



中昌國際

ZHONGCHANG
INTERNATIONAL

Zhongchang International Holdings Group Limited

中昌國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code : 859



追求卓越

止于至善

INTERIM REPORT 2018

Corporate Information



BOARD OF DIRECTORS

Executive directors

Mr. Wang Junyong (*Chairman*)
Mr. Fan Xuerui
Mr. Sun Meng
Mr. Sun Feng
(*Resigned on 23 October 2018*)
Mr. Lai Hing Kwok
(*Appointed on 6 September 2018*)
Ms. Li Guang
(*Appointed on 23 October 2018*)

Independent non-executive directors

Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

COMMITTEES

Audit Committee

Mr. Hung Ka Hai Clement
(*Committee Chairman*)
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

Nomination Committee

Mr. Liew Fui Kiang
(*Committee Chairman*)
Mr. Wong Sai Tat
Mr. Fan Xuerui

Remuneration Committee

Mr. Wong Sai Tat
(*Committee Chairman*)
Mr. Hung Ka Hai Clement
Mr. Fan Xuerui

Executive Committee

Mr. Wang Junyong
(*Committee Chairman*)
Mr. Fan Xuerui
Mr. Sun Meng
Ms. Li Guang

AUTHORISED REPRESENTATIVES

Mr. Fan Xuerui
Mr. Lee Pui Lam

COMPANY SECRETARY

Mr. Lee Pui Lam

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suite 5, 22/F,
One AIA Financial Center
1 East Denghu Road
Foshan

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(*In Alphabetical order*)
Agricultural Bank of China Limited
Bank of Communications Co., Ltd
China Construction Bank (Asia)
Corporation Limited
China Construction Bank Corporation
Hang Seng Bank Limited
O-Bank Co., Limited

LEGAL ADVISERS

As to Hong Kong law:
Cheung Tong & Rosa Solicitors

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
Grandall Law Firm

FINANCIAL ADVISER

Optimal Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

<http://www.zhongchangintl.hk>

STOCK CODE

859





Management Discussion and Analysis

Review of Investment Properties in Hong Kong

During the reporting period for the six months ended 30 September 2018 (the “Interim Period”), the Group’s revenue was primarily derived from rental income generated from its retail investment properties, which are situated at Hong Kong Island’s prime retail location. The valuation of the investment properties of the Group amounted to HK\$1,944.5 million as at 30 September 2018 (31 March 2018: HK\$1,927.5 million). Jardine Center remained as the core and steady income generators, accounted for approximately 77.2% of the total revenue of the Group for the Interim Period.

As a result of the disposals of (i) House No.12 villa Bel-Air; and (ii) L’hart at Nos. 487 & 489 Lockhart Road in 2017, the Group’s revenue for the Interim Period decreased by approximately 30% to approximately HK\$19.1 million as compared to the same period in 2017 (2017: approximately HK\$27.3 million). Nevertheless, benefiting from the improved retail market sentiment, the investment property portfolio of the Group (excluding the disposed properties) recorded strong rental demand and higher occupancy rates, resulting in an increase in rental income of approximately 4% as compared to the same period in 2017.



Management Discussion and Analysis



Set out below is a table summarising the valuation and revenue contribution of the investment property portfolio of the Group for the Interim Period.

	Valuation of investment properties as at 30 September 2018 HK\$'000	Unaudited revenue for the six months ended 30 September 2018 HK\$'000	Unaudited revenue for the six months ended 30 September 2017 HK\$'000	Change Increase/ (decrease)
Causeway Bay				
Jardine Center, No.50 Jardine's Bazaar Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar	1,500,000	14,746	14,126	4.4%
First Floor, Nos.38 and 40 Jardine's Bazaar	103,000	1,289	1,142	12.9%
Ground Floor including Cockloft, No.41 Jardine's Bazaar	14,500	170	182	(6.6%)
Ground Floor, No.57 Jardine's Bazaar	136,000	1,343	1,319	1.8%
	140,000	1,544	1,588	(2.8%)
Mid-Levels				
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road	51,000	-	-	-
Sub-total	1,944,500	19,092	18,357	4.0%
Disposed properties				
L'hart, No.487-489 Lockhart Road	-	-	8,098	(100%)
House No. 12, Villa Bel-Air, Bel-Air on the Peak	-	-	808	(100%)
Total	1,944,500	19,092	27,263	(30%)





Management Discussion and Analysis

Unrealized fair value gains on investment properties amounted to approximately HK\$17 million (2017: Nil) on the back of recovery in the Hong Kong retail market; and natural competitive advantage of the prime location of our investment properties (majority of which are nestled at the heart of Causeway Bay) as well as the properties with committed rent rolls and solid and healthy tenant mix. As a result, the Group's profit attributable to the shareholders of the Company increased to approximately HK\$16.7 million (2017: approximately HK\$3.1 million).

Establishing a more sustainable and diverse-trade tenant portfolio

Thanks to our loyal tenants collaborating with us to build up the retail portfolio which has proven with great success by the increasing popularity of Jardine Center via various online platforms (such as Openrice, Eat and Travel Weekly, Eatigo, etc.) among local Hong Kongers and tourists. The Group strives to refine and curate its tenant mix, by understanding and fulfilling our valued tenant's and consumer's need, in turn our initiatives aim at accommodating the various business operators to create a sustainable community in the city. The composition of our tenants' trade diversity is being well optimized in the proportion of 30% beauty and healthy service; 50% celebrated Asian delicacies and 20% retail of mid-priced to affordable items retailers, including women fashion, grocery, pharmacies, health and personal care products as well as cosmetics.



For the retail-tenants category, in addition to the well-recognized tenant ("PriceMart") at Jardine Center, the Group recruited a newly-joined best-known one-stop personal care and healthy store brand - *Watsons* which was opened at our property located at Shop No.1 on ground floor of K.K. Mansion, Nos 119,121 & 125 Caine Road in the end of October 2018.

For the food and beverage tenant category, Jardine Center clusters various celebrated Asian delicacies, such as Chinese Sichuan-style hot pot (*Xiao Yu Hotpot Restaurant, Chili Party*), Japanese Top-ranked Omakase (*Maizuru, Tenzen*) and Meat Cuisine Hiro as well as Korean cuisine (*Hungry Korean*).



Management Discussion and Analysis

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The rising importance of self-image and increasing health-conscious population have driven the rapid expansion of beauty service market in Hong Kong. Our shops at Jardine Center on above ground floor level with gross floor area of about 2,000 sq. ft. were able to ride on this opportunity of high demand from typical traditional beauty service operators targeting mid-to high price points. During the Interim Period, the Group also entered into new lettings with certain well-established beauty services tenants such as *Kan's Beauty*, *Hygge Spa* and *Victorica Medical Beauty*.



Diversifying into new project management business in PRC

As mentioned in the annual report for the year ended 31 March 2018, the Group has been seeking new opportunities in the real estate sector to penetrate its presence in the PRC thereby broadening its source of revenue and earnings base. The Board is of the view that the real estate project management business in the PRC has a positive prospect and capitalizing on this opportunity will enable the Group to achieve better growth potential and broaden its source of revenue.

As disclosed in the announcement of the Company dated 21 August 2018, Foshan Mingzhou Construction Management Consultancy Company Limited* ("Mingzhou Consultancy") (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng Hongye Investment (Group) Company Limited* ("Shanghai Sansheng") entered into a project management master agreement (the "Master Agreement"), pursuant to which Mingzhou Consultancy and its subsidiaries may enter into individual project management agreement to provide project management services for the real estate projects in the PRC owned and developed by Shanghai Sansheng and its subsidiaries. Mingzhou Consultancy has recruited a professional team with relevant qualifications and expertise and set up an office in Guangzhou to prepare for the expansion in real estate project management business in the PRC.



* For identification purpose only





Management Discussion and Analysis

The resolution in relation to the provision of project management services under the Master Agreement was approved by the independent shareholder of the Company at the special general meeting on 11 October 2018.

In late October 2018, Mingzhou Consultancy has entered into individual agreements with subsidiaries of Shanghai Sansheng for four residential projects located in the Greater Bay Area in the PRC (i.e. Foshan, Jiangmen and Huizhou, Guangdong Province) with gross floor area of approximately 1.16 million square metres in aggregate.

OUTLOOK

As a result of the different stimulating policies promulgated by the US government, the US economy has gradually recovered as evidenced by low unemployment rate and elevated consumer confidence in the second half of 2018. Meanwhile, the PRC economy remained on track to achieve the official target growth rate of about 6.5%. In spite of the above, the global economy was volatile due to the recent escalating trade tensions between the US and the PRC and the US interest rate hike. Moreover, the possibility of Brexit had led to a pessimistic market sentiment on assets valuation. Nevertheless, the Hong Kong economy had been positive in overall terms benefiting from strong domestic demand, double-digit growth in inbound tourists, favorable labor market conditions as well as positive business sentiment. We believe the prospect of the Hong Kong economy will remain positive as it plays a greater role in the development of the Belt and Road Initiative and Greater Bay Area as well as the opening of various strategic infrastructure projects, particularly the Hong Kong-Zhuhai-Macau Bridge which connects Zhuhai with Hong Kong and Macau to form a tourism hub offering sightseeing, gaming and theme parks. The Group will continue to consolidate and strengthen its investment property portfolio with a view to enhancing the Group's profitability.



Management Discussion and Analysis



In order to capitalise on the opportunity of the rise of the Greater Bay Area, the Group has expanded into the new business segment, namely the provision of project management services in the PRC. With the Directors' knowledge, experience and expertise in the real estate market, the Board believes that the expansion into the project management business will enable the Group to achieve better growth potential and broaden its source of revenue. The Group has already entered into certain project management services agreements with members of Shanghai Sansheng for provision of project management services to projects located in the Greater Bay Area. Going forward, the Group will proactively promote the new business with an aim to diversifying the customer base by approaching other potential independent customers for the provision of the project management services.

The Group will also continue to seek other business opportunities in property investment, management and development businesses with the objective of delivering the best returns to our shareholders.

FINANCIAL REVIEW

The Group's unaudited revenue for the Interim Period was approximately HK\$19.1 million, representing a decrease of approximately 30.0% against the same period of last year (2017: approximately HK\$27.3 million) and represented gross rental income from investment properties. The decrease in revenue was primarily attributable to the adverse effect of disposal of two investment properties.

Other income and gains for the Interim Period increased by approximately HK\$1.7 million to approximately HK\$4.1 million (2017: approximately HK\$2.4 million). The increase was mainly due to (i) an increase in bank interest income; and (ii) a fair value gain of derivative financial instruments recognized during the Interim Period.

Staff cost comprised salaries, directors fee and retirement benefit costs. During the Interim Period, none of executive directors received remunerations and thus the staff cost decreased by approximately 33.5% as compared with last year.





Management Discussion and Analysis

The composition of other operating expenses by nature mainly classified as following:

	For the six months ended 30 September 2018 HK\$'000	For the six months ended 30 September 2017 HK\$'000
Investment properties operating cost	1,771	2,747
Corporate compliance professional fee	2,386	2,224
General administrative costs	2,355	2,934
Total	6,512	7,905

Investment properties operating cost mainly comprised of repair and maintenance cost; commission incurred for new lettings and statutory property-related costs. The decrease in such costs was due to the disposal of two investment properties in the last financial year ended 31 March 2018.

Corporate compliance professional fee incurred for the period mainly included the major corporate events included (i) change of company name announced on 29 June 2018; (ii) new bank borrowings raised announced on 15 June 2018; and (iii) continuing connected transaction regarding project management agreement announced on 21 August 2018.

As at 30 September 2018, the investment properties of the Group were revalued at HK\$1,944.5 million (31 March 2018: HK\$1,927.5 million) by an independent professional valuer. During the period, a fair value gain on investment properties of HK\$17 million was recognized in the income statement.





Finance costs for the Interim Period has decreased by approximately 31.7% to approximately HK\$11.4 million (2017: approximately HK\$16.7 million). The decrease was primarily attributable to the absence of (i) a fair value loss of derivative financial instruments recognized during the period; and (ii) reduction of bank borrowing cost arose from two disposed investment properties.

Net profit attributable to owners of the Company was approximately HK\$16.7 million (2017: approximately HK\$3.1 million), representing an increase of approximately 4.4 times as compared with the corresponding period in 2017. The increase in net profit was primarily due to the unrealised gain in fair value of investment properties.

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 30 September 2018, the Group had cash and bank balances (included bank deposits) of approximately HK\$1,027.8 million (31 March 2018: approximately HK\$749.2 million), of which approximately 44.5% were deposited with banks in Hong Kong and the remaining of approximately 55.5% were deposited with banks in the PRC. The increase in cash and bank balances was mainly attributable to the increase in bank borrowings of approximately HK\$287 million during the period. The Group's cash and bank balances were deposited in Hong Kong Dollars ("HKD") which mainly were preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 30 September 2018, the Group's bank borrowings of approximately HK\$846.3 million (31 March 2018: approximately HK\$570 million) all denominated in HKD and carry interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin with maturity profile set out as follows:





Management Discussion and Analysis

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
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Repayable		
Within one year	25,710	17,100
Within a period of more than one year but within two years	25,710	17,100
Within a period of more than two years but within five years	794,877	535,800
	846,297	570,000

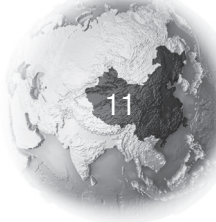
The Group's gearing ratio as at 30 September 2018, which is calculated on the basis of total liabilities over total assets, was approximately 29.7% (31 March 2018: approximately 22.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as at 30 September 2018, was approximately 28.5 (31 March 2018: approximately 29.0). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As at 30 September 2018, the issued share capital of the Company was 1,125,027,072 shares. During the Interim Period, there was no movement of the issued share capital of the Company.

As at 30 September 2018, the unaudited net assets amounted to approximately HK\$2,095.9 million (31 March 2018: audited net assets amounted to approximately HK\$2,079.1 million), representing an increase of approximately 0.8% as compared with the same as at 31 March 2018. With the total number of 1,125,027,072 ordinary shares in issue as at 30 September 2018, the unaudited net assets value per share was approximately HK\$1.86 (as at 31 March 2018: approximately HK\$1.85).





Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2018 (2017: Nil).

CORPORATE GUARANTEE

As at 30 September 2018, the Company provided corporate guarantees in aggregate of HK\$857,000,000 (31 March 2018: HK\$570,000,000) which given to a bank for securing banking facilities granted to its wholly-owned subsidiaries. As at 31 March 2018, the Company has given several corporate guarantees in aggregate of HK\$656,000,000 for securing banking facilities granted to its subsidiaries which were fully repaid in December 2017.

CHARGES ON GROUP ASSETS

As at 30 September 2018, the Group had pledged the following assets:

1. certain investment properties in Hong Kong with an aggregate carrying amount of HK\$1,654,000,000 (31 March 2018: HK\$1,763,000,000) for securing certain bank borrowings of its wholly-owned subsidiaries;
2. share mortgage of several subsidiaries for securing their respective bank borrowings; and
3. rent assignments in respect of the investment properties held by the Group.





Management Discussion and Analysis

CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the “Vendor”) and Prime Magic Holdings Limited (the “Purchaser”) on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor’s warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor’s warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance.

As at 30 September 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 30 September 2018.





COMMITMENTS

As at 30 September 2018, save for the capital commitments on PRC subsidiaries' registered capital as disclosed in the annual report for the year ended 31 March 2018, the Group had no material capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had 22 employees. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments, material acquisitions or disposals during the period.





Additional Information Required under the Listing Rules

SHARE OPTION SCHEMES

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting (“AGM”) held on 3 September 2013 (the “Share Option Scheme”) upon the share option scheme, which was previously adopted on 3 September 2003, lapsed on 2 September 2013.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company's shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.



Additional Information Required under the Listing Rules



The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

- (a) the closing price of shares at the date of grant of a share option;
- (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a share.

As at 30 September 2018, there were no outstanding share options under the Share Option Scheme.





Additional Information Required under the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.



Additional Information Required under the Listing Rules



SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 September 2018, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholder	Capacity and nature of interest	As at 30 September 2018 ⁽¹⁾	
		Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company
Sansheng Hongye (Hong Kong) Limited	Beneficial owner	L – 857,301,457 (2) S – 48,770,971 (3)	76.20% 4.34%
上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*) ⁽⁴⁾	Interest of controlled corporate	L – 857,301,457 (2) S – 48,770,971 (3)	76.20% 4.34%
Chen Jianming ⁽⁴⁾	Interest of controlled corporate	L – 857,301,457 (2) S – 48,770,971 (3)	76.20% 4.34%
Chen Yanhong ⁽⁴⁾	Interest of spouse	L – 857,301,457 (2) S – 48,770,971 (3)	76.20% 4.34%

* for identification purpose only





Additional Information Required under the Listing Rules

Notes:

- (1) Based on 1,125,027,072 ordinary shares of the Company in issue as at 30 September 2018.
- (2) Sansheng Hongye (Hong Kong) Limited held 843,585,747 ordinary shares of the Company and a convertible note in the principal amount of HK\$11,000,000 which is convertible into 13,715,710 ordinary shares of the Company.
- (3) The Company was notified that Sansheng Hongye (Hong Kong) Limited had a short position of 48,770,971 underlying shares of the Company pursuant to unlisted physically settled equity derivatives as a result of the granting by Sansheng Hongye (Hong Kong) Limited of call options to acquire from Sansheng Hongye (Hong Kong) Limited 48,770,971 shares of the Company.
- (4) 上海三盛宏業投資(集團)有限責任公司(Shanghai Sansheng Hongye Investment (Group) Company Limited*) (“Shanghai Sansheng”) controlled 100% of the voting power of Sansheng Hongye (Hong Kong) Limited, and Mr. Chen Jianming controlled 76.93% of the voting power of Shanghai Sansheng. Accordingly, both Shanghai Sansheng and Mr. Chen Jianming were deemed to be interested in shares and underlying shares held by Sansheng Hongye (Hong Kong) Limited. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the shares and underlying shares which Mr. Chen Jianming was interested in.

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

* for identification purpose only



Additional Information Required under the Listing Rules



COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted a corporate governance code prepared based on the code provisions (the “Code Provisions”) of the latest revised code on corporate governance (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) from time to time as the guidelines for corporate governance of the Company and has complied with the CG Code throughout Interim Period.

Review by Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (Chairman), Mr. Liew Fui Kiang and Mr. Wong Sai Tat. The unaudited interim results and the Interim Financial Statements have been reviewed by the Audit Committee.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period under review.





Additional Information Required under the Listing Rules

CONTINUING DISCLOSURES REQUIREMENTS UNDER THE LISTING RULES 13.21 OF CHAPTER 13 OF THE CHAPTER 13 OF THE LISTING RULES

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK\$570 million. On 15 June 2018, Top Bright Properties Limited, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK\$212 million.

On 15 June 2018, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK\$50 million and HK\$25 million respectively.

Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

EVENTS AFTER REPORTING PERIOD

Save for the continuing connected transaction approved by the independent shareholders of the Company at a special general meeting held on 11 October 2018 as disclosed in the Company's circular dated 13 September 2018, there are no other important events affecting the Group which occurred since 30 September 2018 and up to the date hereof.



Additional Information Required under the Listing Rules



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

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

By order of the Board
Zhongchang International Holdings Group Limited
Fan Xuerui
Executive director

Hong Kong, 23 November 2018

The directors of the Company as at the date of this report are:

Executive directors

Mr. Wang Junyong (*Chairman*)

Mr. Fan Xuerui

Mr. Sun Meng

Mr. Lai Hing Kwok (*Appointed on 6 September 2018*)

Ms. Li Guang (*Appointed on 23 October 2018*)

Independent non-executive directors

Mr. Hung Ka Hai Clement

Mr. Liew Fui Kiang

Mr. Wong Sai Tat





Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018 (Unaudited)

	Notes	Unaudited Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000
Revenue	3	19,092	27,263
Other income and gains	4	4,120	2,400
Net gain on disposal of an investment property	5	–	4,950
Net gain in fair value of investment properties	11	17,000	–
Staff costs	6	(3,009)	(4,525)
Other operating expenses		(6,512)	(7,905)
Profit from operations	6	30,691	22,183
Finance costs	7	(11,439)	(16,690)
Profit before taxation		19,252	5,493
Taxation	8	(2,506)	(2,414)
Profit for the period		16,746	3,079
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translating foreign operations		88	–
Other comprehensive income for the period, net of tax		88	–
Total comprehensive income for the period		16,834	3,079



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018 (Unaudited)



		Unaudited Six months ended 30 September	
		2018	2017
Notes		HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company		16,746	3,079
Total comprehensive income for the period attributable to the owners of the Company		16,834	3,079
Earnings per share			
	10		
– Basic (in HK cents)		1.49	0.29
– Diluted (in HK cents)		1.49	0.28





Condensed Consolidated Statement of Financial Position

At 30 September 2018 (Unaudited)

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Notes		

ASSETS AND LIABILITIES

NON-CURRENT ASSETS

Property, plant and equipment	2,706	2,858
Investment properties	11 1,944,500	1,927,500
	1,947,206	1,930,358

CURRENT ASSETS

Trade and other receivables	12 3,860	2,808
Derivative financial instruments	13 1,537	19
Tax recoverable	-	121
Cash and bank balances	1,027,780	749,153
	1,033,177	752,101

CURRENT LIABILITIES

Other payables, accruals and rental deposits received, current portion	8,236	8,788
Bank borrowings, current portion (secured)	14 25,710	17,100
Tax payable	2,244	79
	36,190	25,967



Condensed Consolidated Statement of Financial Position

At 30 September 2018 (Unaudited)



	Unaudited 30 September 2018 Notes	Audited 31 March 2018 HK\$'000
NET CURRENT ASSETS	996,987	726,134
TOTAL ASSETS LESS CURRENT LIABILITIES	2,944,193	2,656,492
NON-CURRENT LIABILITIES		
Other payables and rental deposits received, non-current portion	8,801	6,312
Bank borrowings, non-current portion (secured) 14	820,587	552,900
Convertible notes 15	8,510	8,037
Deferred tax liabilities 16	10,392	10,174
	848,290	577,423
NET ASSETS	2,095,903	2,079,069
CAPITAL AND RESERVES		
Share capital 17	112,502	112,502
Reserves 18	1,983,401	1,966,567
TOTAL EQUITY	2,095,903	2,079,069



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018 (Unaudited)

	Attributable to the owners of the Company									Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note 18(a))	Capital reserve HK\$'000 (note 18(b))	Exchange reserve HK\$'000 (note 18(c))	Convertible note equity reserve HK\$'000 (note 18(e))	Contribution from shareholders HK\$'000 (note 18(f))	Contribution surplus HK\$'000 (note 18(g))	Retained profits HK\$'000	
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	112,502	168,300	9,628	-	(18)	5,619	233,606	-	1,549,432	2,079,069
Profit for the period	-	-	-	-	-	-	-	-	16,746	16,746
Other comprehensive income, net of income tax: Items that may be reclassified subsequently to profit or loss: Exchange difference on translating foreign operations	-	-	-	-	88	-	-	-	-	88
Total comprehensive income for the period	-	-	-	-	88	-	-	-	16,746	16,834
At 30 September 2018 (Unaudited)	112,502	168,300	9,628	-	70	5,619	233,606	-	1,566,178	2,095,903

	Attributable to the owners of the Company									Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note 18(a))	Capital reserve HK\$'000 (note 18(b))	Share-based payment reserve HK\$'000 (note 18(d))	Convertible note equity reserve HK\$'000 (note 18(e))	Contribution from shareholders HK\$'000 (note 18(f))	Contribution surplus HK\$'000 (note 18(g))	Retained profits HK\$'000	
At 31 March 2017 (Audited) and 1 April 2017 (Unaudited)	102,904	66,446	9,628	780	23,323	36,783	245,461	170,701	1,571,091	2,227,117
Profit for the period	-	-	-	-	-	-	-	-	3,079	3,079
Total comprehensive income for the period	-	-	-	-	-	-	-	-	3,079	3,079
Issue of shares upon conversion of convertible notes	6,531	55,768	-	-	-	(34,522)	-	-	-	27,777
Issue of shares upon exercise of share options	51	778	-	-	(241)	-	-	-	-	588
Release of deferred tax liability upon conversion of convertible notes	-	-	-	-	-	3,358	-	-	-	3,358
Final dividends for the year ended 31 March 2017 paid (Note 9)	-	-	-	-	-	-	-	(170,701)	(62,396)	(233,097)
At 30 September 2017 (Unaudited)	109,486	122,992	9,628	780	23,082	5,619	245,461	-	1,511,774	2,028,822



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018 (Unaudited)



		Unaudited Six months ended 30 September	
		2018	2017
Notes		HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities		849	(2,540)
Cash flows from investing activities			
Sale proceeds received from disposal of an investment property	5	–	205,000
Deposits received from disposal of subsidiaries		–	193,000
Other investing activities		1,393	1,256
Net cash generated from investing activities		1,393	399,256
Cash flows from financing activities			
New bank loans raised		287,000	–
Repayment of bank loans		(10,703)	(88,650)
Dividend paid	9	–	(233,097)
Other financing activities		–	4,873
Net cash generated from/(used in) financing activities		276,297	(316,874)
Net increase in cash and cash equivalents		278,539	79,842
Cash and cash equivalents at beginning of the period		749,153	400,107
Effect of foreign exchange rate changes		88	–
Cash and cash equivalents at end of the period		1,027,780	479,949





Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018 (Unaudited)

	Unaudited Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000

Analysis of balances of cash and
cash equivalents

Being:

Cash and cash equivalents	1,027,780	477,947
Cash and cash equivalents included in assets classified as held for sale	-	2,002
	1,027,780	479,949



Notes to the Condensed Consolidated Interim Financial Statements



For the six months ended 30 September 2018 (Unaudited)

1. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements has been prepared in accordance with same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the financial statements for the nine months ended 31 December 2018. Details of any changes in accounting policies are set out in note 2.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.



Notes to the Condensed Consolidated Interim Financial Statements



For the six months ended 30 September 2018 (Unaudited)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

(a) Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from rental income under operating leases.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

(a) Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)

Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

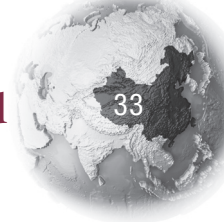
- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.



Notes to the Condensed Consolidated Interim Financial Statements



For the six months ended 30 September 2018 (Unaudited)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

(b) Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments”

In the current period, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

(b) Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” (Continued)

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12 months ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

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3. REVENUE AND SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. For the six months ended 30 September 2018 and 2017, the Group only engaged operating segment in property leasing and development. No analysis of the Group's results, assets and liabilities of other reportable segment is presented.

Information about major customers

Unaudited revenue for the six months ended 30 September 2018 and 2017 represented gross rental income from investment properties in Hong Kong. None of the customers contributed 10% or more of the Group's revenue for the six months ended 30 September 2018 and 2017.

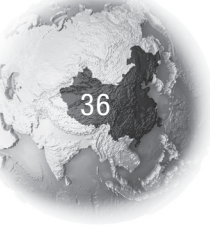
Geographical information

As all of the Group's revenue are derived from Hong Kong and most of the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

4. OTHER INCOME AND GAINS

	Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Bank interest income	1,662	813
Change in fair value of derivative financial asset component of convertible notes (Note 15)	1,518	–
Exchange gain, net	940	–
Forfeiture of convertible notes interest payable	–	1,535
Sundry income	–	52
	4,120	2,400





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

5. NET GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

Net gain on disposal of an investment property arose from the completion of disposal of the investment property – House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong at a consideration of HK\$205,000,000 in August 2017.

	Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Sales proceeds	–	205,000
Less:		
– Carrying amount of an investment property	–	(198,000)
– Transaction costs directly attributable to the disposal of an investment property	–	(2,050)
Net gain on disposal of an investment property	–	4,950



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)



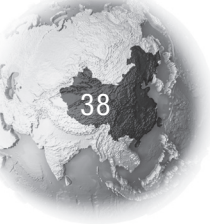
6. PROFIT FROM OPERATIONS

	Unaudited Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000

Profit from operations has been arrived at after charging/(crediting) the followings:

Directors' emoluments	540	2,600
Other staff costs	2,469	1,925
Total staff costs	3,009	4,525
Bad debts written-off	–	25
Depreciation of property, plant and equipment	421	435
Written-off of property, plant and equipment	–	442
Gross rental income from investment properties	(19,092)	(27,263)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,771	2,747
	(17,321)	(24,516)





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

7. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	9,916	10,248
Change in fair value of derivative financial asset component of convertible notes	–	2,282
Effective interest expenses on convertible notes (Note 15)	566	1,500
Other finance costs	957	2,660
	11,439	16,690



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

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8. TAXATION

	Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong		
– Provision for the period	2,286	1,253
– Under provisions in prior years	2	1,363
	2,288	2,616
Deferred taxation		
– Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income	218	(202)
	2,506	2,414

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's operation in Hong Kong for both periods.

Under the law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the PRC subsidiaries of the Group are subjected to PRC EIT of a rate of 25%.

9. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2018 (2017: Nil).

For the six months ended 30 September 2017, a final dividend of approximately HK\$233,097,000 that relates to the year ended 31 March 2017 was paid in August 2017.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

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:

	Unaudited Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000

Earnings

Earnings for the purpose of calculating basic earnings per share	16,746	3,079
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	–	–
Forfeiture of convertible notes interest payable on conversion of convertible notes	–	–
Fair value (gains)/losses on derivative financial assets component of convertible notes	–	–
Earnings for purpose of diluted earnings per share	16,746	3,079



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

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10. EARNINGS PER SHARE (CONTINUED)

	Unaudited Six months ended 30 September	
	2018 Number of ordinary shares	2017 Number of ordinary shares

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share

1,125,027,072 1,071,246,297

Effect of dilutive potential ordinary shares:

Share options

– 11,887,025

Convertible notes

– –

Weighted average number of ordinary shares for the purpose of diluted earnings per share

1,125,027,072 1,083,133,322

The diluted earnings per share for the six months ended 30 September 2018 and 2017 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 September 2017, the outstanding share options were assumed to have been converted into ordinary shares.

For the six months ended 30 September 2018 and 2017, the Company's outstanding convertible notes were not included in the calculation of diluted earnings per share because the effect of which were anti-dilutive.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

11. INVESTMENT PROPERTIES

Completed
investment
properties, in
Hong Kong
HK\$'000

FAIR VALUE:

At 31 March 2018 (audited) and 1 April 2018 (unaudited)	1,927,500
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	17,000
At 30 September 2018 (unaudited)	1,944,500

The fair value of the Group's investment properties as at 30 September 2018 was determined by valuations carried out by CBRE Limited (31 March 2018: Savills Valuation and Professional Services Limited). Both parties are independent qualified professional valuers not connected to the Group.

CBRE Limited and Savills Valuation and Professional Services Limited are members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined with i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the vicinity of the subject property; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the property and capitalizing them on an appropriate rate to produce a capital value.

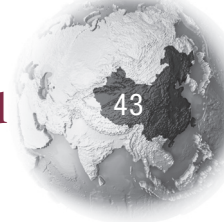
There have been no changes to the valuation technique during the interim period.

As at 30 September 2018, investment properties with a carrying amount in aggregate of HK\$1,654,000,000 (31 March 2018: HK\$1,763,000,000) were pledged as collateral for the Group's bank borrowings.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)



12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Trade receivables	1,274	1,383
Less: Impairment loss on trade receivables	–	–
	1,274	1,383
Other receivables, deposits and prepayments	2,586	1,425
	3,860	2,808

- (i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist of rental receivables. The rental receivables are payable in advance by tenants.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) The ageing analysis of the Group's trade receivables are as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Effective rental receivables (0 days)	1,220	1,220
Up to 30 days	54	163
	1,274	1,383

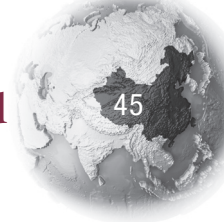
(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Neither past due nor impaired	1,220	1,220
Less than 1 month past due	54	163
	1,274	1,383



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)



12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

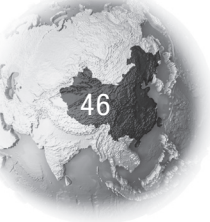
Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current assets:		
Derivative financial asset component of convertible notes (Note 15)	1,537	19

As at 30 September 2018, the fair value of derivative financial asset component of convertible notes with an outstanding principal amount of HK\$11,000,000 was appraised by BMI Appraisals Limited. The key inputs used for the calculation of the fair value were disclosed in note 15 to the Interim Financial Statements.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

14. BANK BORROWINGS – SECURED

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Bank loans	846,297	570,000
Less: current portion	(25,710)	(17,100)
Non-current portion	820,587	552,900
The carrying amount of the above bank borrowings are repayable as follows:		
On demand or within one year	25,710	17,100
Within a period of more than one year but within two years	25,710	17,100
Within a period of more than two years but within five years	794,877	535,800
	846,297	570,000
Less: Amounts due within one year shown under current liabilities	(25,710)	(17,100)
Amounts shown under non-current liabilities	820,587	552,900

The bank borrowings are secured by the Group's assets which were set out in the paragraph under the heading "Charges On Group Assets" under the Management Discussion and Analysis section of this interim report on page 11.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

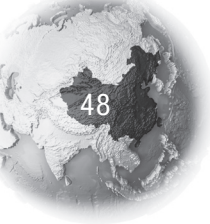


15. CONVERTIBLE NOTES

The Company issued in aggregate of HK\$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK\$0.934 per share per convertible note. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of convertible notes was adjusted to HK\$0.802 per conversion share in accordance with the terms and conditions of convertible notes. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK\$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

15. CONVERTIBLE NOTES (CONTINUED)

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading “convertible notes equity reserve”. The effective interest rate of the liability component is 13.73% per annum. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Risk free rate	2.19%	1.58%
Expected life	2.19 years	2.69 years
Expected volatility	66.58%	64.38%
Expected dividend yield	7.06%	Nil



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

15. CONVERTIBLE NOTES (CONTINUED)

The movements of equity component, liability component and redemption option derivative of the convertible notes for the six months ended 30 September 2018 are set out below:

	Liability component HK\$'000	Equity component HK\$'000	Redemption option derivative HK\$'000	Total HK\$'000
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	8,037	5,619	(19)	13,637
Effective interest charged (note 7)	566	–	–	566
Interest payable	(93)	–	–	(93)
Change in fair value of derivative financial asset component of convertible notes (note 4)	–	–	(1,518)	(1,518)
At 30 September 2018 (Unaudited)	8,510	5,619	(1,537)	12,592

As at 30 September 2018, the outstanding principal amount of the convertible notes was HK\$11,000,000 (31 March 2018: HK\$11,000,000).





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

16. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the six months ended 30 September 2018 were as follows:

	Depreciation allowances in excess of the related depreciation HK\$'000	Convertible notes HK\$'000	Total HK\$'000
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	9,685	489	10,174
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income	296	(78)	218
At 30 September 2018 (Unaudited)	9,981	411	10,392



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

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17. SHARE CAPITAL

	Unaudited		Audited	
	As at 30 September 2018		As at 31 March 2018	
	Number of	Amount	Number of	Amount
	shares	HK\$'000	shares	HK\$'000
	'000		'000	
Authorised:				
Ordinary shares of HK\$0.10 each	2,000,000	200,000	2,000,000	200,000
Issued and full paid:				
Ordinary shares of HK\$0.10 each At 1 April (Unaudited)	1,125,027	112,502	1,029,043	102,904
Issue of shares upon conversion of the convertible notes (note (a))	-	-	30,674	3,067
Issue of shares upon exercise of the share options (note (b))	-	-	65,310	6,531
At 30 September 2018 (Unaudited)/ 31 March 2018 (Audited)	1,125,027	112,502	1,125,027	112,502

Notes:

- (a) During the year ended 31 March 2018, a convertible note with partial principal amount of HK\$61,000,000 out of HK\$72,000,000 was converted into 65,310,492 ordinary shares at its conversion price of HK\$0.934 per share.
- (b) During the year ended 31 March 2018, 4,065,756 ordinary shares and 26,607,290 ordinary shares of HK\$0.1 each were issued as a result of exercise of share options under the 2003 Scheme and 2013 Scheme respectively.

All the shares issued by the Company for both periods rank pari passu with the then existing ordinary shares in all respects.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

18. RESERVES

Nature of reserves

(a) *Special reserve*

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

(b) *Capital reserve*

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

(c) *Exchange reserve*

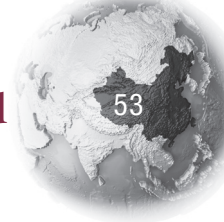
Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for exchange reserve.

(d) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share based payment.



Notes to the Condensed Consolidated Interim Financial Statements



For the six months ended 30 September 2018 (Unaudited)

18. RESERVES (CONTINUED)

Nature of reserves (Continued)

(e) *Convertible notes equity reserve*

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

(f) *Contribution from shareholders*

As at 1 April 2018 and 30 September 2018, the contributions from shareholders represent the discount on acquisitions of Uptodate Management Limited with amount of approximately HK\$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

As at 1 April 2017 and 30 September 2017, the contributions from shareholders represent the aggregation of discount on acquisitions of two indirectly wholly owned subsidiaries - Seedtime International Limited and Uptodate Management Limited with their respective amount of approximately HK\$11,855,000 and HK\$233,606,000 from the former controlling shareholder - Mr. Ng Chun For, Henry.

(g) *Contributed surplus*

Pursuant to the approval of a special resolution at the special general meeting of the Company on 13 May 2015, the amount of approximately HK\$720,617,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus. The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

19. FINANCIAL RISK MANAGEMENT

Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	Unaudited	Audited			
	30 September 2018 HK\$'000	31 March 2018 HK\$'000			
Derivative financial asset component of convertible notes	1,537	19	Level 3	The binomial option pricing model	Risk-free rate adopted was 2.19% (31 March 2018: 1.58%). Expected volatility of 66.58% (31 March 2018: 64.38%)

There were no transfers between Level 1 and 2 in the period.

Please refer to note 15 for the fair value reconciliation of derivative financial asset component of convertible notes for the six months ended 30 September 2018.



Notes to the Condensed Consolidated Interim Financial Statements



For the six months ended 30 September 2018 (Unaudited)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

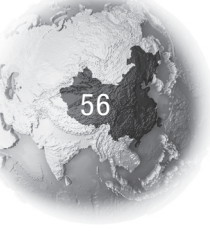
The fair values of financial assets and financial liabilities are determined as follows:

- a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial statements approximate to their fair values.

	Unaudited 30 September 2018		Audited 31 March 2018	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities				
Convertible notes	8,510	9,198	8,037	8,373





Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018 (Unaudited)

20. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Within one year	1,368	1,119
In the second to fifth years inclusive	394	573
	1,762	1,692

Operating lease payments represented rental payables by the Group for certain of its office and warehouse premises. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

The Group as lessor

At the end of the reporting period, the Group had contracted with the tenants for the following future minimum lease receivables:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Within one year	32,088	24,780
In the second to fifth years inclusive	34,257	13,799
	66,345	38,579

