</b>			
Owners of the Company		(209,060)	7,634
Non-controlling interests		(659)	(1,881)
		(209,719)	5,753
<b>Total comprehensive (loss) income for the period attributable to:</b>			
Owners of the Company		(202,064)	2,948
Non-controlling interests		(3,090)	(1,881)
		(205,154)	1,067
<b>(Loss) Earnings per share:</b>			
	9		
– Basic		HK\$(0.7323)	HK\$0.027
– Diluted		HK\$(0.7323)	HK\$0.027

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30.6.2020	31.12.2019
	NOTE	HK\$'000	HK\$'000
		(unaudited)	(audited)
<b>Non-current assets</b>			
Property, plant and equipment		279,664	286,920
Right-of-use assets		53,318	52,441
Investment properties		2,489,490	2,567,861
Investment in joint ventures		1,356,330	1,313,830
Other non-current assets		122,488	144,119
		<u>4,301,290</u>	<u>4,365,171</u>
<b>Current assets</b>			
Properties under development for sale		4,792,621	4,680,357
Completed properties held for sale		277,281	283,761
Inventories		213	153
Trade receivables	10	–	4,833
Other receivables, deposits and prepayments		29,635	93,312
Amounts due from related companies		48,792	634,833
Other current assets		247,414	255,167
Bank balances and cash		59,170	40,980
		<u>5,455,126</u>	<u>5,993,396</u>

	<i>NOTE</i>	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Trade and other payables and accruals	<i>11</i>	<b>835,452</b>	716,945
Contract liabilities		<b>304,960</b>	285,872
Amounts due to related companies		<b>931,119</b>	1,088,762
Lease liabilities		<b>3,681</b>	4,143
Tax payable		<b>69,913</b>	71,072
Bank and other borrowings – within one year		<b>2,352,910</b>	1,635,613
Convertible bonds and bonds		<b>1,042,862</b>	1,040,985
		<b>5,540,897</b>	4,843,392
<b>Net current (liabilities) assets</b>		<b>(85,771)</b>	1,150,004
<b>Total assets less current liabilities</b>		<b>4,215,519</b>	5,515,175
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>496,129</b>	513,649
Bank and other borrowings – over one year		<b>1,262,126</b>	2,347,421
Lease liabilities		<b>3,904</b>	–
		<b>1,762,159</b>	2,861,070
<b>Net assets</b>		<b>2,453,360</b>	2,654,105
<b>Capital and reserves</b>			
Share capital		<b>28,550</b>	28,550
Reserves		<b>2,203,137</b>	2,400,792
Equity attributable to owners of the Company		<b>2,231,687</b>	2,429,342
Non-controlling interests		<b>221,673</b>	224,763
<b>Total equity</b>		<b>2,453,360</b>	2,654,105

## 1. BASIS OF PREPARATION

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 provisions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2019.

In preparing these condensed consolidated financial statements, the Directors have given careful consideration to the going concern status of the Group in light of the Group’s net current liabilities status as at 30 June 2020 amounted to approximately HK\$85,771,000. The financial resources available to the Group as at 30 June 2020 and up to the date of approval of the condensed consolidated financial statements for issuance may not be sufficient to satisfy the above operating cash flow requirements.

The Group has prepared a cash flow forecast which involves judgments and estimations based on management’s input of key variables and market conditions including the future economic conditions to sustain the Group as a going concern. The Group has been implementing a number of measures in the cash flow forecast, including but not limited to:

- (i) Mr. Zhou Zheng, a Director and the ultimate controlling shareholder of the Company, and SkyOcean Group Holdings Limited, a fellow subsidiary of the Company, have agreed to provide adequate fund to enable the Group to meet its financial obligations, as and when they fall due for the foreseeable future. In addition, SkyOcean Group Holdings Limited has agreed not to demand repayment of the amount due to its wholly owned subsidiaries by the Group of approximately HK\$931,119,000 as at 30 June 2020 until the Group is in a financial position to do so;
- (ii) The Group is in the process of negotiation with the banks, trust companies and assets management company to renew the repayment schedule of the existing bank and other borrowings repayable within one year; and
- (iii) The Group plans to obtain new credit facilities which are expected to be secured by existing properties of the Group and new land use right to be obtained by the Group.

The Directors consider that after taking into account the above, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis. The Group's ability of continue as a going concern is highly dependent upon the availability of the financial resources which will be provided by Mr. Zhou Zheng, the ultimate controlling shareholder of the Company, SkyOcean Group Holdings Limited and other financial institutions, should the Group be unable to operate as a going concern, adjustments would have to be made to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, to write down the carrying values of the Group's assets to their recoverable amounts and to make provision for any contractual commitments that have become onerous at that end of the reporting period. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in preparing the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2020 as described below.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

The adoption of these amendments to HKFRSs and HKASs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

### 3. REVENUE

For the six months ended 30 June 2020 (unaudited)

	Property development and leasing <i>HK\$'000</i>	Tourism park operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue from contracts with customers within HKFRS 15</b>			
<i>Recognised at a point in time</i>			
Sales of properties	1,445	–	1,445
Entrance fee, food and beverage	–	1,424	1,424
	1,445	1,424	2,869
<b>Revenue from other sources</b>			
Gross rental income from investment properties	8,342	–	8,342
<b>Total revenue generated in the PRC</b>	<b>9,787</b>	<b>1,424</b>	<b>11,211</b>

For the six months ended 30 June 2019 (unaudited)

	Property development and leasing <i>HK\$'000</i>	Tourism park operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue from contracts with customers within HKFRS 15</b>			
<i>Recognised at a point in time</i>			
Sales of properties	7,895	–	7,895
Entrance fee, food and beverage	–	9,018	9,018
	7,895	9,018	16,913
<b>Revenue from other sources</b>			
Gross rental income from investment properties	21,378	–	21,378
<b>Total revenue generated in the PRC</b>	<b>29,273</b>	<b>9,018</b>	<b>38,291</b>

#### 4. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focused on the types of goods or services delivered or provided. The Group's reportable segments for the CODM's purposes are (i) property development and leasing and (ii) tourism park operations. No analysis of segment asset and segment liability is presented as such information is not regularly provided to the CODM for the purposes of resources allocation and performance assessment.

##### Segment revenue and results

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

For the six months ended 30 June 2020 (unaudited)

	Property development and leasing <i>HK\$'000</i>	Tourism park operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customer and segment revenue	<u>9,787</u>	<u>1,424</u>	<u>11,211</u>
Reportable segment results	<u>(111,402)</u>	<u>(5,754)</u>	<u>(117,156)</u>
Unallocated income and expenses			
Other gains and losses			(7,418)
Other income			295
Share of results of joint ventures			(9,935)
Administrative expenses			(35,443)
Finance costs			<u>(48,376)</u>
Loss before tax			<u><u>(218,033)</u></u>



#### 4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2019 (unaudited)

	Property development and leasing <i>HK\$'000</i>	Tourism park operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customer and segment revenue	<u>29,273</u>	<u>9,018</u>	<u>38,291</u>
Reportable segment results	<u>95,291</u>	<u>(3,542)</u>	<u>91,749</u>
Unallocated income and expenses			
Other gains and losses			(2,723)
Other income			200
Share of results of a joint venture			1,376
Impairment loss recognised in respect of financial assets			(734)
Administrative expenses			(7,646)
Finance costs			<u>(43,697)</u>
Profit before tax			<u><u>38,525</u></u>

## 5. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
– Bank and other borrowings	154,920	145,830
– Convertible bonds and bonds	51,939	56,470
– Lease liabilities	293	–
	<u>207,152</u>	<u>202,300</u>
Less: Borrowing costs capitalised in properties under development for sale, investment properties under construction and construction in progress	<u>(142,495)</u>	<u>(145,137)</u>
	<u><u>64,657</u></u>	<u><u>57,163</u></u>

## 6. (LOSS) PROFIT BEFORE TAX

(Loss) Profit before tax for the period has been arrived at after charging (crediting):

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gross rental income from investment properties	(8,342)	(21,378)
Less: Direct operating expenses, as include in selling expenses	<u>1,649</u>	<u>448</u>
	<u>(6,693)</u>	<u>(20,930)</u>
<b>Other items</b>		
Depreciation of property, plant and equipment	2,216	1,475
Depreciation of right-of-use assets	<u>3,753</u>	<u>722</u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Current tax</b>		
Land appreciation tax ("LAT")	—	490
<b>Deferred Tax</b>		
PRC Enterprise Income Tax ("EIT")	(8,314)	32,282
	<b>(8,314)</b>	<b>32,772</b>

No provision for Hong Kong Profit Tax had been provided as the Group did not have any assessable profit from Hong Kong for the six months ended 30 June 2020 and 2019.

No provision for EIT had been provided as the Group's subsidiaries in the PRC incurred a loss for taxation purpose for the six months ended 30 June 2020 and 2019.

The provision of PRC LAT was estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT had been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No deferred tax liabilities for undistributed profits of the PRC subsidiaries have been recognised as Directors are of the opinion that there is no plan of dividend distribution out of the PRC in the foreseeable future by these PRC subsidiaries. As at 30 June 2020 and 31 December 2019, the aggregate undistributed profits of the PRC subsidiaries were approximately HK\$1,125,561,000 and HK\$1,188,548,000 respectively with corresponding unrecognised deferred tax liabilities amounted to HK\$56,278,000 and HK\$59,427,000 respectively.

## 8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 and 2019.

## 9. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>(Loss) Earnings</b>		
(Loss) Profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<b>(209,060)</b>	7,634
Effect on dilutive potential ordinary shares:		
– Interests on Convertible Bonds I	–	–
– Interests on Convertible Bonds II	–	–
(Loss) Profit for the period attributable to owners of the Company for the purpose of diluted (loss) earnings per share	<b>(209,060)</b>	7,634

	<b>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic (loss) earnings per share	<b>285,491</b>	285,491
Effect of dilutive potential ordinary shares in respect of		
– Convertible Bonds I	–	–
– Convertible Bonds II	–	–
Weighted average number of shares for the purpose of diluted (loss) earnings per share	<b>285,491</b>	285,491

The computation of diluted (loss) earnings per share for the six months ended 30 June 2020 and 2019 did not assume the conversion of the Company's Convertible Bonds since its assumed exercise would result in an decrease in loss per share (2019: increase in earnings per share).

It also did not assume the exercise of share options under the Company's share option scheme since its assumed exercise would have anti-dilutive effect on (loss) earnings per share for the six months ended 30 June 2020 and 2019.

## 10. TRADE RECEIVABLES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade receivables	–	4,839
Less: allowance for credit losses	–	(6)
	<u>–</u>	<u>4,833</u>

In respect of revenue arising from sales of properties and property leasing, the Group normally does not grant any credit term to its customers. The ageing analysis of trade receivables (net of allowance for credit losses) by invoice date is as follow:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Current to 90 days	<u>–</u>	<u>4,833</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade and bills payables	680,493	614,303
Other payables, accruals and deposits received	107,076	90,629
Provision for compensation	<u>47,883</u>	<u>12,013</u>
	<u>835,452</u>	<u>716,945</u>

Trade payables comprise construction costs payable and other project-related expenses payable.

The ageing of trade payables based on invoice date is 0 to 90 days. The average credit period on trade payables is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2020, bank balances and cash of the Group amounted to approximately HK\$59.2 million (31 December 2019: HK\$41.0 million). The Group's total current assets as at 30 June 2020 amounted to approximately HK\$5,455.1 million (31 December 2019: HK\$5,993.4 million), which comprised properties under development for sale, completed properties held for sale, inventories, trade receivables, other receivables, deposits and prepayments, amounts due from related companies, other current assets, bank balances and cash. The Group's total current liabilities as at 30 June 2020 amounted to approximately HK\$5,540.9 million (31 December 2019: HK\$4,843.4 million), which comprised trade and other payables and accruals, contract liabilities, amounts due to related companies, lease liabilities, tax payable, bank and other borrowings – within one year and convertible bonds and bonds.

As at 30 June 2020, the Group's gearing ratio was approximately 3.0 times (31 December 2019: 2.9 times) based on total liabilities of approximately HK\$7,303.1 million (31 December 2019: HK\$7,704.5 million) and total equity of approximately HK\$2,453.4 million (31 December 2019: HK\$2,654.1 million).

### **Currency and Financial Risk Management**

With the majority of the Group's businesses transacted in RMB and HK\$, the aforesaid currencies are defined as the functional currency of the Company and some subsidiaries respectively. Apart from certain bank balances and cash and bonds denominated in foreign currencies, the Group is not subject to any significant risk from fluctuations in exchange rates. No currency hedging arrangement had been made by the Group during the reporting period. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

## **Pledge of Assets**

As at 30 June 2020, properties under development for sale with carrying amount of approximately HK\$4,367.4 million (31 December 2019: HK\$4,083.9 million), investment properties with carrying amount of approximately HK\$2,489.5 million (31 December 2019: HK\$2,567.9 million), completed property held for sale with carrying amount of approximately HK\$277.3 million (31 December 2019: HK\$283.8 million), property, plant and equipment with carrying amount of approximately HK\$55.8 million (31 December 2019: HK\$54.5 million), and right-of-use assets with carrying amount of approximately HK\$46.9 million (31 December 2019: HK\$48.4 million) were pledged to certain banks, a financial institution and a related party to secure borrowings obtained from the aforesaid parties.

## **Significant Investment Held**

During the six months ended 30 June 2020, the Group held approximately 42% effective equity interests of SkyOcean Real Estate (Tangshan) Co., Ltd. and 51% equity interests of TianMao Cultural Development (Jiangyin) Co., Ltd.

## **Material Acquisition and Disposal of Subsidiaries and Associates**

During the six months ended 30 June 2020, there were no material acquisitions or disposals of subsidiaries and associates by the Group.

## **Management and Staff**

As at 30 June 2020, the total number of employees (including both full time and part time) was approximately 230. Total staff costs amounted to approximately HK\$21.0 million (six months ended 30 June 2019: HK\$27.2 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices and individual and Group's performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

## **INTERIM DIVIDEND**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

### **Code Provisions B.1.2 and C.3.3**

Code Provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (“Remuneration Committee”) adopted by the Company are in compliance with Code Provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with Code Provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.



Further details of the reasons for relevant deviations of the terms of reference were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2019. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

#### **Code Provision A.2.1**

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

There has been a deviation from this code provision since the appointment of Mr. Zhou Zheng as the Chairman of the Board and the Chief Executive Officer of the Company with effect from 27 January 2014. The Board considers this arrangement to be appropriate for the Company in view of Mr. Zhou Zheng's extensive experience in the property development industry in the PRC and his in-depth knowledge of the Group's tourist resorts and property development operation and business. The Board believes that a balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals including 4 INEDs.

Mr. Zhou Zheng resigned as Chief Executive Officer on 2 January 2020, and remained as the company's executive director, chairman and authorized representative. Ms. Zhou Jin has been appointed as an executive director and chief executive officer of the Company on the same day.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company on the Stock Exchange during the six months ended 30 June 2020.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and the corresponding accounting principles and practices adopted by the Group.

By order of the Board of  
**DreamEast Group Limited**  
**Zhou Zheng**  
*Chairman and Executive Director*

Hong Kong, 31 August 2020

*As at the date of this announcement, the Board comprises Mr. Zhou Zheng (Chairman), Ms. Zhou Jin (Chief Executive Officer) and Mr. Yang Lei being the executive Directors, and Dr. Chen Guanglei, Dr. Meng Xiaosu, Mr. Yang Buting and Mr. Zhao Daxin being the independent non-executive Directors.*