

### **CORPORATE INFORMATION**

#### **Board of Directors**

Executive Directors: Chung Cho Yee, Mico (Chairman) Kan Sze Man Chow Hou Man Fong Man Bun, Jimmy

Independent Non-Executive Directors: Lam Lee G. Cheng Yuk Wo Shek Lai Him, Abraham Lo Wing Yan, William

### **Audit Committee**

Cheng Yuk Wo (Chairman) Lam Lee G. Shek Lai Him, Abraham Lo Wing Yan, William

### **Remuneration Committee**

Cheng Yuk Wo (Chairman) Chung Cho Yee, Mico Lam Lee G.

#### **Nomination Committee**

Chung Cho Yee, Mico (Chairman) Lam Lee G. Cheng Yuk Wo

#### **Executive Committee**

Chung Cho Yee, Mico (Chairman) Kan Sze Man Chow Hou Man Fong Man Bun, Jimmy

### **Company Secretary**

Chan Suet Kwan

### **Principal Bankers**

Bank of China (Hong Kong) Limited China Construction Bank (Asia) Corporation Limited DBS Bank (Hong Kong) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Limited The Bank of East Asia Limited The Hongkong and Shanghai Banking Corporation Limited United Overseas Bank Limited

### **Registered Office**

Clarendon House 2 Church Street Hamilton HM 11 Bermuda

## Hong Kong Head Office and Principal Place of Business

31/F Bank of America Tower 12 Harcourt Road Central, Hong Kong

### Shanghai Office

Room 804, The Platinum 233 Tai Cang Road Huang Pu District Shanghai, 200020, China

### **Auditors**

Deloitte Touche Tohmatsu 35/F., One Pacific Place 88 Queensway Hong Kong

### **Principal Registrars**

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

### Hong Kong Branch Share Registrars

Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

#### Stock Code

497

### **Company Website**

www.csigroup.hk



The board of directors (the "Board") of CSI Properties Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018. The condensed consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

### Six months ended 30 September

	NOTES	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue Cost of sales and services	3	2,445,628 (1,715,711)	1,171,010 (962,235)
Gross profit Income and gains (losses) from investments Other income Other gains and losses Administrative expenses Finance costs Share of results of joint ventures Share of results of associates	4 5 6 7	729,917 2,830 54,695 30 (127,381) (139,263) 43,775 (4,391)	208,775 81,473 52,283 25,156 (83,335) (143,257) 83,649 (3,076)
Profit before taxation Income tax expense	8	560,212 (113,832)	221,668 (4,398)
Profit for the period	9	446,380	217,270
Profit for the period attributable to: Owners of the Company Holders of perpetual capital securities Non-controlling interests		351,698 44,601 50,081 446,380	213,994 2,741 535 217,270
Earnings per share (HK cents)  – Basic	11	3.50	2.13

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Profit for the period	446,380	217,270	
Other comprehensive (expense) income Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations Share of exchange differences of joint ventures, net of related income tax	(33,440) (146,500)	11,566 45,080	
	(179,940)	56,646	
Total comprehensive income for the period	266,440	273,916	
Total comprehensive income attributable to: Owners of the Company Holders of perpetual capital securities Non-controlling interests	171,758 44,601 50,081	270,640 2,741 535	
	266,440	273,916	

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	NOTES	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Non-Current Assets Property, plant and equipment Available-for-sale investments	12 16	257,760 -	266,637 138,213
Financial assets at fair value through profit or loss Loan receivables Club memberships Interests in joint ventures	16	159,595 241,200 11,915 4,338,847	135,193 11,915 4,223,632
Amounts due from joint ventures Interests in associates Amounts due from associates Deposits paid for acquisition of property,	13 13	3,845,934 248,604 3,859	3,220,780 251,763
plant and equipment		48,619	_
		9,156,333	8,248,133
Current Assets Trade and other receivables Contract costs Amount due from a non-controlling shareholder	14	846,984 30,249	1,183,733
of a subsidiary Properties held for sale Investments held for trading Financial assets at fair value through	13 15 16	2,460 12,284,067 -	2,460 11,957,211 1,879,380
profit or loss Taxation recoverable Cash held by securities brokers Bank balances and cash	16	1,705,970 10,194 3,619 1,970,138	9,798 2,384 2,577,148
		16,853,681	17,612,114
Current Liabilities Other payables and accruals Contract liabilities Taxation payable	17	252,355 1,013,921 301,311	1,106,879 - 220.978
Amounts due to joint ventures Amounts due to non-controlling shareholders	13	494,289	722,382
of subsidiaries Bank borrowings – due within one year	13 18	163,338 385,198	198,073 1,358,707
		2,610,412	3,607,019
Net Current Assets		14,243,269	14,005,095
		23,399,602	22,253,228

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 SEPTEMBER 2018

	NOTES	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Capital and Reserves Share capital Reserves	20	80,296 11,726,712	80,296 11,662,454
Equity attributable to owners of the Company Holders of perpetual capital securities Non-controlling interests	19	11,807,008 1,539,223 39,921	11,742,750 1,539,619 28,190
Total Equity		13,386,152	13,310,559
Non-Current Liabilities Bank borrowings – due after one year Guaranteed notes Deferred tax liabilities	18 21 22	8,052,219 1,950,000 11,231	6,988,999 1,950,000 3,670
		10,013,450	8,942,669
		23,399,602	22,253,228

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Attributable	to	owners	of	the	Company	
--------------	----	--------	----	-----	---------	--

			Canital					Damatual	Non-	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Perpetual capital securities HK\$'000 (Note 19)	controlling interests HK\$'000	Total equity HK\$'000
At 31 March 2018 (audited) Effect on changes in accounting policies (Nate 2)	80,296 -	2,052,135	6,620	72,579 -	96,453	9,434,667 33,019	11,742,750 33,019	1,539,619	28,190	13,310,559 33,019
As restated	80,296	2,052,135	6,620	72,579	96,453	9,467,686	11,775,769	1,539,619	28,190	13,343,578
Profit for the period  Exchange differences arising on translation of	-	-	-	-	-	351,698	351,698	44,601	50,081	446,380
foreign operations Share of exchange differences of joint ventures	-		-	-	(33,440) (146,500)	-	(33,440) (146,500)	-	-	(33,440) (146,500)
Total comprehensive (expenses) income for the period	-	_	-	-	(179,940)	351,698	171,758	44,601	50,081	266,440
Dividends recognised as distribution ( <i>Nate 10</i> ) Distribution to holders of perpetual capital securities Dividends paid to non-controlling shareholders of	- -	-	-	-	-	(140,519)	(140,519)	- (44,850)	-	(140,519) (44,850)
subsidiaries Issuance cost	-	-	-	-	-	-	-	(147)	(38,350)	(38,350) (147)
At 30 September 2018 (unaudited)	80,296	2,052,135	6,620	72,579	(83,487)	9,678,865	11,807,008	1,539,223	39,921	13,386,152
At 1 April 2017 (audited)	80,296	2,052,135	6,620	72,579	(43,353)	8,587,035	10,755,312	-	14,070	10,769,382
Profit for the period Exchange differences arising on translation of	-	-	-	-	-	213,994	213,994	2,741	535	217,270
foreign operations Share of exchange differences of joint ventures	-	-	-	-	11,566 45,080	-	11,566 45,080	-	-	11,566 45,080
Total comprehensive income for the period		-	-	-	56,646	213,994	270,640	2,741	535	273,916
Acquisition of subsidiaries Dividends recognised as distribution ( <i>Note 10</i> ) Issuance of perpetual capital securities Issuance cost				-	- - -	- (162,601) - -	- (162,601) - -	- 1,560,000 (21,072)	9,791 - - -	9,791 (162,601) 1,560,000 (21,072)
At 30 September 2017 (unaudited)	80,296	2,052,135	6,620	72,579	13,293	8,638,428	10,863,351	1,541,669	24,396	12,429,416

*Note:* The contributed surplus of the Group represents the amount arising from capital reorganisation carried out by the Company during the year ended 31 March 2003.

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash from (used in) operating activities: Increase in investments held for trading Decrease in financial assets at fair value through	-	(1,576,083)
profit or loss Decrease in other payables and accruals Increase in properties held for sale Decrease (increase) in trade and other receivables Increase in contract costs	74,066 (877,153) (264,054) 222,461 (30,249)	(704,243) (645,869) (210,012)
Increase in contract liabilities (Increase) decrease in cash held by securities brokers Net cash inflows from other operating activities	1,013,921 (1,235) 532,815	26,772 107,566
	670,572	(3,001,869)
Net cash (used in) from investing activities: Interest received Dividend received from financial assets at fair value through profit or loss	90,491 7,843	14,001
Investments in joint ventures Acquisition of available-for-sale investments Acquisition of financial assets at fair value through profit or loss	(578,998) - (3,900)	(1) (585)
Deposits paid for acquisition of property, plant and equipment Purchase of property, plant and equipment Purchase of a club membership	(48,619) (4,789)	(252) (530)
(Advances to) repayment from associates and joint ventures Dividend received from joint ventures Loan receivables newly granted Proceeds on maturity of loan receivables Proceeds on disposal of property, plant and equipment	(788,808) 323,544 (209,180) 29,690 30	498,163 1,100 (63,350) 238,813 53,706
	(1,182,696)	741,065

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash (used in) from financing activities:		
Repayments of borrowings	(1,199,835)	(3,432,596)
Dividends paid	(140,519)	(162,601)
Dividends paid to non-controlling shareholders of subsidiaries	(38,350)	-
(Repayment to) advances from non-controlling shareholders of subsidiaries	(34,735)	31,974
New borrowings raised	1,363,550	3,250,282
Distribution to holders of perpetual capital securities	(44,850)	5,250,202
Issuance of perpetual capital securities	(11,000)	1,560,000
Issuance cost for perpetual capital securities	(147)	(21,072)
	(94,886)	1,225,987
	. , .	· · ·
Net decrease in cash and cash equivalents	(607,010)	(1,034,817)
Cash and cash equivalents at beginning of the period	2,577,148	3,572,022
Cash and cash equivalents at end of the period,		
represented by bank balances and cash	1,970,138	2,537,205

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

#### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

### 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.

### 2.1 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" and the related interpretations.

The Group recognises revenue from the following major source:

Sales of properties held for sale

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. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

### 2.1.1 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.

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.

# 2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

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 good or service.

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.

Revenue from properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

Deposits received from sales of properties prior to meeting the above criteria for revenue recognition are presented as contract liabilities in the condensed consolidated statement of financial position under current liabilities.

#### Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

# 2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

#### Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (agency fee) as an asset (contract cost) if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

#### 2.1.2 Summary of effects arising from initial application of HKFRS 15

The table below illustrates the reclassification of pre-sale deposits to contract liabilities and prepaid agency fee to contract costs under HKFRS 15 at the date of initial application, 1 April 2018.

	Other payables and accruals HK\$'000	Trade and other receivables HK\$'000	Contract liabilities HK\$'000	Contract costs HK\$'000
Closing balance at 31 March 2018 Reclassification	1,106,879 (852,523)	1,183,733 (25,708)	- 852,523	- 25,708
Opening balance at 1 April 2018	254,356	1,158,025	852,523	25,708

At the date of initial application of HKFRS 15, pre-sale deposits received for sale of properties of HK\$852,523,000 were reclassified to contract liabilities.

The Group incurred incremental prepaid agency fee to intermediaries in connection with obtaining sales of properties contracts with customers. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts of HK\$25.708.000 were reclassified to contract costs.

# 2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

### 2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

### Impact on the condensed consolidated statement of financial position

	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
<b>Current Assets</b> Trade and other receivables Contract costs	846,984	30,249	877,233
	30,249	(30,249)	-
<b>Current Liabilities</b> Other payables and accruals Contract liabilities	252,355	1,013,921	1,266,276
	1,013,921	(1,013,921)	-

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in the condensed consolidated financial statements.

## 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

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 other items (for example financial guarantee contracts) 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 retained profits 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".

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "income and gains (losses) from investments" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

#### Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables, amounts due from joint ventures, associates and a non-controlling shareholder of a subsidiary, lease receivables, financial guarantee contracts, cash held by securities brokers and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivable where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, lease receivables and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Available- for-sale investments HK\$'000	Investments held for trading HK\$'000	Financial assets at FVTPL HK\$'000	Retained profits HK\$'000
Closing balance at 31 March 2018  – HKAS 39 Reclassification	138,213 (138,213)	1,879,380 (1.879,380)	- 2.017.593	9,434,667
Remeasurement Change in fair value	(100,210)	-	33,019	33,019
Opening balance at 1 April 2018	-	_	2,050,612	9,467,686

# 2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (Continued)

### 2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

### (a) Available-for-sale ("AFS") investments

#### Reclassification of AFS investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK\$138,213,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of HK\$33,019,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at 1 April 2018.

### (b) Equity securities at FVTPL

Investments are equity securities held for trading which are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

#### (c) Debt securities at FVTPL

Investments are debt securities held for trading which are irrevocably designated to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

#### (d) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and lease receivables. To measure the ECL, trade receivables and lease receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, loan receivables, other receivables, cash held by securities brokers, amounts due from joint ventures, amounts due from associates and amount due from a non-controlling shareholder of a subsidiary, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to joint ventures and an associate, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m FCL basis

For bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets in the current interim period and retained profits at 1 April 2018.

# 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 March 2018			1 April 2018
	(Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	(Restated) HK\$'000
No. Commit Acada				
Non-Current Assets			171 020	171 000
Financial assets at FVTPL	120.012	_	171,232	171,232
Available-for-sale investments	138,213	_	(138,213)	_
Current Assets				
Trade and other receivables	1,183,733	(25,708)	-	1,158,025
Contract costs	-	25,708	-	25,708
Investment held for trading	1,879,380	_	(1,879,380)	_
Financial assets at FVTPL		_	1,879,380	1,879,380
Current Liabilities				
Other payables and accruals	1,106,879	(852,523)	_	254,356
Contract liabilities		852,523	_	852,523
		,,,,,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Capital and Reserves				
Retained profits	9,434,667	_	33,019	9,467,686

### 3. REVENUE AND SEGMENT INFORMATION

### (a) Disaggregation of revenue

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Sales of properties held for sale Rental income	2,296,161 149,467	1,030,020 140,990
	2,445,628	1,171,010

Revenue from properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

### (a) Disaggregation of revenue (Continued)

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

### For the six months ended 30 September 2018

	50	ocptember 20	10
	Securities investment income HK\$'000	Rental income HK\$'000	Sales of properties held for sale HK\$'000
Revenue disclosed in segment information External customers Interest income and dividend income Adjustments and eliminations	- 78,692 (78,692)	149,467 - (149,467)	2,296,161 - -
Revenue from contracts with customers	-	_	2,296,161

### (b) Segment information

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

There are four reportable and operating segments as follows:

- (a) commercial property holding segment, which engages in the investment and trading of commercial properties, properties under development, and also the strategic alliances with the joint venture partners of the joint ventures and associates in Singapore, Hong Kong and the People's Republic of China (the "PRC") excluding Macau;
- (b) residential property holding segment, which engages in the investment and trading of residential properties, properties under development and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong and the PRC excluding Macau;
- (c) Macau property holding segment, which engages in the investment and trading of properties located in Macau; and
- (d) securities investment segment, which engages in the securities trading and investment.

### (b) Segment information (Continued)

### Segment revenue and results

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

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2018 (unaudited)					
External revenue Rental income Sales of properties held for sale	146,957 1,016,769	1,453 1,279,392	1,057 -	- -	149,467 2,296,161
Revenue of the Group Interest income and dividend income	1,163,726 -	1,280,845	1,057	- 78,692	2,445,628 78,692
Segment revenue/income	1,163,726	1,280,845	1,057	78,692	2,524,320
Share of revenue of associates and joint ventures Rental income Sales of properties held for sale	26,978 -	335 225,362	-	- -	27,313 225,362
	26,978	225,697	-	-	252,675
Combined segment revenue/income	1,190,704	1,506,542	1,057	78,692	2,776,995
Results Share of results of joint ventures (Note) Share of results of associates (Note) Segment profit (loss) excluding share of results of joint ventures and associates	(688) (4,371) 289,565	44,463 (20) 430,496	- - (397)	- - (2,735)	43,775 (4,391) 716,929
Segment profit (loss)	284,506	474,939	(397)	(2,735)	756,313
Unallocated other income Other gains and losses Central administrative costs Finance costs					27,519 30 (84,387) (139,263)
Profit before taxation					560,212

### (b) Segment information (Continued)

Segment revenue and results (Continued)

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2017 (unaudited)					
External revenue Rental income Sales of properties held for sale	132,803 274,222	6,696 755,798	1,491 -	-	140,990 1,030,020
Revenue of the Group Interest income and dividend income	407,025 -	762,494 -	1,491 -	79,382	1,171,010 79,382
Segment revenue/income	407,025	762,494	1,491	79,382	1,250,392
Share of revenue of associates and joint ventures Rental income Sales of properties held for sale	13,663	297 454,822	<u>-</u>	-	13,960 454,822
	13,663	455,119	-	_	468,782
Combined segment revenue/income	420,688	1,217,613	1,491	79,382	1,719,174
Results Share of results of joint ventures (Note) Share of results of associates (Note) Segment profit (loss) excluding share of results of joint ventures and associates	7,741 (3,059) 156,903	75,908 (17) 63,957	- - (858)	- - 77,351	83,649 (3,076) 297,353
Segment profit (loss)	161,585	139,848	(858)	77,351	377,926
Unallocated other income Other gains and losses Central administrative costs Finance costs					21,878 23,681 (58,560) (143,257)
Profit before taxation					221,668

Note: Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss incurred) by each segment, income and gains (losses) from investments, assets management income, interest income from amounts due from joint ventures, share of results of joint ventures and associates and reversal of impairment loss of amount due from an associate, without allocation of certain items of other income (primarily bank interest income, loan interest income and amortisation of financial guarantee contracts) and of other gains and losses (primarily gain on disposal of property, plant and equipment), central administrative costs, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

### (b) Segment information (Continued)

### Segment revenue and results (Continued)

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Segment assets Commercial property holding Residential property holding Macau property holding Securities investment	14,631,773 6,551,381 193,708 1,950,094	13,476,160 7,002,084 193,774 2,047,673
Total segment assets Property, plant and equipment Taxation recoverable Cash held by securities brokers Bank balances and cash Other unallocated assets	23,326,956 257,760 10,194 3,619 1,970,138 441,347	22,719,691 266,637 9,798 2,384 2,577,148 284,589
Consolidated total assets	26,010,014	25,860,247
Segment liabilities Commercial property holding Residential property holding Macau property holding Securities investment	457,817 1,380,725 61,590 22,210	653,698 1,272,653 61,394 5,850
Total segment liabilities Guaranteed notes Bank borrowings Taxation payable Other unallocated liabilities	1,922,342 1,950,000 8,437,417 301,311 12,792	1,993,595 1,950,000 8,347,706 220,978 37,409
Consolidated total liabilities	12,623,862	12,549,688

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, taxation recoverable, cash held by securities brokers, bank balances and cash and assets used jointly by reportable and operating segments; and
- all liabilities are allocated to operating segments other than guaranteed notes, bank borrowings, taxation payable and liabilities for which reportable and operating segments are jointly liable.

### (b) Segment information (Continued)

### **Geographical information**

The Group's operations in commercial property holding, residential property holding, Macau property holding and securities investment are mainly located in Hong Kong, the PRC and Macau.

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

Revenue from property rentals and sales of properties held for sale are allocated based on the geographical location of the property interests.

Non-current assets are allocated by geographical location of the assets.

	external of Six mont		Non-current	assets (Note)
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Hong Kong PRC Macau	2,381,996 62,575 1,057	1,103,820 65,699 1,491	4,905,699 46 -	3,806,893 947,054 -
	2,445,628	1,171,010	4,905,745	4,753,947

Note: Non-current assets exclude financial instruments.

### 4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest income from investments held for trading Interest income from financial assets at FVTPL Dividend income from	- 70,849	72,640 –
available-for-sale investments     investments held for trading     financial assets at FVTPL  Net change in fair value of investments	- - 7,843	6,055 687 -
held for trading  – net realised gains  – net unrealised gains		1,702 389
Net change in fair value of financial assets at FVTPL  – net realised gains  – net unrealised losses	4 (75,866)	-
	2,830	81,473

### 5. OTHER INCOME

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Bank interest income Loan interest income Interest income from amounts due from joint ventures Amortisation of financial guarantee contracts Assets management income Forfeited deposits Others	7,438 5,807 22,766 2,251 4,410 5,118 6,905	7,936 6,065 26,116 1,573 4,289 52 6,252
	54,695	52,283

### 6. OTHER GAINS AND LOSSES

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	(	2017 HK\$'000 unaudited)
Other gains and losses comprise:			
Gains on disposal of property, plant and equipment Reversal of impairment loss of amount due from	30		23,681
an associate	_		1,475
	30		25,156

### 7. FINANCE COSTS

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Interests on: Bank borrowings Guaranteed notes	116,539 48,059	83,216 74,737	
Total borrowing costs Less: Amounts capitalised in the cost of qualifying assets	164,598 (25,335)	157,953 (14,696)	
	139,263	143,257	

Borrowing costs capitalised are interest expenses incurred for financing the development of properties under development. Capitalisation rate of borrowing costs to expenditure on qualifying assets ranged from 1.78% to 3.70% (for the six months ended 30 September 2017: 1.48% to 2.95%) per annum for six months ended 30 September 2018.

### 8. INCOME TAX EXPENSE

### Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax Current period Overprovision in prior years	106,538 (267)	6,242 (19)
Macau Complementary Tax Current period	106,271	6,223 4
Deferred taxation (Note 22)	106,271 7,561	6,227 (1,829)
	113,832	4,398

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

According to the Macau Complementary Tax Law, complementary tax is imposed on a progressive rate scale ranging from 3% to 9% for taxable profits below or equal to Macau Pataca ("MOP") 300,000 and 12% for taxable profits over MOP300,000. Taxable profits below MOP32,000 are exempted from tax.

### 9. PROFIT FOR THE PERIOD

## Six months ended 30 September

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' remuneration: Salaries and other benefits Contributions to retirement benefits schemes	25,064 414	11,580 303
	25,478	11,883
Other staff costs: Salaries and other benefits Contributions to retirement benefits schemes	37,858 2,282	26,577 1,519
	40,140	28,096
Total staff costs	65,618	39,979
Depreciation of property, plant and equipment Cost of properties held for sale recognised as	13,659	9,075
an expense Bank interest income	1,524,080 (7,438)	919,233 (7,936)

### 10. DIVIDENDS

### Six months ended 30 September

	oo ooptomber		
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Final dividend of HK1.40 cents (2017: HK1.62 cents) per share recognised as distribution for the year ended 31 March 2018 and paid during the interim period	140,519	162,601	

The directors do not recommend the payment of an interim dividend for the current interim period (30 September 2017: nil).

### 11. EARNINGS PER SHARE

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

	Six months ended 30 September		
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	
Earnings			
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	351,698	213,994	
	Six months ended 30 September		
	2018 Number of shares (unaudited)	2017 Number of shares (unaudited)	
Number of shares			
Number of ordinary shares for the purposes of basic earnings per share (in thousands)	10,037,090	10,037,090	

No diluted earnings per share is presented as there are no potential ordinary shares outstanding during both periods.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of nil (six months ended 30 September 2017: HK\$30,025,000) for cash proceeds of HK\$30,000 (six months ended 30 September 2017: HK\$53,706,000), resulting in a gain on disposal of HK\$30,000 (six months ended 30 September 2017: gain on disposal of HK\$23,681,000).

In addition, during the current interim period, the Group acquired HK\$4,789,000 (six months ended 30 September 2017: HK\$252,000) of property, plant and equipment.

# 13. AMOUNTS DUE FROM (TO) JOINT VENTURES/ASSOCIATES/ NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Amounts due from joint ventures included in non-current assets (Note i)	3,845,934	3,220,780
Amounts due to joint ventures included in current liabilities (Note ii)	(494,289)	(722,382)
Amounts due from associates included in non-current assets (Note iii)	3,859	_
Amount due from a non-controlling shareholder of a subsidiary included in current assets ( <i>Note ii</i> )	2,460	2,460
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note ii)	(163,338)	(198,073)

The above balances due from the various parties were neither past due nor impaired and had no default record based on historical information.

### 13. AMOUNTS DUE FROM (TO) JOINT VENTURES/ASSOCIATES/ NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Continued)

Notes:

(i) Included in the amounts due from joint ventures are principal amounts of HK\$644,607,000 (31 March 2018: HK\$775,596,000), which are unsecured, bear interest at Hong Kong prime rate plus 1% to 3% (31 March 2018: 1% to 3%) per annum and repayable after one year. The remaining amounts with principal of HK\$3,143,161,000 (31 March 2018: HK\$3,514,851,000) are unsecured, non-interest bearing and have no fixed repayment terms. The directors consider that the amounts form part of the net investments in the joint ventures. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK\$2,389,119,000 (31 March 2018: HK\$2,670,414,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% per annum (31 March 2018: 5.7%). It is expected that the amounts will be repayable in 5 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from joint ventures is recognised against the interests in the joint ventures. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

In addition, included in the amounts due from joint ventures are the share of losses of joint ventures of HK\$264,291,000 (31 March 2018: HK\$225,230,000), representing share of the losses in excess of the cost of investment to the extent of the Group's legal or constructive obligations and accrued interest from amounts due from joint ventures of HK\$219,034,000 (31 March 2018: HK\$207.657.000).

- (ii) The amounts are unsecured, non-interest bearing and repayable on demand.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand. At the end of the reporting period, the carrying amount of such non-interest bearing portion of HK\$3,859,000 (31 March 2018: nil) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (31 March 2018: nil) per annum. It is expected that the amounts will be repayable in 5 years. The directors of the Company considered that the amounts as at the end of the reporting period form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current.

### 14. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Rental receivables are billed and receivable based on the terms of tenancy agreements. The Group allows a range of credit period of 0-30 days to its tenants. In respect of sales of properties, the amounts are to be settled based on the terms of sales and purchase agreements of property. The aged analysis of the trade receivables, presented based on the debit note date for rental receivables and agreement date for receivables for sales of properties, both of which approximated the revenue recognition date, at the end of the reporting period is as follows:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade receivables: 0 - 30 days 31 - 90 days	10,801 612	9,453 2,421
Loan receivables – due within one year Prepayments and deposits Deposit for acquiring properties held for sales Other receivables	11,413 124,969 88,688 1,817 620,097	11,874 51,486 48,391 190,000 881,982
	846,984	1,183,733

### 15. PROPERTIES HELD FOR SALE

During the period, the Group incurred HK\$1,893,000,000 (six months ended 30 September 2017: HK\$1,053,000,000) on acquisition of properties held for sale and HK\$189,000,000 on acquisition of properties under development (six months ended 30 September 2017: HK\$755,000,000).

# 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING/AVAILABLE-FOR-SALE INVESTMENTS

Investments held for trading as at 31 March 2018 were reclassified as financial assets at FVTPL upon application of HKFRS 9 on 1 April 2018. The financial assets at FVTPL/ investments held for trading measured at fair values, comprise:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Listed equity securities (Note i) Unlisted mutual funds (Note ii)	67,082 16,976	78,791 17,940
Listed debt securities (Note iii) Unlisted debt securities (Note iv)	84,058 1,400,813 221,099	96,731 1,586,899 195,750
	1,705,970	1,879,380
Total and reported as: Listed Hong Kong Elsewhere Unlisted	167,490 1,300,405 238,075	327,724 1,337,966 213,690
	1,705,970	1,879,380

Available-for-sale investments as at 31 March 2018 which were reclassified as financial assets at FVTPL upon application of HKFRS 9 on 1 April 2018 comprise:

30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
(unaudited)	(audited)
159,595	-

#### Notes:

The fair value was based on the quoted prices of the respective securities in active markets for identical assets.

# 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

- (ii) Unlisted mutual funds represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by government, central banks, banks and corporate entities in Asia.
  - The Group has the right to redeem such investment units at the redemption price provided by the investment fund managers on a regular basis. The fair value of the investment fund was determined based on redemption price provided by the investment fund managers, which was determined with reference to the fair value of the underlying assets of the funds.
- (iii) The listed debt securities at 30 September 2018 represent bonds with fixed interest of 3.375% to 10.625% (31 March 2018: 3.375% to 10.625%) per annum. The maturity dates of the listed debt securities range from 11 October 2018 to perpetual (31 March 2018: 16 May 2018 to perpetual). Their fair values are determined based on quoted market bid prices available from the market.
- (iv) The unlisted debt securities at 30 September 2018 represent the U\$\$23,207,000 (equivalent to approximately HK\$181,767,000) investment in 5% Senior Secured Notes due 2018 in the principal amount of U\$\$516,000,000 and U\$\$5,000,000 (equivalent to approximately HK\$39,332,000) investment in 0.6% Senior Secured Notes due 2019 in the principal amount of U\$\$816,000,000 issued by a wholly-owned subsidiary of a listed company on the HKSE. Their fair values are determined based on quoted prices in the over-the-counter markets.

The summary of listed debt securities classified as financial assets at FVTPL/investments held for trading as at 30 September 2018 and 31 March 2018 and their corresponding unrealised gains (losses) and interest income for the six months ended 30 September 2018 and 2017 are as follows:

	As at 30 September 2018			As at 31 March 2018				
	Issued by PRC-based real estate companies HK\$'000 (unaudited)	Issued by financial institutions HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Issued by PRC-based real estate companies HK\$'000 (audited)	Issued by financial institutions HK\$'000 (audited)	Others HK\$'000 (audited)	Total HK\$'000 (audited)
Market value	1,252,119	-	148,694	1,400,813	1,478,117	-	108,782	1,586,899
Coupon	3.375% to 9.375%	N/A	4% to 10.625%	3.375% to 10.625%	3.375% to 9.375%	N/A	4% to 10.625%	3.375% to 10.625%
Maturity	October 2018 - September 2022	N/A	January 2019 - Perpetual	October 2018 - Perpetual	May 2018 – Perpetual	N/A	June 2018 – Perpetual	May 2018 – Perpetual
Rating	NR to BBB+	N/A	NR to BB+	NR to BBB+	NR to BBB+	N/A	NR to BBB+	NR to BBB+

# 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

	For the six months ended 30 September 2018			For the six months ended 30 September 2017				
	Issued by PRC-based real estate companies HK\$'000 (unaudited)	Issued by financial institutions HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Issued by PRC-based real estate companies HK\$'000 (unaudited)	Issued by financial institutions HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Credited (charged) to profit or loss: Interest income Unrealised (losses) gains	43,901 (47,544)	N/A N/A	26,948 (1,647)	70,849 (49,191)	64,058 (7,778)	3,170 12	5,412 4,763	72,640 (3,003)

The five largest listed debt securities held as at 30 September 2018 and 31 March 2018 are as follows:

	Market value as at 30 September 2018 HK\$'000 (unaudited)	% of the portfolio of listed debt securities (unaudited)	Interest income for the six months ended 30 September 2018 HK\$'000 (unaudited)	Unrealised gains (losses) for the six months ended 30 September 2018 HK\$'000 (unaudited)
9% notes due May 2020 issued by Agile Property Holdings Limited	102,094	7.3%	4,388	(328)
5.875% notes due August 2020 issued by Greentown China Holdings Limited	90,748	6.5%	2,672	(1,724)
9.375% notes due June 2024 issued by Kaisa Group Holdings Limited	90,301	6.4%	5,484	(18,837)
7.5% notes due March 2020 issued by Country Garden Holdings Company Limited	85,167	6.1%	3,130	(1,413)
7% notes due March 2020 issued by China Evergrande Group	78,000	5.6%	2,730	(1,388)

# 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

The five largest listed debt securities held as at 30 September 2018 and 31 March 2018 are as follows: (Continued)

	Market value as at 31 March 2018 HK\$'000 (audited)	% of the portfolio of listed debt securities (audited)	Interest income for the six months ended 30 September 2017 HK\$'000 (unaudited)	Unrealised gains (losses) for the six months ended 30 September 2017 HK\$'000 (unaudited)
3.85% notes due May 2018 issued by Greenland Global Investment Limited	155,805	9.8%	2,219	(103)
9.375% notes due June 2024 issued by Kaisa Group Holdings Limited	109,138	6.9%	228	2,162
9% notes due May 2020 issued by Agile Property Holdings Limited	102,422	6.5%	4,115	(1,747)
5.875% notes due August 2020 issued by Greentown China Holdings Limited	92,472	5.8%	2,173	(417)
7.5% notes due March 2020 issued by Country Garden Holdings Company Limited	86,580	5.5%	5,616	(1,684)

Certain of the listed debt securities are pledged to secure the general banking facilities granted to the Group. Details are set out in Note 28.

#### 17. OTHER PAYABLES AND ACCRUALS

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Rental and related deposits received	95,676	92,908
Receipt in advance for sales of properties	· –	852,523
Other tax payables	1,882	2,257
Deferred income of finance guarantee contracts to		
joint ventures	17,317	3,334
Accrued construction costs	36,704	37,029
Accruals and other payables	100,776	118,828
	252,355	1,106,879

#### 18. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK\$1,363,550,000 (six months ended 30 September 2017: HK\$3,250,282,000) and repaid bank borrowings of approximately HK\$1,199,835,000 (six months ended 30 September 2017: HK\$3,432,596,000). The bank borrowings as at 30 September 2018 and 31 March 2018 carried floating rate interests, of which borrowings amounting to HK\$7,693,625,000 (31 March 2018: HK\$7,520,249,000) bore interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 0.2% to 2.15% (31 March 2018: HIBOR plus 0.5% to 2.85%) per annum and borrowings amounting to HK\$743,792,000 (31 March 2018: HK\$827,457,000) bore interest at the quoted lending rate of People's Bank of China minus a fixed margin. At 30 September 2018, the effective interest rates ranged from 0.9% to 4.9% (six months ended 30 September 2017: 0.9% to 4.9%) per annum.

The bank borrowings are secured by the Group's property, plant and equipment, properties held for sale and financial assets at FVTPL/investments held for trading. The carrying amounts of the assets pledged are set out in Note 28.

#### 19. PERPETUAL CAPITAL SECURITIES

On 20 September 2017, a wholly-owned subsidiary of the Company, Estate Sky Limited ("ESL"), issued senior perpetual capital securities, with an aggregate principal amount of US\$200,000,000 (equivalent to approximately HK\$1,560,000,000) ("Senior Perpetual Capital Securities"), of which the Company is the guarantor. The proceeds from the issuance of the Senior Perpetual Capital Securities after netting off the issuance cost is approximately US\$197,000,000 (equivalent to approximately HK\$1,538,928,000).

The distribution rate for the first five years up to 20 September 2022 is 5.75% per annum, which is paid semi-annually in arrears on 20 March and 20 September of each year ("Distribution Payment Date"). ESL may defer any interest at its own discretion and is not subject to any limit as to the number of times distributions and arrears of distribution can be deferred. The deferred interest is interest bearing at the current distribution rate during the interest deferral period.

The Senior Perpetual Capital Securities have no fixed maturity and are callable at ESL's option, on 20 September 2022 or on any Distribution Payment Date afterwards, at their principal amounts together with any accrued, unpaid or deferred distribution interest payments.

After 20 September 2022, the distribution rate will be reset every five years to a percentage per annum equal to the sum (i) the 5-year U.S. Treasury Benchmark Rate which is the rate in percent per annum equal to the semi-annual equivalent yield to maturity of the comparable treasury issue; (ii) the initial spread which is 4.005%; and (iii) the step-up margin which is 3%.

#### 19. PERPETUAL CAPITAL SECURITIES (Continued)

Pursuant to the terms and conditions of these Senior Perpetual Capital Securities, ESL has no contractual obligation to repay its principal or to pay any distribution and deferred interest unless compulsory distribution payment event (which at the discretion of the issuer) has occurred. Details of which are set out in the Company's announcements published on the HKSE dated 13 and 14 September 2017, and announcement published on the Singapore Exchange dated 21 September 2017. Accordingly, the Senior Perpetual Capital Securities are classified as equity and subsequent distribution payment will be recorded as equity distribution to the holders of perpetual capital securities.

During the period ended 30 September 2018, the profit attributable to holders of the Senior Perpetual Capital Securities, based on the applicable distribution rate, was approximately HK\$44,601,000 (30 September 2017: HK\$2,741,000).

#### 20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HKO.8 cent each		
Authorised: At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	22,500,000,000	180,000
Issued and fully paid: At 1 April 2017, 30 September 2017,		
31 March 2018 and 30 September 2018	10,037,089,676	80,296

#### 21. GUARANTEED NOTES

On 8 August 2016, ESL issued guaranteed notes, of which the Company is the guarantor, in the aggregate principal amount of US\$250,000,000 (equivalent to approximately HK\$1,950,000,000) at an interest rate of 4.875% per annum, payable semi-annually in arrears. The guaranteed notes will due on 8 August 2021.

The guaranteed notes were listed on the Singapore Exchange and the fair value was HK\$2,044,261,000 as at 30 September 2018 (31 March 2018: HK\$1,984,975,000).

#### 22. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current period and prior year:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	<b>Total</b> HK\$'000
At 1 April 2017 (audited) Charge (credit) to consolidated statement of profit or loss for	6,437	(3,266)	3,171
the year	2,299	(1,800)	499
At 31 March 2018 (audited) Charge (credit) to condensed consolidated statement of	8,736	(5,066)	3,670
profit or loss for the period	8,085	(524)	7,561
At 30 September 2018 (unaudited	) 16,821	(5,590)	11,231

Deferred taxation has not been recognised in the condensed consolidated financial statements in respect of temporary differences attributable to the undistributed retained profits earned by the subsidiaries in the PRC, as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### 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 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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that
  include inputs for the asset or liability that are not based on observable market data
  (unobservable inputs).

# 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets	Fair v 30 September 2018 HK\$'000 (unaudited)	alue as at 31 March 2018 HK\$'000 (audited)	Fair value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets classified as investments held for trading and reclassified as EVTPL on 1 April 2018 in the condensed	Listed equity securities in: - Hong Kong: 67,082	Listed equity securities in: – Hong Kong: 78,791	Level 1	Quoted bid prices in an active market	N/A	N/A
consolidated statement of financial position	Listed debt securities in: - Hong Kong: 100,408	Listed debt securities in: - Hong Kong: 248,933	Level 1	Quoted bid prices in an active market	N/A	N/A
	- Elsewhere: 1,300,405	- Elsewhere: 1,337,966				
	Unlisted mutual funds: 16,976	Unlisted mutual funds: 17,940	Level 2	Share of the net asset values of the fund, determined with reference to the fair values of underlying investment portfolio and adjustments of related expenses.	N/A	NA
	Unlisted debt securities: 221,099	Unlisted debt securities: 195,750	Level 2	Quoted prices in the over-the- counter markets	N/A	N/A
Financial assets at FVTPL	Financial asset A: 17,000	N/A (Nate)	Level 2	Asset-based approach	N/A	N/A
	Financial asset B: 23,595	N/A (Note)	Level 2	Direct comparison approach	N/A	N/A
	Financial asset C: 108,000	N/A (Note)	Level 3	Market Approach	Price earnings ratios of several comparable companies and risk adjustment for lack of marketability.	The higher the multiples, the higher the fair value of unlisted equity securities.
					Dividend yield of 17.97% taking into account which was determined with reference to historical dividend payment record of the unlisted equity security.	An increase in the dividend yield would result in an increase in the fair value.
	Financial assets D: 11,000	N/A (Note)	Level 3	Discounted cash flow	Discount rate used in discounting the estimated cash flows to the net present value of 15.40%.	An increase in the discount rate would result in a decrease in fair value.

#### Note:

Unlisted equity securities were reclassified from available-for-sale investments to financial assets at FVTPL at the date of initial application of HKFRS 9, i.e.1 April 2018. Before 1 April 2018, available-for-sale investments were measured at cost less any identified impairment losses at the end of each reporting period.

There were no transfers between Level 1 measurements in the current and prior periods.

# 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK\$'000
At 31 March 2018 Effect arising from initial application of HKFRS 9	_ 123,000
At 1 April 2018 Total losses in profit or loss	123,000 (4,000)
At 30 September 2018	119,000

The total losses for the period included an unrealised losses of HK\$4,000,000 relating to financial assets that are measured at fair value at the end of each reporting period (30 September 2017: nil). Such fair value losses are included in "income and gains (losses) from investments".

Except for Note 21, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

### 24. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

#### **Acquisition of Linking Plus Investments Limited**

During the six months ended 30 September 2018, the Group completed the acquisition of the entire equity interest of Linking Plus Investments Limited through a wholly owned subsidiary for a cash consideration of HK\$1,900,000,000 (the "Linking Plus Acquisition"). This transaction has been accounted for as an acquisition of assets as the Linking Plus Acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property sale business.

The net assets acquired in the Linking Plus Acquisition are as follow:

	HK\$'000
Properties held for sale Other receivables Other payables	1,892,813 7,192 (5)
	1,900,000
Total consideration satisfied by: Cash paid	1,900,000
Net cash outflow arising on acquisition: Cash consideration paid Deposits paid in prior year	1,710,000 190,000
	1,900,000

#### 25. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

Disposals of Brisk View Estate Limited, Power Maker Property Limited, Top Force Global Limited, Winner Year Limited, Success Seeker Limited, Dynamic Advantage Limited and Apex Harvest Limited (the "Disposed Subsidiaries")

During the six months ended 30 September 2018, the Group disposed of the entire interests in the Disposed Subsidiaries for a total cash consideration of HK\$1,645,255,000. Since the Disposed Subsidiaries were principally engaged in property development and properties held for sale, the Group was principally selling, and the buyer was principally acquiring, the properties held for sale which were the single predominant asset of the Disposed Subsidiaries. Accordingly, the Group had accounted for the disposal of the Disposed Subsidiaries as disposal of the underlying properties held for sale. The consideration allocated to the sale of properties held for sale was regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets and liabilities attributable to the Disposed Subsidiaries on the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Properties held for sale	1,188,714
Other receivables	695
Bank balances and cash	2
Other payables	(707)
Taxation payables	(67,335)
	1,121,369
Transaction cost for disposal of the Disposed Subsidiaries	37,768
Gain on disposal	486,118
Total consideration satisfied by:	
Cash received	1,645,255
Net cash inflow arising on disposal:	
Cash consideration received	1,645,255
Bank balances and cash	(2)
	1,645,253

#### **26. CONTINGENT LIABILITIES**

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to: Joint ventures An associate	8,077,584 282,854	5,960,631 282,854
	8,360,438	6,243,485
and utilised by: Joint ventures An associate	6,110,747 172,447	4,994,926 168,798
	6,283,194	5,163,724

The directors of the Company assessed the risk of default of the joint ventures and the associate at the end of the reporting period and considered the risk to be insignificant and it is unlikely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK\$17,317,000 (31 March 2018: HK\$3,334,000).

#### 27. SHARE OPTION SCHEME

The Company has a share option scheme for eligible participants of the Group.

No share options were outstanding at the beginning and end of the period and during the six months ended 30 September 2018 and 2017.

#### 28. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Property, plant and equipment Properties held for sale Investments held for trading Financial assets at FVTPL	247,818 11,479,362 - 99,352	254,765 11,541,551 263,468
	11,826,532	12,059,784

#### 29. RELATED PARTY DISCLOSURES

(a) During the period, the Group entered into the following transactions with related parties:

#### Six months ended 30 September

		30 September	
		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Joint venture	Asset management income	3,900	4,288
Joint venture	Interest income	22,766	26,116
Joint venture	Sundry income	269	_

- (b) Details of the amounts due from (to) joint ventures, associates and non-controlling shareholders of subsidiaries are set out in the condensed consolidated statement of financial position and Note 13.
- (c) The remuneration of directors and other members of key management during the period is as follows:

### Six months ended 30 September

	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	26,596	12,870
Post-employment benefits	491	367
	27,087	13,237

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

#### **30. COMMITMENTS**

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Commitments in respect of the acquisition of properties held for sale contracted for but not provided in the condensed consolidated financial statements	15,237	1,710,000
Commitments in respect of loan and/or equity contribution to an associate	-	597,499
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	31,809	_

# Deloitte.

# 德勤

### REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### TO THE BOARD OF DIRECTORS OF CSI PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

#### Introduction

We have reviewed the condensed consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 47, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

28 November 2018

#### MANAGEMENT DISCUSSION AND ANALYSIS

#### INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

#### **REVIEW OF THE RESULTS**

The Group reported a total gross revenue for the six months ended 30 September 2018 of approximately HK\$2,445.6 million (six months ended 30 September 2017: HK\$1,171.0 million), which was mainly generated from income from sale of properties of approximately HK\$2,296.1 million and rental income of approximately HK\$149.5 million. The increase was mainly due to an increase in sales of properties during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK\$351.7 million for the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$214.0 million) representing an increase of approximately 64.3%.

#### LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$1,973.8 million (31 March 2018: HK\$2,579.5 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 30 September 2018, the Group's total external borrowings, comprise of bank borrowings and guaranteed notes, amounted to approximately HK\$10,387.4 million (31 March 2018: HK\$10,297.7 million) and the Group's ratio of total debt to total assets was 39.9% (31 March 2018: 39.8%) (measured by total external borrowings as a percentage to the total asset value of the Group).

All bank borrowings were denominated in Hong Kong dollars, Renminbi, US dollars and Australian dollars which were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile usually spread over a period of around 5-10 years with approximately HK\$385.2 million repayable within one year, HK\$8,024.4 million repayable between one to five years, and HK\$27.8 million over five years.

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars, Renminbi and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, result and operation of the Group. However, the Group will closely monitor the risk exposure.

# CONTRACTED SALES HIGHLIGHT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

A summary of the key contracted sales highlight of the Group on both commercial and residential divisions is listed below for easier referencing.

	%	Recognised contracted sales for the six months ended 30 September 2018 HK\$'000	Unrecognised contracted sales committed up to 30 September 2018 HK\$'000
Group level			
Hong Kong residential properties		1,279,392	1,643,408
Singapore residential properties		17,969	983,184
Hong Kong commercial properties		998,800	903,104
Sub-total Sub-total		2,296,161	2,626,592
Joint ventures and associates			
PRC residential properties	50%	225,362	-
Hong Kong commercial properties	30%		1,150,318
Sub-total		225,362	1,150,318
<b>Total</b> Less: Non-controlling interests		<b>2,521,523</b> (178,293)	3,776,910
Contracted sales attributable to the Group		2,343,230	3,776,910

#### **BUSINESS REVIEW**

In the first half of fiscal year 2018/19, the Group's revenue was HK\$2,445.6 million compared with HK\$1,171.0 million in the last fiscal interim period. Consolidated profit for the six months ended 30 September 2018 was HK\$446.4 million, representing an increase of HK\$229.1 million compared with HK\$217.3 million in the last fiscal interim period.

Consolidated profit attributable to owners of the Company for the six months ended September 2018 was HK\$351.7 million, representing an increase of HK\$137.7 million compared with HK\$214.0 million in the last fiscal interim period. Earnings per share attributable to shareholders for the current interim period was HK3.50 cents compared with HK2.13 cents in the last fiscal interim period.

The Group has delivered sound profitability and strengthened its financial position through steady asset disposals on both the residential and commercial fronts. As detailed in the later section, we have sales totaling approximately HK\$2.3 billion booked in this interim period, with an additional HK\$3.8 billion of presales scheduled to be booked in the forthcoming periods. The strong cash inflow will ensure sufficient financial resources for the Group to maintain robust operation, and allow future prime land bank replenishment.

#### **Commercial Properties**

The commercial division has a fruitful interim period. Significant disposals during the period included the sale of a commercial site at Nos. 68 and 70 Electric Road in Tin Hau and four remaining floors of the Oriental Crystal Commercial Building (of which one floor to be booked in second half) at No. 46 Lyndhurst Terrace in Central.

We also had very successful presales of nearly 50% of our joint venture Kowloon Bay Grade-A office tower project with Billion Development and Sino Land at No. 38 Wai Yip Street. Furthermore, we have presold nearly all office floors of our new commercial tower at Nos. 2-4 Shelley Street in Central, with expected delivery in the first quarter of year 2019.

In view of the growing demand for prime office in key locations in Hong Kong, we have developed a sizeable commercial landbank in both the traditional Central Business District in Central and the new growing Central Business District in Kowloon East in order to build strategic presence.

For our prime commercial URA site at Gage Street/Graham Street in Central acquired in last fiscal year, the Group has recently increased its stake to 50% interests. Working with world-renowned architectural firm Foster + Partners, we have initiated the master planning process for this grand project which comprises of a 300,000 sq. ft. Grade A office tower and a 100,000 sq. ft. super luxury hotel tower. The architectural design will combine vernacular architecture and materiality together with high-tech futurism to create a new iconic landmark in this area rich with history yet undergoing transformation in Central/SOHO. We envisage the project to become the new centre of gravity in the vicinity to attract a mixed programme of business, retail, education, local flavor and high-end hospitality, attracting occupants from leading new and old economy companies in addition to high-end travelers.

In Kowloon East, market demand for Grade A office space has been picking up as we have observed strong decentralisation and consolidation requirements in the Hong Kong office sector. Riding on the growing interest from both users and investors, the consortium has successfully capitalised on such opportunity by preselling strata nearly 50% of our new Wai Yip Street office tower project in Kowloon East at good profitability. This office building with full Victoria Harbour view is well on track for completion around end of 2019.

In addition, we, together with three joint venture partners, have acquired a Grade A office building, the OCTA Tower, at No. 8 Lam Chak Street in Kowloon Bay with marketing area of approximately 795,000 sq. ft.. The property is located at the Kowloon Bay business hub near MegaBox and is adjacent to the Quayside, a new Link REIT/Nan Fung jointly-developed commercial office development project with top corporate tenants including J.P. Morgan. The tower is primed for value enhancement through renovation and tenant upgrade. Proposed renovation works include upgrading the main lobby, glass curtain wall, external façade and office floors while keeping the existing tenants during renovation period. We target to reposition the property to become a mecca for high paying tenants including banking middle office, Technology, Media and Telecommunications hubs and co-working centers after the renovation to improve rental yields.

Furthermore, during the period, we purchased a prime commercial building, the Everest Building, at Nos. 241 and 243 Nathan Road in the heart of Jordan for repositioning and upgrades. Renovation works which include widening of the entrance hallway, renovation of lobby and lifts, and external façade upgrade will commence soon. We expect an increase in rental yield by improving retail tenancy rates and upgrading upper floors tenancy with higher yielding tenants. This newly renovated medical-themed building will drive significant value creation upon completion of work.

The Nos. 46-48 Cochrane Street site has commenced foundation work for the construction of a new commercial building with GFA of over 30,000 sq. ft. at this prime commercial/entertainment address in Central. The new commercial tower is situated in the core of Central/SOHO district, adjacent to the Central-Mid Level escalators and right next to the Tai Kwun, the newly opened Central Police Station Revitalisation Project. We believe this new Ginza-styled F&B commercial tower will attract strong interest from investors and users at this prime address with expected completion in 2020.

Following the successful consolidation of the ownership interest at Nos. 21-27 Ashley Road with a combined site of approximately 8,100 sq. ft., we are currently evaluating our options which include redeveloping the site into a new prime commercial building in the heart of Tsim Sha Tsui. We are optimistic about the value to be extracted from this potential redevelopment into a mixed-use commercial tower with GFA of approximately 100,000 sq. ft. which includes flagship retail/F&B outlets together with upper premium office floors.

Furthermore, we are also seeing strong performance from our Novotel Hotel at Jordan, with high occupancy rate and superior room rate as a result of the rebound in tourist flow to Hong Kong. With solid annual rental income from this hotel in prime Kowloon, we will continue to drive better operation efficiency while constantly reviewing our options which include possible sale or redevelopment in the future to drive the optimal investment returns.

For our In-Point shopping mall in Shanghai, we have commenced renovation work to convert into double decker premium street front shops to enhance our tenancy profiles and rental yield with future top branded retail tenants. Located next to the vibrant Taikoo Hui complex by Swire Properties, we expect the upgraded project will have significant value creation through tenancy improvement and rental enhancement upon the expected completion of work in later part of 2019.

With a strong pipeline of exciting commercial projects, in particular the URA project at Gage Street/Graham Street that we mentioned earlier, we are optimistic on the prospective profitability from the commercial division in the coming years.

#### Couture Homes - Residential Property Development

We have completed the sale of all remaining units of kau to HIGHLAND, our Kau To Shan villa project at Nos. 39-77 Lai Ping Road. In total, 20 luxurious villas were sold at superior prices with sales of 14 villas recorded in this interim period.

We also entered into contract for sale for a prime villa site at No. 81 Perkins Road at the Jardine's Lookout in this interim period to realise good profit (expected completion in December 2018). The site is primed for new luxurious villa development at this prestigious neighborhood.

We have a number of landmark residential projects in Hong Kong to be launched in the near future that will be the key focus in market. First of all is the Dukes Place, our joint venture luxury apartment project at the Jardine's Lookout in Hong Kong. Nestled in the heart of a quiet ultra-high net-worth neighborhood, Dukes Place offers 16 spacious apartments with multiple layouts, with saleable area ranging from approximately 3,000 sq. ft. to over 6,800 sq. ft.. Such arrangement procures an incomparable level of space and sense of exclusivity in Hong Kong. Working with internationally renowned architect firm PDP London, the whole structure is of a contemporary design crafted with gold trim and natural stones. Through collaboration with leading interior designers from the U.K., France, Japan and Hong Kong, the decorated units will capture the heritage of Jardine's Lookout, while incorporating various unique styles and elements from these master-class designers. The site is also extremely convenient with short drives to key areas like Central and Causeway Bay. Dukes Place is expected to commence sales in the near future and is a testimony of unparalleled elegance located in this highly sought-after neighborhood.

Furthermore, the forthcoming launch in 2019 of our Nos. 8-12 Peak Road residences, a joint venture project, will be another prime project in the Couture Homes high-end residential portfolio. The whole estate is being revamped with complete refurbishment of the façade, internal common spaces and landscape. The interiors of the tailor-made units will be restyled to trendy contemporary designs and fittings. This 180 degrees permanent Victoria Harbour view address will have easy accessibility to key areas on Hong Kong Island like Central with only a short ten minute drive. We are in strong belief that post the revamp, the full value of this project can be extracted with premium pricing for this prime peak address.

Last but not least, following the success of our kau to HIGHLAND sale, we are confident that our super luxurious villa project at Lot No.1909 Fan Kam Road in Sheung Shui will be a great success in the future when it is launched in late 2019.

For the Legendale in Beijing, our joint venture luxury residential project at Nos. 90 and 92 JinBao Street located in prime Beijing, renovation work is underway and we are expecting sales of the units to commence in late 2019 or early 2020. The plan will be to refurnish the existing structure including the facade and lobby areas. The interior of residential units will be renovated to bespoke, modern contemporary designs through working with leading interior designers. We are confident that post renovation, the residences will be able to capture significant price appreciation.

In Shanghai, we are awaiting the optimal time for us to sell the remaining inventory of 44 villas and 96 apartments at the Queen's Gate project in Shanghai to maximise our profit from this project. We are optimistic on the successful sales of these units at excellent pricing in the near future.

On the acquisition side, the Group won in partnership with Sino Land the tender for a MTR residential site at Yau Tong in May 2018. The project is located near the Yau Tong station on the MTR line and will be developed into around 500 units at this convenient residential site in Kowloon East. Master planning is underway and construction work will commence soon for this project.

These exciting new projects on the horizon will further cement Couture Homes as a recognised leader in supplying distinct and personalised luxury homes in Hong Kong and China. With such strong foundation, we will continue to drive growth of the division by strategically adding premium landbanks to the existing portfolio.

#### Securities Investment

At 30 September 2018, the Group held financial assets at fair value through profit or loss/ available-for-sale investments and investments held for trading of approximately HK\$1,865.6 million (31 March 2018: HK\$2,017.6 million). The investment portfolio comprise 75.1% by listed debt securities, 3.6% by listed equity securities and 21.3% unlisted funds and securities. They are denominated in different currencies with 95.4% in United States dollars and 4.6% in Hong Kong dollars.

The portfolio decrease mainly arose from a mark-to-market valuation net loss of HK\$75.9 million, comprising HK\$50.1 million loss from debt securities, HK\$10.2 million loss from equity securities (listed in Hong Kong) and HK\$15.6 million arising from loss in change in fair value after application of HKFRS 9.

During the period under review, interest income and dividend income from securities investment was HK\$78.7 million (30 September 2017: HK\$79.4 million).

At 30 September 2018, an approximate value of HK\$99.4 million (31 March 2018: HK\$263.5 million) of these listed debt securities are pledged to secure the general banking facilities granted to the Group.

#### Outlook

This interim period has been full of challenges in the global macroeconomic context. Investment sentiment has been dampened by the continuing US-China trade war disputes since the beginning of year. In addition, the various US interest rate hikes have rattled the global market. The devaluation of the Renminbi and the slowing down of domestic economy in China have also affected the market sentiment in Hong Kong and China.

Despite the uncertainties in the market, the Group is well prepared to face the challenges ahead as a leading mid-cap property company.

On the commercial side, we have developed a sizeable commercial landbank in key Hong Kong Central Business Districts in Central and Kowloon East to capitalise on the strong office demand, especially with the landmark URA Gage Street/Graham Street Grade A office development project. We remain optimistic on the commercial market in Hong Kong and will continue to strategically add appropriate landbanks when opportunity arises.

On the high-end residential market, Couture Homes has a number of prime luxury residential projects launching in the near future. These include the ultra-high-end residential projects, the Dukes Place at the Jardine's Lookout, and the premium residences at Nos. 8-12 Peak Road at the Peak. These exciting projects, in conjunction with our strong pipeline of over 20 key commercial and residential projects, will help anchor the drive to new heights for the Group.

#### **FMPI OYFF**

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

#### OTHER INFORMATION

#### **DIRECTORS' INTERESTS**

## Interests and short positions of the Directors in the Company and its associated corporations

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

#### Long positions in shares:

Name of Directors	Nature of interests	Company/ name of associated corporation	Number of shares held (Note 1)	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	5,008,562,062 (L)	49.90
( III. Onling /(Note 2)	Interest of controlled corporation	The Company	5,005,517,062 (L)	49.87
Kan Sze Man	Beneficial owner	The Company	23,790,500 (L)	0.24

#### Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 5,008,562,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("Earnest Equity") of 5,005,517,062). Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and Earnest Equity are corporations wholly-owned and controlled by him. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company had any interest in any securities of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of listed companies as set out in the Listing Rules to be notified to the Company and the Stock Exchange.

#### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2018, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in shares and underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

#### Long position

Name of shareholders	Capacity	Number of shares (Note)	Approximate shareholding percentage (%)
Value Partners High-Dividend Stocks Fund	Beneficial owner	693,800,000 (L)	6.91
Dalton Investments LLC	Investment Manager	698,870,000 (L)	6.96

Note: The letter "L" denotes a person's long position in such securities.

Save as disclosed above, none of the Directors or proposed directors is a director or employee of a company which has an interest in shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK\$13,208,683,000, which represented approximately 50.8% of the Group's total assets value as at 30 September 2018.

As at 30 September 2018, the advances and guarantees made by the Group to its joint ventures and associates are as follows:

	Advances HK\$'000	Guarantees HK\$'000
Century Bliss Limited	10,699	290,000
Chater Capital Limited	_	468,034
City Synergy Limited	121,173	
Cleverland Global Limited	68,488	778,375
Distinct Global Investments Limited	125,948	_
Eagle Wonder Limited	643,286	840,000
Fame Allied Limited	60,799	55,246
Favour Eternal Limited	1,188	_
Fine Ahead Limited	5,491	_
Great Maker Limited	511,322	780,000
Jerwyn Pte. Ltd.	40,193	_
Leading Avenue Limited	273,947	260,000
Modern Crescent Limited	397,014	1,031,250
Monti Holdings Limited	1,321	150,000
Sino City Ventures Limited	198,122	738,679
Southwater Investments Limited	2,194,002	2,415,000
Star Trail Limited	92,360	91,000
Vital Triumph Limited	96,549	180,000
Wealth Explorer Holdings Limited	6,343	282,854
	4 0 4 0 0 4 5	0.200.420
	4,848,245	8,360,438

In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies and the Group's attributable interests in those affiliated companies based on their latest financial statements available are presented below:

	Combined balance sheet HK\$'000	Group's attributable interests HK\$'000
Non-current assets Current assets	1,126 39,437,538	430 15,369,696
Current liabilities Non-current liabilities	(10,456,931) (23,157,970)	(4,299,181) (8,326,966)
	5,823,763	2,743,979

#### **AUDIT COMMITTEE**

The financial statements for the six months ended 30 September 2018 have been reviewed by the Audit Committee of the Company.

### THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules on the Stock Exchange as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the period in review with the required standards as set out in the Model Code.

#### CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange, and all other relevant laws and regulations during the period, with the exception of the following deviations:

- i. Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not have a chief executive officer position.
- ii. None of the non-executive Directors of the Company is appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the CG Code. However, as the Directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

#### **UPDATE ON DIRECTORS' INFORMATION**

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Dr. Lam Lee G., an independent non-executive director of the Company, was appointed as an independent non-executive director of Mingfa Group (International) Company Limited on 1 September 2018; and resigned as independent non-executive director of Xi'an Haitiantian Holdings Co., Ltd. on 23 July 2018, the shares of all of which are listed on the Stock Exchange.

Dr. Lam also ceased as a member of the Hong Kong Council on Smoking and Health; and appointed as the Convenor of the Hong Kong Trade Development Council Belt's Digital Silk Road Working Group.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

There was no repurchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2018.

By order of the Board Chung Cho Yee, Mico Chairman

Hong Kong, 28 November 2018

