GROUND INTERNATIONAL
广泽国际

GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣 澤 國 際 發 展 有 限 公 司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號：989

2018/19
Interim Report
中 期 報 告

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CUI Xintong *(Chairperson)*
XIANG Qiang *(Chief Executive Officer)*
(redesignated as Executive Director and appointed as Chief Executive Officer on 4 May 2018 and resigned on 9 November 2018)
LIU Hongjian

Non-executive Director

CONG Peifeng

Independent Non-executive Directors

CHAN Yuk Tong
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong *(Chairperson)*
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*

Remuneration Committee

CHAN Yuk Tong *(Chairperson)*
CUI Xintong
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*

Nomination Committee

ZHU Zuoan *(Chairperson)*
(appointed as Chairperson on 4 May 2018)
CUI Xintong
CHAN Yuk Tong
WANG Xiaochu *(appointed on 25 July 2018)*

COMPANY SECRETARY

NG Man Kit Micky

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1305, 13th Floor
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2209 2888
Fax: (852) 2209 2988
Website: http://www.ground-international.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

Michael Li & Co.

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial Bank Co., Ltd.

STOCK CODE

989

Management Discussion and Analysis

OVERVIEW

With an objective in effectively promoting business development, Ground International Development Limited (the "Company") and its subsidiaries (collectively, the "Group") adopts a growth model of "one primary sector as supplemented by two" (一主兩輔). The "one primary sector" refers to cultural tourism and healthcare and elderly care sectors and the "two supplementary sectors" refer to (i) the property development and operation management sector; and (ii) the financial services sector.

As an initial step to implement the above growth model, the Group completed in July 2016 the acquisition of the entire equity interest in Ka Yun Investments Limited and its subsidiaries, which is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and the provision of property management services in the People's Republic of China (the "PRC") and, in May 2017, the acquisition of Jilin Province Fengrun Guaranty Company Limited* (吉林省灃潤擔保有限公司) which is a company established in the PRC and is principally engaged in provision of guarantee services in the PRC and the disposal of telecommunication businesses in June 2017. The completion of the above acquisition and disposal allow the Group to focus on the growth model of "one primary sector as supplemented by two" to create potential synergies to enhance its value to the shareholders and stakeholders of the Company.

BUSINESS REVIEW

For the six months ended 30 September 2018, overall revenue of the Group from continuing operations was approximately RMB142.5 million (six months ended 30 September 2017: RMB237.7 million), representing a decrease of 40.1%. Gross profit from continuing operations was RMB31.6 million (six months ended 30 September 2017: RMB56.2 million). Net profit after tax from continuing operations was RMB10.5 million (six months ended 30 September 2017: RMB20.9 million). Excluding the one-off bargain purchase gain from the acquisition of financing guarantee business of RMB19.1 million recognised during the six months ended 30 September 2017, the net profit from continuing operations for the six months ended 30 September 2018 represented an increase by RMB8.7 million as compared to the corresponding period in 2017.

Property development

Contracted sales

For the six months ended 30 September 2018, the Group continued its pre-sales of Guangze Red House – Phase III project, which is mainly a residential property project located in Yanji City, Jilin Province and is expected to complete, deliver and recognise revenue during the second half of the current financial year. In addition, the Group continued its sales of the remaining high-end villas, other residential units and commercial units at Guangze • Tudors Palace, "緹香" and "花香四季" (previously known as Wansheng • Qiancheng International), Guangze • Amethyst City (all of which are located at Jilin City, Jilin Province), and Guangze Red House – Phase II located at Yanji City, Jilin Province.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property development (continued)

Properties completed, delivered and sale of properties recognised during the six months ended 30 September 2018

For the six months ended 30 September 2018, the decrease in sales of properties (excluding car parks) by 65.9% and recognised GFA by 56.8% related to the fact that fewer units of the completed property projects were delivered in the current period. For the six months ended 30 September 2018, the sale of properties (excluding car parks) related to the remaining units of the property projects that were completed in the previous years, mainly contributed from the sales of Guangze•Tudors Palace, Guangze•Amethyst City, "緹香" and "花香四季" and Guangze Red House Phase II of RMB14.6 million, RMB14.5 million, RMB12.5 million and RMB20.7 million, respectively and with an aggregate GFA of 10,259 sq.m recognised.

For the six months ended 30 September 2017, the Group recognised property sales with respect to the property project of Guangze•Tudors Palace, Guangze•Amethyst City and Guangze Red House Phase I of RMB52.2 million, RMB53.2 million and RMB59.8 million respectively.

For the six months ended 30 September 2018, the Group delivered and recognised sale of car park units of approximately RMB43.0 million from the sale of 235 car park units (six months ended 30 September 2017: RMB25.8 million from the sale of 212 car park units).

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development

As at 30 September 2018, the Group had a total of 3 projects at various stages of development, including an estimated GFA of projects under development of approximately 277,942 sq.m., and an estimated GFA of project held for future development of approximately 547,977 sq.m.

The Group has been focusing on its residential property projects in Yanji City, Jilin Province. The Group has had a great success with Guangze Red House – Phases I and II during the past few years; and the Group will continue to focus its property development business in Yanji City. As at 30 September 2018, Guangze Red House – Phase III's construction is progressing as planned; and is expected to complete in the second half of the current financial year.

City	Project name	Type of project	Estimated GFA Sq.m
Projects under development			
Yanji	Guangze Red House (廣澤紅府) – Phase III	– Residential/ Commercial	73,204
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)	– Commercial (including hotels)	76,002
	Guangze China House – Phase I (廣澤蘭亭一期)	– Residential	128,736
		Sub-total	277,942
Projects held for future development			
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)	– Residential/ Commercial (including hotels)	463,644
	Guangze China House – Phase II (廣澤蘭亭二期)	– Residential	84,333
		Sub-total	547,977
		Total	825,919

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property investment

At 30 September 2018, the Group had two investment properties, one being office premises and car parks in Kowloon Bay, Hong Kong and the other being a shopping centre in Baishan City, the PRC. During the period, the Hong Kong property market maintained its upward momentum and the demand in leasing market was still strong. The Group's office premises and car parks are fully occupied; hence, the market sentiment and the existing tenancies resulted in a net gain of RMB20.2 million on the fair value change of investment properties in Hong Kong. The property market in Baishan City, Jilin Province remained stable, the occupancy rate was improved due to the strong emphasis put on the enhancement of tenants mix by the management.

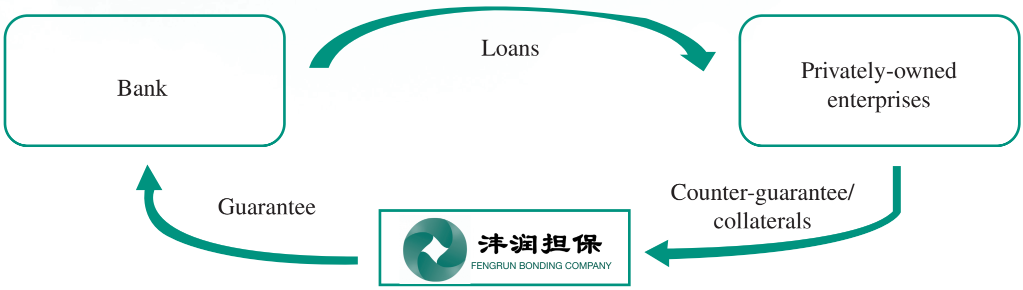
			Six months ended 30 September	
Name of the property	**Location of the property**	**Total leasable area**	**2018 Occupancy rate**	2017 Occupancy rate
Enterprise Square	Kowloon Bay, Hong Kong	40,505 sq.ft.	**100.0%**	100%
Guangze International Shopping Centre (廣澤國際購物中心)	Baishan City, the PRC	26,235 sq.m	**92.9%**	84.2%

BUSINESS REVIEW (continued)

Financial services

Provision of guarantee services

With high emphasis being placed on privately-owned economy and the micro-finance sector in Jilin Province, privately-owned economy has been supported by micro-finance sector to improve financing structure and to resolve its high-difficulty high-cost financing problem. The Group's guarantee business has been exploring business opportunities over the "supportive" relationships between financial institutions, government and privately-owned commercial sectors. The Group's business model for the financing guarantee business is as follow:



For the six months ended 30 September 2018, the revenue and net profit of the Group from provision of guarantee services were RMB9.4 million and RMB13.5 million respectively (six months ended 30 September 2017: revenue of RMB6.0 million and net profit of RMB9.1 million respectively). As at 30 September 2018, the Group's total outstanding guarantees were RMB1,180.9 million, of which the property development and agriculture sectors accounted for 25% and 55% of the Group's outstanding guarantees, respectively. The provision of guarantee services to customer in property development sector also gives opportunities to create potential synergies with the Group's current property development segment. The Group also took advantage of the controlling shareholder's network in the agricultural sector to gain financing guarantee business opportunities in this sector.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Financial services (continued)

Provision of guarantee services (continued)

The financial information of FR Guarantee is set out below:

	From 1 April 2018 to 30 September 2018 RMB'000	From 1 May 2017 (date of acquisition) to 30 September 2017 RMB'000
Revenue	**9,386**	6,031
Net profit before tax	**17,953**	13,048
Net profit after tax	**13,514**	9,055

	As at 30 September 2018 RMB'000	As at 31 March 2018 RMB'000
Non-current assets	**3,943**	3,547
Net current assets	**552,107**	538,581
Non-current liabilities	**(3,616)**	(3,208)
Net assets	**552,434**	538,920

BUSINESS REVIEW (continued)

Financial services (continued)

Provision of guarantee services (continued)

As at 30 September 2018, the type of outstanding guarantees are set out below:

	RMB'000	%
Assets/securities backed	**900,930**	76.3
Secured by counter-guarantees	**280,000**	23.7
	1,180,930	100

(Expressed in RMB'000, unless otherwise stated)	**For the six months ended 30 September 2018**
Leverage ratio	**2.14**
Outstanding guarantee liability	**1,180,930**
Net assets of the guarantee business	**552,434**
Provision rate	**1.2%**
Provision for guarantee losses	**14,464**
Total outstanding guarantees	**1,180,930**

Financial assets at fair value through other comprehensive income

The Group from time to time looks at and considers desirable investment opportunities and will make such investment if it is in the interest of the Company to do so. On 30 December 2016, the Group subscribed for shares in Jilin Jiutai Rural Commercial Bank Corporation Limited, its H-shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group's financial assets at fair value through other comprehensive income has a fair value loss recognised in other comprehensive income amounting to RMB30,261,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: RMB15,349,000) due to the volatility of Hong Kong stock market.

Management Discussion and Analysis

OUTLOOK

In the second half of 2018/2019, the global and China economies will continue to be challenging given the China-US trade war remains yet unresolved. In Mainland China, the PRC government continues its stringent control measures and policies in the real estate and financial services sectors. In terms of cultural tourism and healthcare sector, the PRC government has yet to announce the implementation policies on a nationwide basis.

Looking forward, the Group's senior management is still exploring the various business realms within the cultural tourism and healthcare sectors; which the process of detailed market research, data analysis and feasibility studies is ongoing. For the property development sector, the Group is carefully in site selection process for land replenishment, so to satisfy the cash flow and profit needs from the project. The Group will continue expanding its financing guarantee business within Jilin Province, as well as uphold its credit control procedures in order to minimise the Group's credit risk.

The Group will remain prudent in the short term and be optimistic in the long term, with an objective to implement the model of "One primary sector supplemented by two" in order to promote business development. At the same time, with the perspective in maintaining a sustainable growth to the Group, the Group is also in search to undertake new investment opportunities in other sectors in order to diversify its current businesses to broaden its earnings base; to minimise the Group's business risks; and to maximise the benefits so as to bring satisfactory return to the shareholders.

FINANCIAL REVIEW

Key changes to profit or loss

Revenue

Sales of properties remained the major source of income for the Group accounting for 74% of the Group's total revenue for the six months ended 30 September 2018 (six months ended 30 September 2017: 89%). The analysis of the Group's revenue is as follows:

	Six months ended 30 September 2018		Six months ended 30 September 2017	
	RMB'000	**%**	RMB'000	%
Sale of properties	**105,548**	**74**	210,717	89
Rental income	**12,676**	**9**	10,820	5
Property management service income	**14,852**	**10**	10,155	4
Guarantee fee income	**9,386**	**7**	6,031	2
	142,462	**100**	237,723	100

The Group's revenue decreased from RMB237.7 million for the six months ended 30 September 2017 to RMB142.5 million for the six months ended 30 September 2018 or an decrease by 40.1%, mainly contributed by the decrease in sale of properties by 49.9% or RMB105.2 million as compared with the corresponding period. The decrease in sales of properties during the six months ended 30 September 2018 was attributable to the decrease in sales and delivery of remaining units of the property projects. For the six months ended 30 September 2018, the sales of properties (excluding car parks) related to the remaining units of the property projects that were completed in the previous year, mainly contributed from the sales of Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季" and Guangze Red House Phase II of RMB14.6 million, RMB14.5 million, RMB12.5 million and RMB20.7 million, respectively.

During the six months ended 30 September 2017, the Group sold remaining units of the property projects of Guangze • Tudors Palace, Guangze•Amethyst City and Guangze Red House Phase I of RMB52.2 million, RMB53.2 million and RMB59.8 million, respectively.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Revenue (continued)

On the other hand, sales of car parks increased from RMB25.8 million for the six months ended 30 September 2017 to RMB43.0 million for the six months ended 30 September 2018, which partially offset the decrease in sales recognised on delivery of properties (excluding car parks).

The financial services segment contributed a guarantee fee income of RMB9.4 million (six months ended 30 September 2017: RMB6.0 million) to the Group's total revenue during the six months ended 30 September 2018.

Gross profit and gross margin

The Group's overall gross profit and gross margin has decreased from RMB56.2 million and 23.7% for the six months ended 30 September 2017 to RMB31.6 million and 22.1% for the six months ended 30 September 2018 mainly attributable to change in property sales mix whereby fewer commercial units (with higher margin than residential units) were sold and delivered during the six months ended 30 September 2018 as compared to that of the corresponding period in last year and write-down of completed properties held for sale to net realisable value of RMB19.1 million was made (six moths ended September 2017: RMB1.9 million).

Other income and gains

The Group's other income and gains decreased from RMB42.3 million for the six months ended 30 September 2017 to RMB20.4 million for the six months ended 30 September 2018 which was mainly attributable to the one-off bargain purchase gain from the acquisition of financing guarantee business of RMB19.1 million recognised for the six months ended 30 September 2017 and no such gain for the current period.

Selling and distribution costs

The increase in selling and distribution costs by RMB1.1 million from RMB9.2 million for the six months ended 30 September 2017 to RMB10.3 million for the six months ended 30 September 2018 was mainly due to the increase in the provision for guarantee relating to the financing guarantee business.

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Administrative expenses

The decrease in administrative expenses by RMB0.2 million from RMB28.9 million for the six months ended 30 September 2017 to RMB28.7 million for the six months ended 30 September 2018 was mainly contributed by continual cost control implemented on the Group.

Finance costs

	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
Interest on bank loans	**28,456**	27,705
Interest on Convertible Bonds	**3,063**	11,480
Interest on other loans	**2,452**	2,548
Other borrowing costs	**6,106**	–
	40,077	41,733
Less: interest capitalised into properties under development	**(29,358)**	(16,897)
	10,719	24,836

The decrease in finance costs by RMB14.1 million from RMB24.8 million for the six months ended 30 September 2017 to RMB10.7 million for the six months ended 30 September 2018 was mainly attributable to the mixed effect of (i) the decrease in effective interest expenses on the Convertible Bonds issued in July and December 2016 upon the conversion of the Convertible Bonds, (ii) the other borrowing costs being notional interest arising from deposits on sales of properties recognised in accordance with HKFRS 15; and (iii) more interests were qualified for capitalisation.

Change in fair value of investment properties

A gain in fair value of RMB20.2 million of the investment properties in Hong Kong was recognised for the six months ended 30 September 2018 (six months ended 30 September 2017: gain in fair value of RMB13.0 million) due to the Hong Kong property market maintained its upward momentum and the demand in leasing market was still strong.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Change in fair value of derivative financial instruments

A loss in fair value of RMB2.0 million of the derivative financial instruments was recognised for the six months ended 30 September 2018 (six months ended 30 September 2017: loss in fair value of RMB15.0 million). The derivative financial instruments represented the Company's early redemption right features of the convertible bonds which are due on 27 July 2021. The change in fair value was mainly attributable to the volatility of the Company's share price and deterioration of the time value.

Income tax

The Group's current income tax includes Corporate Income Tax (CIT) and Land Appreciation Tax (LAT). For the six months ended 30 September 2018, the Group's income tax amounted to RMB6.8 million (six months ended 30 September 2017: RMB10.8 million), with effective tax rate of 39.2% (six months ended 30 September 2017: 34.0%). The increase in effective tax rate was mainly attributable to the decrease of recognition of certain deferred tax assets during the six months ended 30 September 2018 compared with the last period.

Discontinued operations

On 30 June 2017, Shanghai Jinhan Yintong Communication Products Sales Co., Ltd.* ("Shanghai Jinhan", 上海錦瀚銀通通信產品銷售有限公司), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party (the "Purchaser"), pursuant to which Shanghai Jinhan has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in Shanghai CM Concepts Communications Products Franchise Sale Company Limited* (上海潤迅概念通信產品連鎖銷售有限公司) (together with its subsidiaries and a joint venture known as the "Disposal Group" which are principally engaged in the telecommunications retail sales and management services business) for the consideration of RMB43,000,000 (the "Disposal"). The assets and liabilities of the Disposal Group were derecognised upon the completion of the Disposal. The Disposal was completed on 30 June 2017, upon which the Group ceased to operate the telecommunications retail sales and management services business. The telecommunications retail sales and management services business are treated and presented as discontinued operations. Loss of RMB8.8 million was incurred for the six months ended 30 September 2017 and no such loss in current period.

FINANCIAL REVIEW (continued)

Key changes to financial position

Investment properties

As at 30 September 2018, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer). A gain in fair value of RMB20.2 million of the investment properties in Hong Kong was recognised for the six months ended 30 September 2018 (six months ended 30 September 2017: gain in fair value of RMB13.0 million).

Financial assets at fair value through other comprehensive income/available-for-sale investments

On 30 December 2016, the Group subscribed for shares in Jilin Jiutai Rural Commercial Bank Corporation Limited ("Jilin Jiutai Bank"). Jilin Jiutai Bank is a joint-stock commercial bank headquartered in Changchun City, Jilin Province, the PRC; and the H-shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

As at 1 April 2018, at the initial application of HKFRS 9, the listed equity investments were reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income; and remains to carry at fair value on subsequent measurement at each reporting date.

As at 30 September 2018, the fair value of the subscribed shares is RMB150 million (as at 31 March 2018: RMB165.3 million). A negative change in fair value of the investment of RMB30.3 million was recognised under the "other comprehensive income" in the consolidated statement of comprehensive income for the six months ended 30 September 2018 (six months ended 30 September 2017: RMB15.3 million).

Properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sales are located in Jilin Province. The increase in properties under development and completed properties held for sales from RMB2,871.5 million as at 31 March 2018 to RMB2,930.5 million as at 30 September 2018 was mainly attributable to the development work on Guangze Red House – Phase III during the six months ended 30 September 2018 and partially offset by the transfer of development costs to costs of sales in respect of Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季" and Guangze Red House – Phase II during the six months ended 30 September 2018. As at 30 September 2018, an accumulated write-down of RMB44.1 million was made on completed properties held for sale (31 March 2018: RMB25.0 million).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables

	Notes	As at 30 September 2018 RMB'000	As at 31 March 2018 RMB'000
Trade receivables	(i)	**28,001**	19,663
Less: provision for impairment of trade receivables		**(828)**	(905)
		27,173	18,758
Other receivables			
– Deposits for land development expenditure	(ii)	**351,822**	353,418
– Deposits for construction and pre-sale of property projects	(iii)	**34,224**	34,748
– Prepaid business tax and other taxes		**27,320**	19,704
– Entrusted loan receivables	(iv)	**414,588**	74,642
– Interest income receivable from a held-to-maturity investment		**–**	11,921
– Other receivables, prepayments and deposits		**100,101**	116,853
		928,055	611,286
		955,228	630,044

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables (continued)

(i) The increase in trade receivables from RMB19.7 million as at 31 March 2018 to RMB28.0 million as at 30 September 2018 was mainly attributable to the increase in trade receivables relating to the financing guarantee business.

(ii) Land development expenditure made by certain subsidiaries of the Group represented monies advanced to the local government for land development works at various land sites. The Directors anticipate that these land sites will be acquired through the tender, auction and listing process which will take place in 2019.

(iii) The balances represented various deposits paid directly attributable to construction and pre-sale of property projects which would be refundable upon completion of the property projects.

(iv) FR Guarantee entered into entrusted loan agreements through the banks with certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans are guaranteed by independent third parties, bearing interests at rates ranging from 6% to 18% per annum and are repayable within twelve months. FR Guarantee performed all the necessary credit assessment and approval procedures before making such entrusted loans; and continued monitoring the creditworthiness of the Borrowers on a timely basis to ensure the recoverability of these loans.

Held-to-maturity investment

The held-to-maturity investment was related to a wealth management product issued by a reputable bank in the PRC, with expected return of 4% per annum. During the six months ended 30 September 2018, the Group received the principal and its interest upon maturity.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other payables

	Notes	**As at 30 September 2018 RMB'000**	As at 31 March 2018 RMB'000
Trade and bills payables	(i)	**107,363**	230,342
Accrued construction costs		**513,215**	530,617
Interest payable		**28,988**	27,481
Deposits received from the government	(ii)	**18,059**	18,059
Receipt in advance from management services	(iv)	**–**	8,096
Deferred income	(iv)	**–**	14,085
Provision for guarantee losses	(iii)	**14,464**	12,832
Other creditors and accruals		**67,860**	62,697
Other deposits received		**35,591**	27,691
		785,540	931,900

(i) The decrease in trade and bills payables from RMB230.3 million at 31 March 2018 to RMB107.4 million at 30 September 2018 was mainly attributable to more settlement of trade payable balances of the completed properties projects.

(ii) The amount represented the deposits received from the government as the Group is responsible for the construction of commodity housing which includes but is not limited to the removal of the existing buildings situated on the land, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. The amount is unsecured and interest free and the unused amount will be refunded to the government after the construction is completed.

(iii) The Group through FR Guarantee provided financing guarantees to certain banks in order for its customers to secure bank financing. At the end of the reporting period, a provision for guarantee losses of RMB14,464,000 (31 March 2018: RMB12,832,000) has been made. The carrying amounts approximate their fair values.

(iv) The deferred income and receipt in advance from management services were reclassified to contract liabilities as at 1 April 2018 upon initial application of HKFRS 9 (see below).

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Contract liabilities

	Notes	**As at 30 September 2018 RMB'000**	As at* 31 March 2018 RMB'000
Deposits from sales of properties	(i)	**667,830**	576,290
Receipt in advance from management services	(ii)	**7,744**	8,096
Deferred income	(iii)	**15,679**	14,085
		691,253	598,471

* Being the respective comparative balances as at 31 March 2018 for comparison purpose.

(i) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met. The deposits from sales of properties as at 31 March 2018 of RMB576.3 million were separately recognised in the consolidated statement of financial position.

(ii) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met. The receipt in advance from management services as at 31 March 2018 of RMB8.1 million were included in the trade and other payables.

(iii) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued. The deferred income as at 31 March 2018 of RMB14.1 million were included in the trade and other payables.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources

Cash position

As at 30 September 2018, the carrying amount of cash and bank deposits of the Group was approximately RMB51.7 million (as at 31 March 2018: approximately RMB64.2 million), representing a decrease of approximately 19.5% as compared with that as at 31 March 2018.

Debt and gearing

The Group's bank and other borrowings as at 30 September 2018 increased by RMB46.9 million to RMB1,051.7 million which were payable as follows:

	As at 30 September 2018 RMB'000	As at 31 March 2018 RMB'000
Current	**340,646**	586,772
Non-current	**711,078**	418,034
	1,051,724	1,004,806
Analysed into:		
Bank loans and entrusted loan payable:		
Within one year or on demand	**253,049**	494,166
In the second year	**336,226**	56,448
In the third to fifth years, inclusive	**374,852**	361,586
	964,127	912,200
Other borrowings repayable:		
Within one year	**87,597**	92,606
	1,051,724	1,004,806

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The current portion of bank and other borrowings decreased from RMB586.8 million as at 31 March 2018 to RMB340.6 million as at 30 September 2018 and the non-current portion of bank and other borrowing increased from RMB418 million as at 31 March 2018 to RMB711.1 million as at 30 September 2018 as the Group repaid the short term bank loans of RMB324.9 million by replacing with new long term bank loans of RMB356.5 million.

The Group's gearing ratio as at 30 September 2018 was as follows:

	At 30 September 2018 RMB'000	At 31 March 2018 RMB'000
Loans from a controlling shareholder	**243,457**	111,160
Bank and other borrowings	**1,051,724**	1,004,806
Trade and other payables	**785,540**	931,900
Less: Cash and cash equivalents	**(51,671)**	(64,220)
Pledged and restricted deposits	**(196,303)**	(182,695)
Net debt	**1,832,747**	1,800,951
Liability component of Convertible Bonds	**62,023**	54,218
Equity	**2,234,093**	2,264,559
Adjusted capital	**2,296,116**	2,318,777
Capital and net debt	**4,128,863**	4,119,728
Gearing ratio	**44.4%**	43.7%

The gearing ratio of the Group as at 30 September 2018 remained stable when compared with 31 March 2018.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Cash flows for the Group's operating and investing activities

For the six months ended 30 September 2018, the Group recorded net operating cash outflow of RMB136.1 million (six months ended 30 September 2017: outflow of RMB200.9 million). The outflow was mainly attributable to the settlement of the trade payables of the property projects held by the Group during the six months ended 30 September 2018. For investing activities, the Group recorded a cash outflow of RMB14.1 million (six months ended 30 September 2017: outflow of RMB407.2 million). The outflow was mainly as a result of the increase in entrusted loans of RMB339.9 million advanced to independent third parties which was partly offset by the redemption of the receivable investment (At 31 March 2018: classified as held-to-maturity investment) of RMB310 million. The outflow of RMB407.2 million for the six months ended 30 September 2017 was mainly attributable to the purchase of held-to-maturity investment of RMB310 million and consideration paid for the acquisition of FR Guarantee which were partly offset by the cash acquired.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 30 September 2018, the Group had contracted but not provided for commitments in respect of properties under development of RMB542.7 million (31 March 2018: RMB530.6 million). The development expenditure will be funded by the Group's internal resources and/or project loans.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2018, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). As at 30 September 2018, approximately 5.5% (31 March 2018: 1.2%) of the Group's total cash and bank balance (including pledged bank deposits) were denominated in HK$ and approximately 32.7% of the Group's total borrowings were denominated in HK$ (31 March 2018: 31.5%). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of RMB and HK$, and will consider hedging significant foreign currency exposure if necessary so as to mitigate the foreign currency exposure arising from the Group's business operation and to minimise the Group's financial risks.

CHARGE ON ASSETS

As at 30 September 2018, the Group had the following assets pledged against bank and other loans granted:

	As at 30 September 2018 RMB'000	As at 31 March 2018 RMB'000
Investment properties	**346,435**	296,000
Properties under development and completed properties held for sale	**1,581,197**	1,490,712
Financial assets at fair value through other comprehensive income	**150,040**	–
Available-for-sale investments	**–**	165,343

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 288 (31 March 2018: 357) full-time staff. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2018 amounted to approximately RMB14.0 million (30 September 2017: RMB17.5 million). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including share options, discretionary bonus, training allowance and provident fund.

Independent Review Report

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真:+852 2868 4432
ey.com

To the members of
Ground International Development Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 72 which comprises the condensed consolidated statement of financial position of Ground International Development Limited (the "Company") and its subsidiaries (together the "Group") as at 30 September 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing 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 ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

27 November 2018

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Continuing operations			
Revenue	5(a)	**142,462**	237,723
Cost of sales and services		**(110,911)**	(181,475)
Gross profit		**31,551**	56,248
Other income and gains	5(b)	**20,417**	42,319
Selling and distribution costs		**(10,256)**	(9,226)
Administrative expenses		**(28,743)**	(28,915)
Finance costs	6	**(10,719)**	(24,836)
Other expenses		**(3,085)**	(1,900)
Change in fair value of investment properties		**20,152**	13,013
Change in fair value of derivative financial instruments		**(1,989)**	(14,950)
Profit before tax from continuing operations	7	**17,328**	31,753
Income tax	8	**(6,791)**	(10,809)
Profit for the period from continuing operations		**10,537**	20,944
Discontinued operations			
Loss for the period from discontinued operations	9	**–**	(8,836)
Profit for the period		**10,537**	12,108
Attributable to:			
Owners of the parent			
– continuing operations		**10,537**	20,944
– discontinued operations		**–**	(8,836)
		10,537	12,108
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period		**0.20 Cent**	0.30 Cent
– For profit from continuing operations		**0.20 Cent**	0.53 Cent
Diluted			
– For profit for the period		**0.15 Cent**	0.18 Cent
– For profit from continuing operations		**0.15 Cent**	0.32 Cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**10,537**	12,108
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investments	**–**	(15,349)
Exchange differences on translation of foreign operations	**(11,514)**	4,799
	(11,514)	(10,550)
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	**(30,261)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(41,775)**	(10,550)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(31,238)**	1,558
Attributable to:		
Owners of the parent		
– continuing operations	**(31,238)**	10,394
– discontinued operations	**–**	(8,836)
	(31,238)	1,558

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,714**	8,086
Investment properties	12	**1,006,435**	956,000
Goodwill		**4,999**	4,999
Available-for-sale investments	13	**–**	165,343
Financial assets at fair value through other comprehensive income	13	**150,040**	–
Deferred tax assets		**89,486**	81,341
Total non-current assets		**1,258,674**	1,215,769
CURRENT ASSETS			
Properties under development and completed properties held for sale	14	**2,930,544**	2,871,520
Trade and other receivables	15	**955,228**	630,044
Prepaid income tax		**26,757**	20,088
Derivative financial instruments	22	**14,232**	14,843
Held-to-maturity investment	16	**–**	310,000
Pledged and restricted deposits	17	**196,303**	182,695
Cash and cash equivalents	17	**51,671**	64,220
Total current assets		**4,174,735**	4,093,410
CURRENT LIABILITIES			
Trade and other payables	18	**785,540**	931,900
Deposits from sales of properties		**–**	576,290
Contract liabilities	19	**691,253**	–
Loans from a controlling shareholder	20	**243,457**	111,160
Bank and other borrowings	21	**340,646**	586,772
Income tax payable		**45,429**	54,784
Total current liabilities		**2,106,325**	2,260,906
NET CURRENT ASSETS		**2,068,410**	1,832,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,327,084**	3,048,273

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2018

	Notes	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	21	**711,078**	418,034
Liability component of the Convertible Bonds	22	**62,023**	54,218
Deferred tax liabilities		**319,890**	311,462
Total non-current liabilities		**1,092,991**	783,714
Net assets		**2,234,093**	2,264,559
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**228,370**	228,335
Convertible preference shares	24	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	22	**40,368**	40,368
Reserves		**783,415**	813,916
Total equity		**2,234,093**	2,264,559

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018 — unaudited

				Reserves										
	Share capital RMB'000 (Note 23)	Convertible preference shares RMB'000 (Note 24)	Equity component of the Convertible Bonds RMB'000 (Note 22)	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Recycling fair value reserve RMB'000	Non-recycling fair value reserve RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 2018	**228,335**	**1,181,940**	**40,368**	**3,534,137**	**2,053**	**184,684**	**24,311**	**5,351**	**–**	**(3,304,013)**	**35,802**	**331,591**	**813,916**	**2,264,559**
Impact on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,351)**	**5,351**	**–**	**–**	**–**	**–**	**–**
At 1 April 2018 (adjusted)	**228,335**	**1,181,940**	**40,368**	**3,534,137**	**2,053**	**184,684**	**24,311**	**–**	**5,351**	**(3,304,013)**	**35,802**	**331,591**	**813,916**	**2,264,559**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,537**	**10,537**	**10,537**
Other comprehensive income for the period														
Changes in fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,261)**	**–**	**–**	**–**	**(30,261)**	**(30,261)**
Exchange differences arising from foreign operations	**–**	**–**	**–**	**–**	**(11,514)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,514)**	**(11,514)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(11,514)**	**–**	**–**	**–**	**(30,261)**	**–**	**–**	**10,537**	**(31,238)**	**(31,238)**
Issuance of shares upon exercise of shares options	**35**	**–**	**–**	**1,002**	**–**	**–**	**(351)**	**–**	**–**	**–**	**–**	**–**	**651**	**686**
Equity-settled share-based share option arrangements	**–**	**–**	**–**	**–**	**–**	**–**	**86**	**–**	**–**	**–**	**–**	**–**	**86**	**86**
Forfeiture of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(42)**	**–**	**–**	**–**	**–**	**42**	**–**	**–**
At 30 September 2018	**228,370**	**1,181,940**	**40,368**	**3,535,139**	**(9,461)**	**184,684**	**24,004**	**–**	**(24,910)**	**(3,304,013)**	**35,802**	**342,170**	**783,415**	**2,234,093**
At 1 April 2017	141,047	2,206,954	151,545	1,986,333	(15,925)	184,684	25,269	23,999	–	(3,304,013)	25,157	291,747	(782,749)	1,716,797
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	12,108	12,108	12,108
Other comprehensive income for the period														
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(15,349)	–	–	–	–	(15,349)	(15,349)
Exchange differences arising from foreign operations	–	–	–	–	4,799	–	–	–	–	–	–	–	4,799	4,799
Total comprehensive income for the period	–	–	–	–	4,799	–	–	(15,349)	–	–	–	12,108	1,558	1,558
Issuance of new ordinary shares under share subscription	14,992	–	–	344,824	–	–	–	–	–	–	–	–	344,824	359,816
Issuance of shares upon exercise of share options	218	–	–	5,570	–	–	(1,526)	–	–	–	–	–	4,044	4,262
Shares issued upon conversion of convertible preference shares and convertible bonds	28,282	(451,094)	(16,347)	465,742	–	–	–	–	–	–	–	–	465,742	26,583
Equity-settled share option arrangements	–	–	–	–	–	–	771	–	–	–	–	–	771	771
Forfeiture of share options	–	–	–	–	–	–	(155)	–	–	–	–	155	–	–
At 30 September 2017	184,539	1,755,860	135,198	2,802,469	(11,126)	184,684	24,359	8,650	–	(3,304,013)	25,157	304,010	34,190	2,109,787

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018 — unaudited

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash used in operations	**(85,252)**	(186,598)
Interest received	**135**	8,333
Interest paid	**(30,908)**	(9,097)
Tax paid:		
— PRC corporate income tax paid	**(17,885)**	(6,774)
— PRC land appreciation tax paid	**(2,186)**	(6,769)
Net cash flows used in operating activities	**(136,096)**	(200,905)
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(1,470)**	(1,437)
Proceeds from disposal of items of property, plant and equipment	**820**	1,636
Dividend income received, net	**7,034**	11,420
Acquisition of subsidiaries, net	**–**	(152,457)
Disposal of subsidiaries	**–**	(9,233)
Purchase of held-to-maturity investment	**–**	(310,000)
Redemption of receivable investment	**310,000**	–
Interest received from receivable investment and entrusted loans	**23,059**	–
Increase in entrusted loan receivables	**(339,946)**	–
Decrease in pledged bank deposits	**(13,608)**	52,904
Net cash flows used in investing activities	**(14,111)**	(407,167)
FINANCING ACTIVITIES		
Proceeds from issue of shares under share subscriptions	**–**	359,816
Proceeds from shares issued under share option scheme	**686**	4,262
Proceeds from new bank loans	**356,478**	195,000
Repayment of bank loans	**(324,881)**	(251,173)
Repayment of other loans	**(14,391)**	(12,133)
Proceeds from the controlling shareholder's loan	**119,011**	160,000
Decrease in amount due to related companies	**–**	(134,580)
Net cash flows from financing activities	**136,903**	321,192
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,304)**	(286,880)
Cash and cash equivalents at the beginning of the period	**64,220**	417,766
Effect of foreign exchange rate changes, net	**755**	(5,679)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**51,671**	125,207

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and provision of financial services.

As at 30 September 2018, the Directors consider the immediate parent and ultimate holding company to be Ka Yik Investments Limited ("Ka Yik") which is incorporated in the British Virgin Islands. Ka Yik does not produce financial statements available for public use.

2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 September 2018 (the "Interim Financial Information") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2018, except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") for the first time on 1 April 2018 as set out in note 3 to the condensed consolidated financial statements.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2018.

3. CHANGE IN ACCOUNTING POLICIES

3.1 New HKFRSs adopted

The HKICPA has issued several standards, interpretations and amendments that are first effective for the current accounting period of the Group.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time for the period commencing on 1 April 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 9 Financial instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group did not restate comparative information and recognised any transition adjustment against the opening balance of equity at 1 April 2018. The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale investments ("AFS"), because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB165,343,000 were reclassified from AFS to financial assets at fair value through other comprehensive income ("FVOCI") and the opening balance of recycling fair value reserve of RMB5,351,000 were reclassified to non recycling fair value reserve on 1 April 2018. The net loss on financial assets measured at fair value through other comprehensive income in the current period is RMB30,261,000, which will not be recognised as profit/loss in future.

The effect of adopting HKFRS 9 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 April 2018

	At 31 March 2018 As originally presented RMB'000	**Impact on initial application of HKFRS 9** RMB'000	**At 1 April 2018 Adjusted** RMB'000
Available-for-sale investments	165,343	(165,343)	–
Financial assets at fair value through other comprehensive income	–	165,343	165,343
Recycling fair value reserve	5,351	(5,351)	–
Non recycling fair value reserve	–	5,351	5,351

Notes to the Condensed Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 9 Financial instruments (continued)

Classification and measurement

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

— Debt instruments at amortised cost;

— Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;

— Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and

— Financial assets at fair value through profit or loss.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's listed equity instruments were classified as available-for-sale investments.

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 9 Financial instruments (continued)

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model. The Group applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts receivables. The Group applied general approach of financial assets included in prepayments, deposits, other receivables and due from related parties. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective approach which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

The impact on the statement of financial position (increase/(decrease)) as at 1 April 2018 by the application of HKFRS 15 is as follows:

	At 31 March 2018 As originally presented RMB'000	Reclassification under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	At 1 April 2018 Adjusted RMB'000
Properties under development and completed properties held for sale	2,871,520	–	57,966	2,929,486
Trade and other payable	931,900	(22,181)	–	909,719
Deposits from sales of properties	576,290	(576,290)	–	–
Contract liabilities	–	598,471	57,966	656,437

Notes to the Condensed Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Impact on the condensed consolidated statement of profit or loss increase by the application of HKFRS 15 for the six months ended 30 September 2018 is as follows:

	As reported RMB'000	Without adoption of HKFRS 15 RMB'000	Effect of change RMB'000
Revenue	142,462	138,649	3,813
Cost of sales and services	110,911	107,098	3,813

Impact on the condensed consolidated statement of financial position (increase/(decrease)) by the application of HKFRS 15 as at 30 September 2018 is as follows:

	As reported RMB'000	Without adoption of HKFRS 15 RMB'000	Effect of change RMB'000
Properties under development and completed properties	2,930,544	2,870,286	60,258
Trade and other payables	785,540	808,963	(23,423)
Deposits from sales of properties	–	607,572	(607,572)
Contract liabilities	691,253	–	691,253

There was no impact on the condensed consolidated statement of comprehensive income, statement of cash flows and earnings per share attributable to owners of the parent for the six months ended 30 September 2018.

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

(i) Accounting for revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, the excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers of properties is recognised as contract assets. The excess of cumulative billings to customers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. This resulted in the reclassification of trade and other payables, deposits from sales of properties and contract liabilities.

After the assessment, the Group has considered that it has no enforceable right to payment from the customers for performance completed to date for properties. All revenue from sale of properties will continue to be recognised at a point in time, when the customers obtain control of the properties, i.e. when the customers obtain the physical possession or the legal title of the completed properties and the Group has present right to payment from the customers. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

(ii) Accounting for significant financing component

Generally, the Group receives long-term advances from customers. However, from time to time, the Group also receives short-term advances from its customers. Prior to the adoption of HKFRS 15, the Group presented these advances as "deposits from sale of properties" in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customers pay for the good or service and when the Group transfers that promised goods or services to the customers will be one year or less.

Meanwhile, the Group concluded that there is a significant financing component for those properties selling contracts where the customers elect to pay in advance considering the length of time between the customers' payment and the transfer of properties to the customers and the prevailing interest rates in the market. The transaction price for such contracts is discounted to take into consideration the significant financing component. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the advances received from customers with a significant financing component and capitalised this to properties under development (if under construction) or charged to profit or loss (if construction complete).

Notes to the Condensed Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

(iii) Presentation and disclosure

The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 5 to the condensed consolidated financial statements for the disclosure on disaggregated revenue.

3.2 New and revised HKFRSs not yet adopted

The following new standard has been issued but is not yet effective for the financial year beginning on 1 April 2018 and has not been adopted by the Group:

HKFRS 16	*Leases**

* Effective for annual periods beginning on or after 1 January 2019.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.2 New and revised HKFRSs not yet adopted (continued)

HKFRS 16 Leases (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

The Group expects to adopt HKFRS 16 on 1 April 2019, HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB54,028,000.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Operating segments	Nature of business activities	Place of operation
Property development and management	Property development and provision of management service to property projects	The People's Republic of China (the "PRC")
Property investment	Property holding for long term investment and leasing purposes	The PRC and Hong Kong
Financial services	Provision of guarantee services and investment holding	The PRC and Hong Kong

Notes to the Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

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

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

Segment results and other segment information

For the six months ended 30 September 2018 — unaudited

	Continuing operations			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	120,400	12,676	9,386	142,462
Segment results	17,840	13,257	25,734	56,831
Bank interest income				552
Finance costs				(10,719)
Change in fair value of derivative financial instruments				(1,989)
Write-down of completed properties held for sale to net realisable value	(19,250)	–	–	(19,250)
Unallocated head office and corporate expenses				(8,097)
Profit before tax				17,328
Income tax				(6,791)
Profit for the period				10,537

4. OPERATING SEGMENT INFORMATION (continued)

Segment results and other segment information (continued)

For the six months ended 30 September 2017 — unaudited

	Continuing operations				Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000	Telecommunications retail sales and management services RMB'000
Segment revenue					
Sales to external customers	220,872	10,820	6,031	237,723	44,435
Segment results	28,499	8,741	23,912	61,152	(3,021)
Bank interest income				1,517	7
Finance costs				(24,836)	(101)
Write-down of completed properties held for sale to net realisable value	(1,876)	–	–	(1,876)	–
Gain from a bargain purchase from the acquisition of subsidiaries	–	–	19,078	19,078	–
Change in fair value of derivative financial instruments				(14,950)	–
Gain on disposal of subsidiaries				–	135
Unallocated head office and corporate expenses				(8,332)	–
Share of profit of a joint venture				–	20
Profit (loss) before tax				31,753	(2,960)
Income tax				(10,809)	(5,876)
Profit (loss) for the period				20,944	(8,836)

Notes to the Condensed Consolidated Financial Statements

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

Revenue from continuing operations mainly represents income from the sale of properties, rental income, property management service income and guarantee fee income.

An analysis of revenue, other income and gains from continuing operations is presented below:

(a) Revenue

	Six months ended 30 September 2018 (unaudited)			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Sale of properties	105,548	–	–	105,548
Rental income	–	12,676	–	12,676
Property management service income	14,852	–	–	14,852
Guarantee fee income	–	–	9,386	9,386
	120,400	12,676	9,386	142,462
Representing geographical markets of:				
The PRC	120,400	8,605	9,386	138,391
Hong Kong	–	4,071	–	4,071
	120,400	12,676	9,386	142,462
Timing of revenue recognition				
— A point in time	105,548	–	–	105,548
— Over time	14,852	12,676	9,386	36,914
	120,400	12,676	9,386	142,462

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

(a) Revenue (continued)

	Six months ended 30 September 2017 (unaudited)			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Sale of properties	210,717	–	–	210,717
Rental income	–	10,820	–	10,820
Property management service income	10,155	–	–	10,155
Guarantee fee income	–	–	6,031	6,031
	220,872	10,820	6,031	237,723
Representing geographical markets of:				
The PRC	220,872	6,727	6,031	233,630
Hong Kong	–	4,093	–	4,093
	220,872	10,820	6,031	237,723
Timing of revenue recognition				
— A point in time	210,717	–	–	210,717
— Over time	10,155	10,820	6,031	27,006
	220,872	10,820	6,031	237,723

Notes to the Condensed Consolidated Financial Statements

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

(b) Other income and gains

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
Interest income	**11,691**	8,333
Gain on disposal of property, plant and equipment	**895**	1,048
Dividend income	**7,816**	13,026
Gain from a bargain purchase from the acquisition of subsidiaries	**–**	19,078
Sundry income	**15**	834
Total other income and gains from continuing operations	**20,417**	42,319

6. FINANCE COSTS

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
Interest on bank loans	**28,456**	27,705
Interest on Convertible Bonds	**3,063**	11,480
Interest on other loans	**2,452**	2,548
Other borrowing costs	**6,106**	–
	40,077	41,733
Less: Interest capitalised into properties under development	**(29,358)**	(16,897)
Total finance costs from continuing operations	**10,719**	24,836

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
Cost of properties sold	**84,253**	158,965
Cost of services	**13,527**	9,876
Cost of rental	**13,131**	12,634
Write-down of completed properties held for sale to net realisable value*	**19,052**	1,876
Depreciation	**587**	1,024
Minimum lease payments under operating leases	**1,387**	1,785
Equity-settled share option expenses	**86**	771
Foreign exchange differences, net	**1**	(748)
(Reversal)/increase of impairment provision on		
— Trade receivables	**(77)**	–
— Other receivables	**545**	–
Provision for guarantee losses	**1,632**	769

* The expenses are included in cost of properties sold.

8. INCOME TAX FROM CONTINUING OPERATIONS

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
Current tax		
PRC Corporate Income Tax	**6,142**	6,736
PRC Land Appreciation Tax	**425**	7,968
	6,567	14,704
Deferred tax		
Origination and reversal of temporary differences	**224**	(3,895)
Total charge from continuing operations	**6,791**	10,809

Notes to the Condensed Consolidated Financial Statements

8. INCOME TAX FROM CONTINUING OPERATIONS (continued)

No Hong Kong profits tax has been provided for the six months ended 30 September 2018 and 2017 as the Group's estimated unrecognised tax losses brought forward from previous years exceeded the estimated assessable profits for the period.

PRC Corporate Income Tax ("CIT") has been provided for the six months ended 30 September 2018 and 2017 based on the estimated assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%.

CIT for the period includes PRC withholding tax on dividends declared and received during the period from the Group's financial assets at fair value through other comprehensive income (six months ended 30 September 2017: available-for-sale investments) amounting to approximately RMB782,000 (six months ended 30 September 2017: RMB1,303,000).

As at 30 September 2018, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB61,852,000 (31 March 2018 (audited): RMB60,229,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect.

The Group is not subject to any income tax in Bermuda, the British Virgin Islands and Samoa pursuant to the respective rules and regulations.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditure. The Group has estimated, made and included in the income tax a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review/approval by the local tax bureau.

Tax losses of RMB419,658,000 as at 30 September 2018 (31 March 2018 (audited): RMB387,787,000) have not been recognised as deferred tax assets in respect of it is not considered probable that taxable profits will be available against which the above items can be utilised.

9. DISCONTINUED OPERATIONS

On 30 June 2017, Shanghai Jinhan Yintong Communication Products Sales Co., Ltd.* ("Shanghai Jinhan", 上海錦瀚銀通通信產品銷售有限公司), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party (the "Purchaser"), pursuant to which Shanghai Jinhan has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in Shanghai CM Concepts Communications Products Franchise Sale Company Limited* (上海潤迅概念通信產品連鎖銷售有限公司) (together with its subsidiaries and a joint venture known as the "Disposal Group" which are principally engaged in the telecommunications retail sales and management services business) for the consideration of RMB43,000,000 (the "Disposal"). The assets and liabilities of the Disposal Group were derecognised upon the completion of the Disposal. The Disposal was completed on 30 June 2017, upon which the Group ceased to operate the telecommunications retail sales and management services business. The telecommunications retail sales and management services business are treated and presented as discontinued operations for the six months ended 30 September 2017.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the parent of RMB10,537,000 (six months ended 30 September 2017: RMB12,108,000) for the six months ended 30 September 2018 and the weighted average of 5,272,695,000 shares (six months ended 30 September 2017: 3,987,520,000 shares) in issue during the six months ended 30 September 2018.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the Convertible Bonds and fair value loss on the derivative component of the Convertible Bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to the Condensed Consolidated Financial Statements

10. EARNINGS PER SHARE (continued)

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
Earnings		
Profit (loss) attributable to owners of the parent		
— continuing operations	**10,537**	20,944
— discontinued operations	**–**	(8,836)
	10,537	12,108
Effect of interest on the liability component of the Convertible Bonds	**3,063**	11,480
Effect of fair value loss on the derivative component of the Convertible Bonds	**1,989**	14,950
	15,589	38,538
Adjusted profit (loss) attributable to equity holders of the parent		
— continuing operations	**15,589**	47,374
— discontinued operations	**–**	(8,836)
	15,589	38,538

10. EARNINGS PER SHARE (continued)

The calculation of basic and diluted earnings per share are based on: (continued)

	Number of shares	
	Six months ended 30 September 2018 (unaudited) '000	Six months ended 30 September 2017 (unaudited) '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**5,272,695**[(a)]	3,987,520[(a)]
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**1,639,353**	2,622,959
Convertible Bonds	**103,485**[(b)]	354,629[(b)]
Share options	**17,035**	33,816
Weighted average number of ordinary shares (diluted)	**7,032,568**	6,998,924

(a) The number of ordinary shares used for the calculation of basic earnings per share for the six months ended 30 September 2018 included the aggregate of the weighted average number of shares issued upon the exercise of 850,000 share options (six months ended 30 September 2017 included the aggregate of the weighted average number of shares issued upon the conversion of 600,000,000 convertible preference shares).

(b) Because the diluted earnings per share amount was increased when taking the Convertible Bonds into account, the Convertible Bonds had an anti-dilutive effect on the basic earnings per share amount for the six months ended 30 September 2018 and 2017 and were ignored in the calculation of diluted earnings per share. Therefore, the calculation of diluted earnings per share amount for profit for the period and profit from continuing operations was based on the profit for the period of RMB10,537,000 and the weighted average number of ordinary shares of 6,929,083,000 in issue during the period.

The calculation of diluted earnings per share amount for the six months ended 30 September 2017 was based on the profit for the period and the profit attributable to continuing operations of RMB12,108,000 and RMB20,944,000, respectively, and the weighted average number of ordinary shares of 6,644,295,000 in issue during the six months ended 30 September 2017.

Notes to the Condensed Consolidated Financial Statements

11. DIVIDEND

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

12. INVESTMENT PROPERTIES

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
At the beginning of the reporting period	**956,000**	961,138
Net gain from fair value adjustment	**20,152**	25,461
Exchange alignment	**30,283**	(30,599)
At the end of the reporting period	**1,006,435**	956,000
Representing:		
The PRC	**660,000**	660,000
Hong Kong	**346,435**	296,000
	1,006,435	956,000

As at 30 September 2018, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer).

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value hierarchy of the Group's investment properties:

	Fair value measurement as at 30 September 2018 using			
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	**Significant observable inputs (Level 2) (unaudited) RMB'000**	**Significant unobservable inputs (Level 3) (unaudited) RMB'000**	**Total (unaudited) RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**1,006,435**	**1,006,435**

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	Total (audited) RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	956,000	956,000

As at 30 September 2018, certain of the Group's investment properties with an aggregate carrying amount of RMB346,435,000 (31 March 2018: RMB296,000,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 21 to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

13. AVAILABLE-FOR-SALE INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Listed equity investments, at fair value		
— Financial assets at fair value through other comprehensive income	**150,040**	–
— Available-for-sale investments	**–**	165,343
	150,040	165,343

For the six months ended 30 September 2018, the Group's listed equity investments has a fair value loss recognised in other comprehensive income amounted to RMB30,261,000 (six months ended 30 September 2017 (unaudited): RMB15,349,000).

As at 30 September 2018, the Group's listed equity investments with a carrying value of RMB150,040,000 (31 March 2018 (audited): RMB165,343,000) were pledged as security for the Group's bank and other borrowings, as further detailed in note 21 to the condensed consolidated financial statements.

14. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	Notes	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Properties under development	(a)	**2,344,696**	2,171,312
Completed properties held for sale		**629,932**	725,240
		2,974,628	2,896,552
Write-down of completed properties held for sale to net realisable value	(b)	**(44,084)**	(25,032)
		2,930,544	2,871,520

(a) As at 30 September 2018, certain of the Group's properties under development of RMB1,581,197,000 (31 March 2018 (audited): RMB1,490,712,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 21 to the condensed consolidated financial statements.

(b) The movement of the write-down of completed properties held for sale to net realisable value during the period are as follows:

	RMB'000
At 1 April 2018 and 31 March 2018 (audited)	(25,032)
Increase in the write-down	(19,052)
At 30 September 2018 (unaudited)	(44,084)

15. TRADE AND OTHER RECEIVABLES

	Notes	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
Trade receivables	(a)	**28,001**	19,663
Less: provision for impairment of trade receivables		**(828)**	(905)
		27,173	18,758
Other receivables:			
Deposits for land development expenditure	(b)	**351,822**	353,418
Deposits for construction and pre-sale of property projects	(c)	**34,224**	34,748
Prepaid business tax and other taxes		**27,320**	19,704
Entrusted loan receivables	(d)	**414,588**	74,642
Interest income receivable from a held-to-maturity investment		**–**	11,921
Other receivables, prepayments and deposits		**100,101**	116,853
		928,055	611,286
		955,228	630,044

(a) In respect of properties sales, no credit terms are granted to customers. For property investment, property management and guarantee services, the respective rental income, property management income and guarantee fee income are settled in accordance with the terms stipulated in the agreements, most of which are settled in advance. In particular, sufficient rental deposits are received or sufficient collaterals/counter guarantees are obtained to minimise credit risk. The carrying amounts of the receivables approximate to their fair values. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables (net of allowance for doubtful debts) by invoice date as at the end of the reporting period is as follows:

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Within 30 days	**1,957**	2,452
31 days–180 days	**15,199**	6,417
Over 180 days	**10,017**	9,889
	27,173	18,758

Notes to the Condensed Consolidated Financial Statements

15. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(b) The balances represented monies advanced to the local government for land development works at various land sites. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future.

(c) The balances represented various deposits paid directly attributable to construction and pre-sale of property projects which would be refundable upon completion of the development projects.

(d) Jilin Province Fengrun Guaranty Company Limited* (吉林省灃潤擔保有限公司) ("FR Guarantee"), a wholly-owned subsidiary of the Group, entered into entrusted loan agreements through the banks with certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans bear interests at rates ranging from 6% to 18% per annum and are repayable within one year. The analyses of the entrusted loans by industry sector and by type of collateral are set out below:

(i) By industry sector

	As at 30 September 2018 (unaudited)		As at 31 March 2018 (audited)	
	RMB'000	**%**	RMB'000	%
Wholesale and retail	**160,913**	**39**	19,642	27
Individual business proprietors	**25,000**	**6**	25,000	33
Service sector	**76,175**	**18**	30,000	40
Real estate and construction	**50,000**	**12**	–	–
Agricultural and husbandry sector	**102,500**	**25**	–	–
	414,588	**100**	74,642	100

15. TRADE AND OTHER RECEIVABLES (continued)

(d) (continued)

(ii) By type of collateral

	As at 30 September 2018 (unaudited) RMB'000	As at 31 March 2018 (audited) RMB'000
Loans guaranteed by third parties without pledged assets	**414,588**	74,642
	414,588	74,642

As at 30 September 2018, all balances are neither past due nor impaired.

16. HELD-TO-MATURITY INVESTMENT

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Wealth management products, at cost	**–**	310,000

The held-to-maturity investment is the financial product issued by a licensed commercial bank in the PRC with an annual return rate of 4.4% and matures within one year. The carrying amount approximates its fair value. The amount has been fully settled in May 2018.

17. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
Cash and bank balances		**247,974**	246,915
Less: Restricted bank deposits under pre-sale of properties	(a)	**(24,942)**	(23,958)
Restricted bank deposits under provision of financing guarantee services	(b)	**(171,361)**	(158,737)
Cash and cash equivalents		**51,671**	64,220

Notes to the Condensed Consolidated Financial Statements

17. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS (continued)

(a) In accordance with relevant policies issued by the PRC local State-owned Land and Resource Bureau applicable to all property developers, the Group is required to place certain of the proceeds received from pre-sale of properties as guarantee deposits for construction of the properties. The restriction will be released upon the construction is completed. Restricted cash earns interest at floating daily bank deposit rates.

(b) In accordance with the financing guarantee agreements signed with the banks, the Group is required to place certain amounts of deposits in the banks to secure the provision of financing guarantee services. The balances are refundable upon the obligation of the financing guarantee is released. The restricted cash earns interest at floating daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB234,310,000 (31 March 2018 (audited): RMB244,058,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18. TRADE AND OTHER PAYABLES

	Notes	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
Trade and bills payables	(a)	**107,363**	230,342
Accrued construction costs		**513,215**	530,617
Interest payable		**28,988**	27,481
Deposits received from the government	(b)	**18,059**	18,059
Receipt in advance from management services		**–**	8,096
Deferred income		**–**	14,085
Provision for guarantee losses	(c)	**14,464**	12,832
Other creditors and accruals		**67,860**	62,697
Other deposits received		**35,591**	27,691
		785,540	931,900

(a) An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Within 30 days	**52,339**	180,786
31 days–180 days	**32,380**	35,420
Over 180 days	**22,644**	14,136
	107,363	230,342

18. TRADE AND OTHER PAYABLES (continued)

(b) The amount represented the deposits received from the government as the Group is responsible for the construction of commodity housing which includes but is not limited to the removal of the existing buildings situated on the land, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. The amount is unsecured and interest-free and the unused amount will be refunded to the government after the construction is completed.

(c) The Group through FR Guarantee provided financing guarantees to certain banks in order for its customers to secure bank financing. At the end of the reporting period, a provision for guarantee losses of RMB14,464,000 (31 March 2018 (audited): RMB12,832,000) has been made. The carrying amounts approximate their fair values.

19. CONTRACT LIABILITIES

	Notes	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
Deposits from sales of properties	(a)	**667,830**	–
Receipt in advance from management services	(b)	**7,744**	–
Deferred income	(c)	**15,679**	–
		691,253	–

(a) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met (31 March 2018 (audited): a balance of RMB576,290,000 were recognised separately in the condensed consolidated statement of financial position prior to the initial application of HKFRS 15).

(b) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met (31 March 2018 (audited): a balance of RMB8,096,000 included in the trade and other payables prior to the initial application of HKFRS 15).

(c) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued. (31 March 2018 (audited): a balance of RMB14,085,000 included in the trade and other payables prior to the initial application of HKFRS 15)

20. LOANS FROM A CONTROLLING SHAREHOLDER

The balance of RMB243,457,000 (31 March 2018 (audited): RMB111,160,000) is unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

21. BANK AND OTHER BORROWINGS

	Notes	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Current			
Bank loans — unsecured	(i)	**39,000**	220,000
Bank loans — secured	(ii)	**114,049**	174,166
Other loans — unsecured	(iii)	**23,190**	23,190
Other loans — secured	(iv)	**64,407**	69,416
Entrusted loan	(v)	**100,000**	100,000
		340,646	586,772
Non-current			
Bank loans — unsecured	(i)	**210,000**	–
Bank loans — secured	(ii)	**501,078**	418,034
		711,078	418,034
		1,051,724	1,004,806

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	**253,049**	494,166
In the second year	**336,226**	56,448
In the third to fifth years, inclusive	**374,852**	361,586
	964,127	912,200
Other loans repayable:		
Within one year	**87,597**	92,606
	1,051,724	1,004,806

21. BANK AND OTHER BORROWINGS (continued)

Notes:

(i) As at 30 September 2018, the unsecured bank loans of RMB220,000,000 (31 March 2018 (audited): Nil) and RMB29,000,000 (31 March 2018 (audited): Nil) bear interests at fixed rates of 7.125% per annum and 9.57% per annum, respectively. The loan of RMB220,000,000 was guaranteed by an independent third party guarantee company where the Company provided a counter-guarantee in favour of the independent third party for its obligations to guarantee the payment obligations. The unsecured bank loans of RMB220,000,000 as at 31 March 2018 was repaid in May 2018.

(ii) Included in the secured bank loans as at 30 September 2018 are loan balances of RMB70,000,000 (31 March 2018 (audited): RMB70,000,000), HK$318,000,000 (equivalent to approximately RMB279,610,000) (31 March 2018 (audited): HK$309,000,000 (equivalent to approximately RMB247,200,000)), RMB265,517,000 (31 March 2018 (audited): RMB275,000,000) bearing interests at a fixed rate of 7.6% per annum, at HIBOR plus margin of 2.4%-2.75% per annum, and a fixed interest rate of 5.39% per annum, respectively.

The bank loan of RMB70,000,000 is secured by the 20% equity interests of 吉林省廣澤地產有限公司 and the bank loans of RMB265,517,000 and HK$318,000,000 are secured by pledges of the properties under development and the completed properties held for sale with carrying values of RMB1,276,043,000 (31 March 2018 (audited): RMB1,185,558,000) and investment properties with fair value of RMB346,435,000 (31 March 2018 (audited): RMB296,000,000), respectively.

(iii) As at 30 September 2018, the unsecured other loans of RMB23,190,000 (31 March 2018 (audited): RMB23,190,000) of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"), a wholly-owned subsidiary of the Group, are in relation to original borrowing arrangements with twenty nine individual third parties in prior years. All the borrowings were unsecured, bore fixed interest rates ranging from 15% to 42% per annum and were repayable within one year or on demand. Pursuant to the supplemental agreements entered into with the remaining individual third parties on the outstanding loan balance in 2014, these borrowing arrangements became interest free effective from 30 September 2014 and repayable on demand.

(iv) A secured other loan as at 30 September 2018 of HK$73,251,000 (equivalent to approximately RMB64,407,000) (31 March 2018 (audited): HK$86,771,000 (equivalent to approximately RMB69,416,000)) bears a fixed interest rate of 6.50% per annum and is secured by the Group's financial assets at fair value through other comprehensive income with carrying values of RMB150,040,000 (31 March 2018 (audited): available-for-sale investments with carrying values of RMB165,343,000).

(v) In December 2017, the Group entered into an entrusted loan agreement with a third party and a bank in the PRC, whereby the third party has agreed to provide a loan of RMB100,000,000 through the bank to the Group. The loan is secured by properties under development held by the Group with a carrying amount of RMB305,154,000; and bears interest at a fixed rate of 8% per annum. The entrusted loan is repayable within one year.

Notes to the Condensed Consolidated Financial Statements

22. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

CBs due in 2021

On 27 July 2016, the Company issued an aggregate principal amount of HK$500 million (equivalent to approximately RMB430 million on the issue date) convertible bonds which are due on 27 July 2021 (the "CBs due in 2021") as part of the considerations in respect of the acquisition of Ka Yun Investments Limited and its subsidiaries, which principal activities are in property development, property investment and property management ("Ka Yun Acquisition"). The CBs due in 2021 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$0.85 per share subject to adjustments. The interest rate is 2% per annum payable semi-annually in arrears each year before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the CBs due in 2021 up to the maturity date of 27 July 2021, provided that any conversion does not result in the public float of the Company's shares being less than 25% (or any given percentage as required by the Listing Rules).

The CBs due in 2021 are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2021 (in whole or in part) at 100% of its principal amount.

The Company has not early redeemed any portion of the CBs due in 2021 during the period.

On 29 March 2017, the CBs due in 2021 in the principal amount of HK$212,500,000 (equivalent to approximately RMB188,211,250 on the conversion date) were fully converted into 250,000,000 ordinary shares of the Company at the conversion price of HK$0.85 per share.

On 27 October 2017, the CBs due in 2021 in the principal amount of HK$199,537,388 (equivalent to approximately RMB169,447,150 on the conversion date) were fully converted into 234,749,867 ordinary shares of the Company at the conversion price of HK$0.85 per share.

As at 30 September 2018, the CBs due in 2021 in the principal amount of HK$87,962,612 has not yet been converted.

CBs due in 2018

On 2 December 2016, the Company issued an aggregate principal amount of HK$40 million (equivalent to approximately RMB36 million on the issue date) convertible bonds which are due on 1 December 2018 (the "CBs due in 2018") to an independent third party. The CBs due in 2018 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$1.00 per share subject to adjustments. The interest rate is 8% per annum payable on the maturity date or the date on which early redemption of the CBs due in 2018 is made by the Company.

On 14 June 2017, the CBs due in 2018 in the principal amount of HK$40 million (equivalent to approximately RMB34.9 million on the conversion date) were fully converted into 40 million ordinary shares of the Company at the conversion price of HK$1.00 per share.

22. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Accounting treatment

The CBs due in 2021 and the CBs due in 2018 are collectively referred to as the "Convertible Bonds".

The Company's early redemption right attaching to the Convertible Bonds are considered not closely related to the liability component of the Convertible Bonds; and therefore, these embedded features have been accounted for separately and classified as derivative financial instruments according to HKFRS 9 *Financial Instruments*.

On the basis that the conversion options of the Convertible Bonds will be settled by the exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments according to HKFRS 9 *Financial Instruments*. The deemed proceeds, after the fair value of the early redemption right features are bifurcated, have been split into between a liability component and an equity component. The residual amount, representing the value of the equity component, is credited to "Equity component of the Convertible Bonds" in the Group's equity attributable to the Company's shareholders.

After initial recognition, the Company's early redemption right features classified as derivative financial instruments are remeasured to their fair value at each period end using the binomial pricing model. The liability component of the Convertible Bonds are subsequently carried at amortised cost.

At the date of conversion, the carrying values of the liability component of the Convertible Bonds and of the early redemption right features are transferred to equity.

Early redemption right features of the Convertible Bonds

The movement in the Company's early redemption right features classified as derivative financial instruments measured at fair value are as follows:

	RMB'000
At 1 April 2018 and 31 March 2018 (audited)	14,843
Fair value change of derivative financial instruments	(1,989)
Exchange realignment	1,378
At 30 September 2018 (unaudited)	14,232

Notes to the Condensed Consolidated Financial Statements

22. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Liability component of the Convertible Bonds

The movement of the liability component of the Convertible Bonds recognised in the condensed consolidated statement of financial position is as follows:

	RMB'000
At 1 April 2018 and 31 March 2018 (audited)	54,218
Accrued effective interest	3,063
Accrued coupon interest transferred to interest payable	(741)
Exchange realignment	5,483
At 30 September 2018 (unaudited)	62,023

The imputed finance cost on the liability component of the Convertible Bonds is calculated using the effective interest method by applying effective interest rates per annum. The effective interest rate of the CBs due in 2021 is 10.73%.

Equity component of the Convertible Bonds

The movement of the equity component of the Convertible Bonds is as follows:

	RMB'000
At 1 April 2018 and 31 March 2018 (audited) and 30 September 2018 (unaudited)	40,368

As at 30 September 2018, the remaining principal amounts of the CBs due in 2021 was approximately HK$87,962,612 (equivalent to RMB77,345,000) (31 March 2018 (audited): HK$87,962,612 (equivalent to RMB70,370,090). Should the conversion rights attaching to the CBs due in 2021 be exercised in full, an additional 103,485,427 ordinary shares would have been allotted and issued, which represent approximately 2% of the issued share capital of the Company at 30 September 2018.

23. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.05 each	15,600,000	780,000	684,000
Issued:			
Ordinary shares of HK$0.05 each			
At 31 March 2018 (audited)	5,272,551	263,628	228,335
At 30 September 2018 (unaudited)	5,273,401	263,670	228,370

Summary of movements in the Company's issued share capital is as follows:

	Note	Number of ordinary shares in issue '000	Issued capital HK$'000	RMB'000
At 1 April 2018		5,272,551	263,628	228,335
The exercise of share options	(a)	850	42	35
At 30 September 2018		5,273,401	263,670	228,370

(a) 850,000 new ordinary shares of the Company were allotted and issued, upon the exercise of the 850,000 share options. The exercise price of these share options is HK$0.98 per share. As at 30 September 2018, the total number of outstanding options amounted to 71,010,000.

Notes to the Condensed Consolidated Financial Statements

24. CONVERTIBLE PREFERENCE SHARES

On 27 July 2016, the Company allotted and issued 4,539,352,941 convertible preference shares (the "CPS") at an issue price of HK$0.85 per share to Ka Yik, a company beneficially owned by Ms. Cui, for satisfaction of part of the consideration in respect of the Ka Yun Acquisition, being an aggregate amount of HK$3,858,450,000 (RMB3,320,582,000).

Key terms of the CPS are as follows:

(1) The CPS shall not confer on the holders thereof the right to receive notices of, or to attend and vote, at the general meetings of the Company, unless a resolution is to be proposed at the general meeting which if passed would vary or abrogate the rights or privileges of holders of the CPS.

(2) Holders of the CPS have the right to convert each CPS, during the conversion period, into ordinary share(s) of the Company at the CPS conversion price. The holders may exercise the conversion right, provided that any conversion of the CPS does not result in (i) the CPS conversion shares being issued at a price below their nominal value as at the conversion date; or (ii) if immediately after such conversion, the public float of the shares being less than 25% (or any given percentage as required by the Listing Rules). The ordinary shares of the Company when allotted and issued upon the exercise of the conversion right of the CPS shall rank equally among themselves and pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment and issuance.

(3) The CPS cannot be redeemed by the Company or the holder of CPS.

(4) The CPS is transferrable subject to the conditions stated in the terms of the CPS and in accordance with the provision as set out in the Company's bye-laws.

(5) CPS shall confer on the CPS holders the right to be paid, in priority to any return of assets in respect of the ordinary shares of the Company, pari passu as between themselves an amount equal to the aggregate notional value of the CPS plus all dividends accrued and unpaid with respect thereto, whereupon if the assets of the Company available for distribution shall be insufficient to provide for full payment to holders of the CPS, the Company shall make payment on the CPS on a pro rata basis on return of capital on liquidation, winding-up or dissolution of the Company. The CPS do not confer on the holders of CPS any further or other right to participate in the assets of the Company upon liquidation, winding up or dissolution of the Company.

    Subject to compliance with all applicable laws and the articles of association of the Company, each CPS shall confer on its holder the right to receive an accrued and cumulative fixed dividend commencing from the date of the issue of the CPS on a yearly basis at a rate of 0.2% of the nominal value of HK$0.05 of each CPS outstanding in priority to any dividend in respect of any other class of shares in the capital of the Company, payable annually in arrears. The CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

24. CONVERTIBLE PREFERENCE SHARES (continued)

The CPS are classified as equity instruments in the Group's condensed consolidated financial statements with the following considerations:

(a) The CPS holder has unconditionally and irrevocably waived its right to receive the preferred distribution; and as such, the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS. Therefore, there is not a liability component of the CPS.

(b) The conversion options of the CPS will be settled by the exchange of a fixed amount or fixed number of equity instruments.

As at 30 September 2018, 1,639,352,941 CPSs remained outstanding. Should the conversion rights attaching to the remaining 1,639,352,941 CPSs be exercised in full, an additional 1,639,352,941 ordinary shares would have been allotted and issued, which represented approximately 31.1% of the issued share capital of the Company as at 30 September 2018.

25. CONTINGENT LIABILITIES

Other than disclosed elsewhere, the Group has the following contingent liabilities:

(i) The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 30 September 2018, guarantees amounting to RMB988.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2018 (audited): RMB1,035.3 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realisable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Notes to the Condensed Consolidated Financial Statements

25. CONTINGENT LIABILITIES (continued)

(ii) The Group has provided financing guarantee services to certain borrowers to secure obligation of such borrowers for repayments. As at 30 September 2018, an aggregated guarantee amount of RMB1,180.9 million (31 March 2018 (audited): RMB1,108.5 million) was given to financial institutions with respect to these borrowers. Such guarantees will terminate upon the full repayment of loan by the borrowers to the financial institutions.

Pursuant to the terms of the guarantees, upon default in loan repayments by these borrowers, the Group is responsible to repay the outstanding loans together with accrued interest to the financial institutions. During the period, the Group did not incur any losses in respect of any of these guarantees. As part of the Group's credit control policy, the Group has control on the credit assessment and closely monitors the financial position of the borrowers; also, pledged assets and counter-guarantees were provided by the borrowers pursuant to the terms of the guarantees. As at 30 September 2018, a provision of RMB14.5 million (31 March 2018 (audited): RMB12.8 million) have been made in connection with the guarantees. The Directors consider that the likelihood of default in payments on the remaining exposure by the borrowers is minimal and therefore no further provision is made.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
(i) Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
– a motor vehicle	**91**	94
– office premises	**523**	525
Building management fees paid:		
– office premises	**30**	30
	644	649
Guarantee fee income	**215**	–
Guarantees provided	**108,000**	–

The related party transactions in respect of rental expenses, building management fees, guarantee fees income and guarantees provided above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The rental expenses and building management fees were exempted from the reporting announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. For the guarantee fees received and guarantees provided, they were subject to the reporting and disclosure requirements of Chapter 14A of the Listing Rules but were exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(2)(a). Further details are set out in the Company's announcement dated 19 June 2018.

(ii) A controlling shareholder of the Company:		
Coupon interest on CBs due in 2021	**741**	9,450

(iii) On 6 September 2018, the Company entered into a corporate guarantee in favour of a commercial bank in the PRC as a security for the provision of a loan of RMB110 million by the bank to an entity controlled by a close family member of the controlling shareholder of the Company for the purpose of the entity's operation. The above transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules but were exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(2)(a). Further details are set out in the Company's announcement dated 7 September 2018.

Notes to the Condensed Consolidated Financial Statements

26. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 September 2018 (unaudited) RMB'000	Six months ended 30 September 2017 (unaudited) RMB'000
(b) Key management personnel		
Compensation for key management personnel, including the amounts paid to the Company's directors and certain of the highest paid employees		
Fees	**340**	312
Other emoluments:		
Salaries, allowances and benefits in kind	**3,495**	4,007
Pension scheme contributions	**123**	256
Performance related bonuses	**–**	859
Equity-settled share option expense	**–**	322
	3,618	5,444
Total compensation paid to key management personnel	**3,958**	5,756

27. COMMITMENTS

(a) Operating lease arrangements

As lessor

The Group leases its investment properties (note 12 to the condensed consolidated financial statements) under operating lease arrangements, with the average lease term of three years and with options to renew the leases upon expiry at new terms. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 September 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Within one year	**15,414**	23,148
In the second to fifth years, inclusive	**24,041**	30,302
After fifth years	**60,184**	59,010
	99,639	112,460

27. COMMITMENTS (continued)

(a) Operating lease arrangements (continued)

As lessee

The Group leases certain of its properties under operating lease arrangements. The majority of these leases have non-cancellable lease terms ranging from one to three years and there are no restrictions placed upon the Group by entering into these lease agreements.

As at 30 September 2018, the Group had total future minimum lease payables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Within one year	**27,568**	28,338
In the second to fifth years, inclusive	**26,460**	45,839
	54,028	74,177

(b) Commitments for development expenditure

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000
Contracted, but not provided for:		
– Properties under development	**542,716**	530,617

Notes to the Condensed Consolidated Financial Statements

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2018 (unaudited) RMB'000	31 March 2018 (audited) RMB'000	**30 September 2018 (unaudited) RMB'000**	31 March 2018 (audited) RMB'000
Financial assets				
Available-for-sale investments	**–**	165,343	**–**	165,343
Financial assets at fair value through other comprehensive income	**150,040**	–	**150,040**	–
Derivative financial instruments	**14,232**	14,843	**14,232**	14,843
	164,272	180,186	**164,272**	180,186
Financial liabilities				
Loans from a controlling shareholder	**243,457**	111,160	**243,457**	111,160
Bank and other borrowings	**1,051,724**	1,004,806	**1,082,123**	1,007,282
Liability component of the Convertible Bonds	**62,023**	54,218	**61,526**	61,762
	1,357,204	1,170,184	**1,387,106**	1,180,204

Management has assessed that the fair values of cash and cash equivalents, pledged and restricted deposits financial assets included in trade and other receivables and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer reports directly to the audit committee. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the bank loans and the liability component of the Convertible Bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank loans and the Convertible Bonds as at 30 September 2018 was assessed to be insignificant.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement as at 30 September 2018 (unaudited) using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through other comprehensive income	**150,040**	**–**	**–**	**150,040**
Derivative financial instruments	**–**	**–**	**14,232**	**14,232**
	150,040	**–**	**14,232**	**164,272**

	Fair value measurement as at 31 March 2018 (audited) using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	165,343	–	–	165,343
Derivative financial instruments	–	–	14,843	14,843
	165,343	–	14,843	180,186

The movements in fair value measurements within Level 3 during the period are set out in note 22 to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 September 2018 and 31 March 2018:

	Valuation techniques	Significant unobservable inputs	Range
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	50.93%

The fair value of the conversion option embedded in convertible bonds is determined using the binomial pricing model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2018 (audited): Nil).

29. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the six months ended 30 September 2018 were authorised for issue by the board of directors of the Company on 27 November 2018.

Other Information

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the reporting period, except for the following:

Following the re-designation of Mr. Xiang Qiang from an independent non-executive Director to an executive director on 4 May 2018, there were only two independent non-executive Directors, namely Mr. Chan Yuk Tong and Mr. Zhu Zuoan until 24 July 2018. Accordingly, the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the number prescribed under Rule 3.21 of the Listing Rules. As a result, the Company was not in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules. On 25 July 2018, Mr. Wang Xiaochu was appointed as an independent non-executive Director and also a member of the audit committee of the Company. Following the appointment of Mr. Wang Xiaochu, the Company has since been in full compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

Subsequent to 30 September 2018, Mr. Xiang Qiang resigned as the chief executive officer of the Company and an executive Director. The Company is in the process of identifying a suitable candidate to act as the chief executive officer.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code during the reporting period.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2018, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(a) Interests in ordinary shares of the Company (the "Shares")

Name of Directors/ Chief Executive	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Cui Xintong ("Ms. Cui")	Interest in a controlled corporation	Long	3,841,410,694 *(Note 2)*	72.85%
Mr. Chan Yuk Tong ("Mr. Chan")	Beneficial Owner	Long	850,000	0.02%
Ms. Liu Hongjian ("Ms. Liu")	Beneficial Owner	Long	89,000	0.002%

(b) Interest in the underlying shares of the Company

Name of Directors/ Chief Executive	Nature of Interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Cui	Interest in a controlled corporation	Long	1,903,418,367 *(Note 4)*	36.09%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES (continued)

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 30 September 2018.

2. These 3,841,410,694 Shares consist of (i) 585,835,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 3,255,575,000 Shares held by Ka Yik Investments Limited ("Ka Yik"). Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited ("Deep Wealth"), which is in turn held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. Those underlying shares are the share options granted by the Company under the share option scheme of the Company, information of which was shown in the section headed "Share Option Scheme" of this report. All of such underlying shares are unlisted and physically settled under SFO.

4. As set out in note 2 above, Ka Yik is a company held under the Ground Trust where Ms. Cui is the settor and protector. Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO and such interest duplicated Ms. Cui's partial interest for the purpose of SFO. Those 1,903,418,367 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,426 Shares in total); (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016; and (iii) a potential contractual right to have 160,580,000 Shares within 12 months starting from 27 March 2017 (as being extended for a further period of 12 months). All of such underlying shares are unlisted and physically settled under SFO. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2018, the interests or short positions of the parties other than Director and chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Interest in Shares

Name of shareholder	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Charm Success	Registered owner	Long	585,835,694 *(Note 2)*	11.11%
Ka Yik	Registered owner	Long	3,255,575,000 *(Note 2)*	61.74%
TMF (Cayman) Ltd.	Trustee	Long	3,841,410,694 *(Note 2)*	72.85%
Deep Wealth	Interest in controlled corporation	Long	3,841,410,694 *(Note 2)*	72.85%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	383,099,000 *(Note 4)*	7.26%
Yam Tak Cheung	Beneficial owner	Long	383,099,000 *(Note 4)*	7.26%
Lee Ken-yi Terence	Interest of spouse	Long	3,841,410,694 *(Note 5)*	72.85%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in underlying shares of the Company

Name of shareholder	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ka Yik	Registered owner	Long	1,903,418,367 *(Note 3)*	36.09%
TMF (Cayman) Ltd.	Trustee	Long	1,903,418,367 *(Note 3)*	36.09%
Deep Wealth	Interest in controlled corporation	Long	1,903,418,367 *(Note 3)*	36.09%
Lee Ken-yi Terence	Interest of spouse	Long	1,903,418,367 *(Note 5)*	36.09%

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 30 September 2018.

2. These 3,841,410,694 Shares consist of (i) 585,835,694 Shares held by Charm Success and (ii) 3,255,575,000 Shares held by Ka Yik. Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik, Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. As set out in note 2 above, Ka Yik is a company wholly-owned by Deep Wealth, which is in term held by TMF (Cayman) Ltd. as trustee of the Ground Trust where Ms. Cui is the settor and protector. Each of the TMF (Cayman) Ltd., Deep Wealth and Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO. Those 1,903,418,367 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,426 Shares in total); (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016; and (iii) a potential contractual right to have 160,580,000 Shares within 12 months starting from 27 March 2017 (as being extended for a further period of 12 months). All of such underlying shares are unlisted and physically settled under SFO.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in underlying shares of the Company (continued)

Notes: (continued)

4. Integrated Asset Management (Asia) Limited is a company wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam is deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO. The interests duplicate each other.

5. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at 30 September 2018, none of the parties other than Directors and chief executives of the Company had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

During the reporting period, the movements in the share options under the Share Option Scheme are as follows:

	Number of share options							
Grantees	As at 1 April 2018	Reclassified during the period *(Note 1)*	Exercised during the period	Cancelled/ lapsed during the period	As at 30 September 2018	Date of grant	Exercise period *(Note 2)*	Exercise price per share option *HK$*
Directors/Chief Executive:								
Mr. Wang	3,000,000	(3,000,000)	–	–	–	24/10/2014	24/10/2015–23/10/2024	1.20
	3,200,000	(3,200,000)	–	–	–	18/04/2016	18/04/2016–17/04/2026	0.98
Sub-total	6,200,000	(6,200,000)	–	–	–			

SHARE OPTION SCHEME (continued)

Grantees	Number of share options: As at 1 April 2018	Reclassified during the period *(Note 1)*	Exercised during the period *(Note 3)*	Cancelled/ lapsed during the period	As at 30 September 2018	Date of grant	Exercise period *(Note 2)*	Exercise price per share option *HK$*
Employees	30,000,000	–	–	–	30,000,000	19/06/2014	19/06/2014–18/06/2024	0.98
	3,100,000	–	–	(190,000)	2,910,000	18/04/2016	18/04/2016–17/04/2026	0.98
Others	6,850,000	–	(850,000)	–	6,000,000	19/06/2014	19/06/2014–18/06/2024	0.98
	17,900,000	3,000,000	–	–	20,900,000	24/10/2014	24/10/2015–23/10/2024	1.20
	8,000,000	3,200,000	–	–	11,200,000	18/04/2016	18/04/2016–17/04/2026	0.98
Sub-total	65,850,000	6,200,000	(850,000)	(190,000)	71,010,000			
Total	72,050,000	–	(850,000)	(190,000)	71,010,000			

Other Information

SHARE OPTION SCHEME (continued)

Notes:

1. Capacity(ies) of the grantee(s) reclassified due to the change of their identifications with the Group during the period.

2. For the share options granted on 19 June 2014, 100% of the share options became exercisable from 19 June 2014.

   For the share options granted on 24 October 2014, 50% of the share options became exercisable from 24 October 2015, and the remaining 50% of the share options became exercisable from 24 October 2016.

   For the share options granted on 18 April 2016, 30% of the share options became exercisable from 18 April 2016, 30% of the share options became exercisable from 18 April 2017 and the remaining 40% of the share options will become exercisable commencing from 18 April 2018.

3. The closing price of the Shares immediately before the date on which the options were exercised during the period is HK$1.40.

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2018.

REVIEW OF THE INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 September 2018 has been reviewed by the auditor of the Company, Ernst & Young, 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. The Group's interim financial information for the six months ended 30 September 2018 has been also reviewed by the Audit Committee.

By order of the Board
Ground International Development Limited
Cui Xintong
Chairperson

Hong Kong, 27 November 2018

* *The English names of the PRC entities referred to in this report are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*

GROUND INTERNATIONAL
广泽国际

GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣 澤 國 際 發 展 有 限 公 司
Room1305, 13th Floor, China Resources Building,
No. 26 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道26號華潤大廈13樓1305室
Tel 電話: (852) 2209 2888 Fax 傳真: (852) 2209 2988
www.ground-international.com