中昌國際
ZHONGCHANG INTERNATIONAL

Zhongchang International Holdings Group Limited
中昌國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code：859

Interim Report 2019

追求卓越
止于至善

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Pan Gongcheng *(Chairman)*
(Appointed on 5 June 2019)
Mr. Fan Xuerui
Mr. Sun Meng
Ms. Li Guang
Mr. Wang Junyong *(Resigned on 5 June 2019)*
Mr. Lai Hing Kwok
(Resigned on 22 May 2019)

Independent non-executive directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Executive Committee

Mr. Pan Gongcheng
(Committee Chairman)
Mr. Fan Xuerui
Mr. Sun Meng
Ms. Li Guang
Mr. Wang Junyong *(Resigned on 5 June 2019)*

AUTHORISED REPRESENTATIVES

Mr. Fan Xuerui
Mr. Lee Pui Lam

COMPANY SECRETARY

Mr. Lee Pui Lam

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suite 5, 22/F,
One AIA Financial Center
1 East Denghu Road
Foshan City, Guangdong Province
The People's Republic of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Agricultural Bank of China Limited
Bank of Communications Co., Ltd
Bank of China (Hong Kong) Limited
Bank of Shanghai Co., Limited
China Construction Bank Corporation
Hang Seng Bank Limited
Nanyang Commercial Bank (China), Limited

LEGAL ADVISERS

As to Hong Kong law:
Cheung Tong & Rosa Solicitors

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
Grandall Law Firm

FINANCIAL ADVISER

Optima Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
Cedar House
41 Cedar Avenue
Hamilton, HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

Management Discussion and Analysis

Overview

Zhongchang International Holdings Group Limited (hereinafter referred to as the "Company", together with its subsidiaries, collectively referred to as the "Group") is principally engaged in property investment, property development and provision of property project management services. During the six months ended 30 June 2019 ("Interim Period"), with the support from 上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*) ("Shanghai Sansheng"), the controlling shareholder of the Company since December 2017, the Group expanded/entered into the property development business in the People's Republic of China (the "PRC"), and invested in three property development projects in various major cities in the PRC, including Hangzhou, Zhenjiang and Jinhua.

In view of the fact that China's economy demonstrated a steady growth in Gross Domestic Product ("GDP") of 6.4% in the first quarter of 2019 amid deleveraging, supply-side reform and United States-China trade conflict, we are positive about the prospect of the property market in the PRC, particularly the Yangtze River Delta Economic Region, and will continue to seek investment opportunities in property investment, management and development businesses which the board (the "Board") of directors of the Company (the "Directors") considers to be with good development prospects to create value for the Company and the shareholders of the Company (the "Shareholders").

Property leasing business

During the Interim Period, Hong Kong's retail market continued to face strong headwinds from a weaker Renminbi ("RMB") and the continuing trade dispute between the United States ("U.S.") and the PRC, which had a dampening effect on the consumption by Chinese tourists. Despite the sluggish retail threat in the first six months of 2019, the Group's retail investment property portfolio in Hong Kong recorded a stable performance in terms of the high occupancy rate and a slight growth in rental revenue. The investment properties of the Group are situated in prime shopping district of Causeway Bay and the Group continues to refine the diverse-trade tenants mix (mainly includes food and beverages, beauty and health care and pharmaceuticals which have outperformed in the retail sector). During the Interim Period, the portfolio has recruited certain new tenants (including well-recognised grocery brand tenant – "Bestmark 360") to broaden the Group's trade offering in turn maintaining the Group's core revenue and earnings base. The Group has been maintaining a good relationship with its tenants by assisting them compete in a more challenging business environment.

As at 30 June 2019, the investment property portfolio of the Group committed an occupancy rate of 96.8%. The valuation of the investment properties of the Group amounted to HK$1,974.0 million as at 30 June 2019 (31 December 2018: HK$1,946.7 million), representing an increase in capital appreciation of 1.4%. Jardine Center remained as the Group's core and steady income generators, accounted for approximately 62.0% of the total revenue of the Group for the Interim Period.

During the Interim Period, the Group recorded rental income from investment properties of approximately HK$19.6 million (six months ended 30 September 2018: approximately HK$19.1 million).

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

	Valuation of investment properties as at 30 June 2019 HK$'000	Unaudited revenue for the six months ended 30 June 2019 HK$'000	Unaudited revenue for the six months ended 30 September 2018 HK$'000	Change Increase/ (decrease)
Causeway Bay				
Jardine Center, No.50 Jardine's Bazaar(1)	**1,520,000**	**14,519**	14,746	(1.5%)
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar(2)	**105,000**	**1,265**	1,289	(1.9%)
First Floor, Nos.38 and 40 Jardine's Bazaar(2)	**15,000**	**227**	170	33.5%
Ground Floor including Cockloft, No.41 Jardine's Bazaar(2)	**139,000**	**1,428**	1,343	6.3%
Ground Floor, No.57 Jardine's Bazaar(2)	**142,000**	**1,603**	1,544	3.8%
Mid-Levels				
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road(2)	**53,000**	**574**	–	N/A
Total	**1,974,000**	**19,616**	19,092	2.7%

(1) Ginza-style building
(2) Street-shop

Unrealised fair value gain on investment properties amounted to approximately HK$27.3 million for the Interim Period (six months ended 30 September 2018: approximately HK$17.0 million). The increase in the valuation was mainly due to (i) the prime locations of the Group's investment properties (majority of which are located at the centre of Causeway Bay); and (ii) the properties are clustered with the Group's anchored tenants' delivery of committed rent rolls and a solid and healthy tenant mix.

Property project management services business

As disclosed in the announcement of the Company dated 21 August 2018 and the circular of the Company dated 13 September 2018, the Group started to engage in property project management services business in fourth quarter of 2018 by entering into the Project Management Master Agreement (as defined in the circular of the Company dated 13 September 2018). Pursuant to the Project Management Master Agreement (the "PM Agreement"), 佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited*) ("Mingzhou Consultancy"), an indirect wholly-owned subsidiary of the Company, entered into four individual project management agreements to provide project management services for the real estate projects in the PRC, which are owned and developed by Shanghai Sansheng and its subsidiaries in return for receiving quarterly consultancy service fee charged at a fixed fee rate of 2% (having appraised with reference to the PRC statutory maximum fee rate as stipulated by Ministry of Finance of the PRC) on their respective actual construction cost incurred. The PM Agreement constituted continuing connected transactions and thus the consultancy services fee to be received was limited to the annual caps for the three years ending 31 December 2020 approved by the independent shareholders of the Company held at a special general meeting held on 11 October 2018.

In August 2018, Mingzhou Consultancy recruited a professional property development team with relevant qualifications and expertise and set up an office in Guangzhou, the PRC. The Board is of the view that the Company's strategy to penetrate into the real estate project management business in the PRC has a positive prospect and will enable the Group to achieve better growth potential and broaden its source of revenue by capturing this opportunity. The Group aimed to position itself in providing quality professional advices as to full spectrum of project management governance over planning and development, architectural design, costing, construction and completion inspection as well as delivery administration. During the Interim Period, the Group recorded income for provision of property project management services of approximately HK$3.8 million (six months ended 30 September 2018: Nil), which was within the approved annual cap for the year ending 31 December 2019 of HK$19,188,000 or RMB16,685,000.

During the Interim Period, Mingzhou Consultancy was engaged in provision of property project management services rendered to four residential development projects located in Foshan, Heshan and Huizhou, the PRC, with aggregate planned gross floor area ("GFA") of approximately 1,164,000 sq.m.. These projects were selected given their strategic locations in the Guangdong-Hong Kong-Macao Greater Bay Area which has higher accessibility from Hong Kong.

Projects under management	Approximate planned GFA	Services income recognised during the Interim Period HK$'000	Location
廣樂頤景園 (Guangle Yijingyuan*)	128,810	1,499	Foshan
萊福花園 (Laifu Garden*)	413,400	997	Foshan
頤景名苑 (Yijing Ming Yuan*)	320,200	995	Heshan
藍山頤景園 (Lanshan Yijingyuan*)	301,400	318	Huizhou
Total	1,163,810	3,809	

Property Development Business

In the first half of 2019, the Group completed the following acquisitions which were approved by the Independent Shareholders (as defined in the circulars of the Company dated 10 January 2019 and 8 March 2019).

The Zhenjiang Acquisition – 南山淺水灣 (Nanshan Qianshuiwan) ("NQS")*

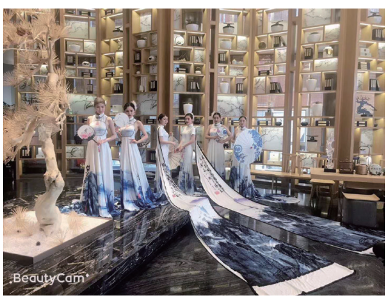
As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019 ("Circular I"), the Group entered into an agreement ("SPA I") with Sanshenghongye (BVI) Holdings Limited ("Sansheng BVI") to acquire the entire issued capital of High Morality Limited ("High Morality"), which indirectly holds three parcels of land located in Zhenjiang City, Jiangsu Province, the PRC, at a consideration of approximately RMB194.9 million ("Consideration I") (the "Zhenjiang Acquisition"). The SPA I was approved by the Independent Shareholders of the Company at a special general meeting held in January 2019. The completion took place on 1 March 2019 ("Completion I") and High Morality became a wholly-owned subsidiary of the Group (subject to a put option granted by Sansheng BVI to the Group pursuant to the SPA I which shall be exercisable from the date of Completion I to 31 August 2022, which enables the Group to require Sansheng BVI to acquire the entire issued share(s) of High Morality and any outstanding loan(s) owned by High Morality and/or any subsidiary of High Morality to the Group ("Put Option I")).

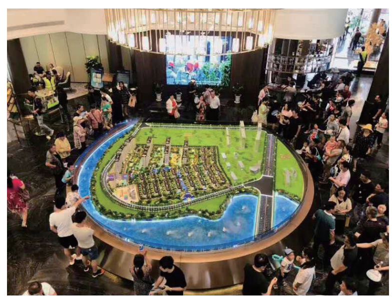
The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. Adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development (i.e. Phase II of NQS) with total planned GFA of approximately 160,000 sq.m., including residential area of approximately 151,400 sq.m., commercial area of approximately 3,900 sq.m. and education area of approximately 2,400 sq.m.. The Group intends to designate all residential and commercial units for sale. The development plan of NQS project will be inherited from the success of Shanghai Sansheng's market positioning by building brand recognition of "頤景園" (Yijingyuan*) featuring with eastern traditional aesthetics design which won the title of Leading Brand of China Residential Real Estate Companies in Garden Estate (中國房地產園林地產專業領先品牌). Phase II of NQS comprises 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

In April 2019, the Group obtained the relevant permits to commence construction work for Phase II of NQS and the project is planned to be developed and pre-sold in three phases:

	GFA (sq.m.)							
Phase	Residential	Retail	Car Park	Ancillary areas	Total	Estimated/ actual commencement date	Estimated Completion date	Estimated/actual pre-sale date
Phase 1	61,105	–	–	–	61,105	March 2019	December 2021	August 2019
Phase 2	42,402	–	–	–	42,402	January 2020	June 2022	April 2020
Phase 3	47,895	1,866	2,036	2,400	54,197	May 2020	August 2022	January 2021
Total	151,402	1,866	2,036	2,400	157,704			

The Group obtained the pre-sale permit and the sales promotion center has been launched for pre-sale in 2019. The first batch of pre-sales commenced in mid-August 2019.





In terms of financing, Phase II of NQS has successfully obtained self-finance construction loan and drew down RMB200 million from 上海愛建信托有限責任公司 (Shanghai Aijian Trust Co., Limited*) ("Shanghai Aijian") to secure sufficient financial resources to meet with the funding requirement of aforesaid construction.

As of 30 June 2019, the Group had properties for sale of which 8 sets of completed residential properties of NQS Phase I were not taken into account in determination of the Consideration I as the Group does not intend to acquire them and 6 out of 8 were pledged to a finance institution in the PRC as security for defaulted loans granted to two individuals who are related parties of previous owner of the NQS. Accordingly, the Group provided a provision for these properties as it is one of the terms under SPA I that after completion of the acquisition, the sale of these properties shall be the responsibility of Sansheng BVI.

As disclosed in the Circular I, the Put Option I provides the Group with the flexibility of selling its interest in the NQS back to Sansheng BVI during the expected development phase. The Put Option I will become exercisable if the adjusted net asset value ("ANAV") of High Morality and its subsidiaries ("High Morality Group"), calculated based on the aggregation of (i) unaudited consolidated net assets value of High Morality Group as of 30 June 2019 after adjusted for the valuation surplus with reference to the market value of NQS Phase II as of 30 June 2019; and (ii) added back any uncapitalised finance cost and taxation thereof, is lower than the Consideration I.

The market value of NQS Phase II as of 30 June 2019 (appraised by an independent valuer, Jones Lang Lasalle Corporate Appraisal and Advisory Limited ("JLL")), was approximately RMB730,000,000 and thereby giving rise to the effect that the ANAV of High Morality Group as at 30 June 2019 amounting to RMB311,986,000, which is higher than the Consideration I. Accordingly, the Put Option I is not exercisable as at 30 June 2019.

The Directors are positive about the prospects of the property market in Zhenjiang City and expect the Zhenjiang Acquisition can generate satisfactory return to the Group and the Shareholders as a whole.

The Jinhua Acquisition – 48.51% effective interests in 金義頤景園 (Jinyi Yijingyuan)

As disclosed in the announcements of the Company dated 4 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019 ("Circular II"), the Group entered into an agreement and a supplemental deed ("SPA II") with Sansheng BVI as the vendor pursuant to which the Group acquired (i) a 49% of the issued share capital of Yitai International (BVI) Holdings Ltd. ("Yitai"), a company which holds 99% indirect beneficial equity interest in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of Yitai from Sansheng BVI's related party at an aggregate consideration of approximately RMB255.6 million ("Consideration II") (the "Jinhua Acquisition"). The SPA II was approved by the Independent Shareholders of the Company at a special general meeting held in March 2019. The completion took place on 2 April 2019 ("Completion II") and Yitai has become the Group's associate (subject to a put option granted by Sansheng BVI to the Group pursuant to the SPA II which shall be exercisable from the date of Completion II to 31 August 2020 ("Exercisable Period II"), thereby enabling the Group to require Sansheng BVI to acquire Yitai and any outstanding loan(s) owed by Yitai and/or any subsidiary(ies) of Yitai to the Group ("Put Option II").

The land is being developed into a mixed-use residential and commercial complex under the brandname of "頤景園" in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m.. Development of phase I of the project, which includes 11 residential towers with an aggregate area of 111,500 sq.m., 2 office towers and retail shops of 50,200 sq.m. and 1,200 car parking spaces, commenced in April 2018 and is expected to complete by end of 2020. Development of phase II of the project commenced in mid 2018 and is expected to complete by early 2021. Pre-sale of phase I of the project was launched in July 2018. These contracted sales will be recognised by Yitai as revenue in 2020 upon completion of development of phase I of the project. Pre-sale of phase II of the project was launched in the first quarter of 2019 and further revenue is expected to be recognised by Yitai in early 2021 upon completion of development of phase II.

Taken into account that (i) the project has reached a more mature stage of development with necessary capital and funding in place; (ii) phase I of the project was launched in July 2018; and (iii) relevant pre-sale approval has been attained for phase II of the project, the Directors considered that the Jinhua Acquisition represented a good opportunity which offers a promising return in a short time span with relatively low risk to fill the gap before the Group realises its investment return from the Zhenjiang Acquisition and is complementary to the overall business strategy and plan of the Group. In addition, the Directors consider it would be in the Group's best interest to participate in the project as a passive non-controlling shareholder which the Group does not require to invest substantial resources to the management and operation of the project. Accordingly, Yitai will be accounted for as an associate of the Group as the Group does not exercise significant control over Yitai. The Group entered into a shareholder agreement on 2 April 2019 with Shenwei International Limited, which holds 51% of equity interest in Yitai, pursuant to which certain terms are enshrined to protect the Group's interest. These terms include (i) board composition and board resolution; (ii) funding; (iii) advance to shareholders or their related parties shall bear interest rate equivalent to the People's Bank of China one year borrowing rate; and (iv) profit distribution.

As disclosed in the Circular II, the Put Option II provides the Group with the flexibility of selling its 48.51% attributable interest in the Jinyi Yijingyuan back to Sansheng BVI during the Exercisable Period II. The Put Option II will become exercisable conditional upon the benchmark value (basis of determination as disclosed in the Circular II) being lower than the Consideration II.

Given that the market value of Jinyi Yijingyuan as of 30 June 2019 (appraised by an independent valuer, JLL) was approximately RMB1,806,000,000, which is higher than the book value of the project and thus giving rise to the effect that the benchmark value of approximately RMB332,269,000 being higher than the Consideration II, the Put Option II is not exercisable as of 30 June 2019.

Acquisition of a land parcel in Hangzhou City

As disclosed in the announcements of the Company dated 24 June 2019 and 8 July 2019 and the circular of the Company dated 12 July 2019, the Group has entered into a transfer agreement with 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) ("Lin'an Resources Bureau") for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC ("Lin'an Land"), at a cash consideration of approximately RMB347.6 million. Completion of the acquisition shall take place no later than 7 July 2020. As at 30 June 2019, the Group has paid deposit of RMB73,500,000 (equivalent to HK$83,555,000) in respect of the acquisition.

The Group's initial plan is to develop the Lin'an Land into residential units targeted for local citizens. The development may comprise of high-rise residential towers and low-rise buildings with an affordable luxury concept. Considering the prime location and the development potential of the Lin'an Land, the Directors believe that the acquisition is in line with the Group's strategy and enables the Group to further expand its property development business.

OUTLOOK

Looking forward to second half of 2019, the global markets are expected to be cloudy due to uncertainties such as volatile stock markets, weakening of RMB and trade tension between the U.S. and the PRC. The Group is aware of the challenges ahead and will closely monitor the global market. In spite of the above, the market expects the PRC's GDP growth rate would fall in a range of 6% to 6.5% in 2019. It is expected that the PRC government will continuously put efforts on "seeking growth while maintaining stability" strategy to ensure a steady growth.

The Group remains optimistic about the development of economy in both the PRC and Hong Kong, as well as its business development in 2019. It is expected that tourists brought by Guangzhou-Shenzhen-Hong Kong Express Rail Link will increase and it would enable the Group to achieve sustainable growth in its property leasing business. The Greater Bay Area development plan announced by the government also lifts up the growth potential in Hong Kong and attracts more tourist from the neighbour cities to Hong Kong. Regarding the Group's property development and property project management services business in the PRC, it is expected that the PRC government would maintain stability of its regulatory policies for the real estate market, and continue to accelerate the establishment of a robust long-term mechanism for the real estate market. It is expected that the PRC real estate market can be further supported by favourable policies towards real estate sector, especially for first-home buyers in numerous cities.

Going forward, the Group will continue to evaluate investment opportunities in different property projects with a view to optimising the Group's property project portfolio, strengthening investment property portfolio and maximising returns. The primary focus of the Group is to identify property investment opportunities in the Greater Bay Area and the Yangtze River Delta Area for acquisitions, public tenders or cooperation with other parties.

FINANCIAL REVIEW

The Group's unaudited revenue for the Interim Period was approximately HK$23.4 million, representing an increase of approximately 22.5% against the period for the six months ended 30 September 2018 which amounted to approximately HK$19.1 million. It comprised (i) rental income from investment properties; and (ii) property project management services. The increase in revenue was primarily attributable to the new segment revenue from provision of property project management services in the PRC.

Other income and gains for the Interim Period decreased by approximately HK$0.6 million to approximately HK$3.5 million (six months ended 30 September 2018: approximately HK$4.1 million). The decrease was mainly due to the decrease in exchange gain.

Staff cost comprised salaries, directors fee and retirement benefit costs. Staff cost for the Interim Period was approximately HK$7.6 million, representing an increase of approximately 153.3% against the period for the six months ended 30 September 2018 which amounted to approximately HK$3.0 million. The increase was mainly attributable to (i) increase in the Group's headcount resulted from High Morality Group which was acquired by the Group on 1 March 2019 as a springboard for the Group's first move in the property development segment; and (ii) increase in emoluments of an executive director.

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

	For the six months ended 30 June 2019 HK$'000	For the six months ended 30 September 2018 HK$'000
Investment properties operating cost	**1,576**	1,771
Professional fees	**2,220**	2,386
General administrative costs	**2,471**	1,934
Exchange loss, net	**1,117**	–
Total	**7,384**	6,091

Investment properties operating cost mainly comprised of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The decrease in such costs was mainly due to the decrease in commission expenses for new tenants for the Interim Period.

Professional fees incurred for the Interim Period mainly included professional fees for new other borrowings and other professional fees such as financial advisory fees and legal fees.

Gain arising from negative goodwill on acquisition of an associate, Yitai, was resulted from the excess of the Group's share of the net fair value of the identifiable assets and liabilities of the associate over the cost of investment in the associate.

Share of results of an associate represents the Group's share of losses incurred by Yitai since the Completion II until 30 June 2019. The loss incurred by Yitai was because that all the proceeds from its pre-sold properties are yet to be recognised as revenue until the construction of the pre-sold properties are completed and the possession of these properties have been delivered to the customers. Accordingly, Yitai has not recognised any revenue and only incurred uncapitalised pre-selling and administrative expenses during the Interim Period.

As at 30 June 2019, the investment properties of the Group were revalued at HK$1,974.0 million (31 December 2018: HK$1,946.7 million) by an independent professional valuer. During the Interim Period, a fair value gain on investment properties of HK$27.3 million was recognised in profit or loss.

Finance costs for the Interim Period decreased by approximately 14.9% to approximately HK$9.7 million as compared to the period for six months ended 30 September 2018. The change in finance costs are mainly attributable to (i) significant increase in gross amount of finance costs from approximately HK$11.4 million for the six months ended 30 September 2018 to approximately HK$26.9 million for the Interim Period due to the new other borrowings from the Zhenjiang Acquisition and those raised during the Interim Period; (ii) finance costs of approximately HK$17.3 million was capitalised to properties under development for the Interim Period, leading to an overall decrease in net amount of finance costs for the Interim Period.

Net profit attributable to owners of the Company was approximately HK$29.3 million (six months ended 30 September 2018: approximately HK$16.7 million), representing an increase of approximately HK$12.6 million as compared to the period for six months ended 30 September 2018. The increase in net profit was primarily due to the increase in fair value gain of investment properties, gain on acquisition of an associate, partially set off by increase in staff cost and share of loss of an associate.

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank and other borrowings. As at 30 June 2019, the Group had cash and bank balances (including bank deposits) of approximately HK$206.5 million (31 December 2018: approximately HK$1,015.0 million), of which approximately 36.4% were deposited with banks in Hong Kong and the remaining of approximately 63.6% were deposited with banks in the PRC. The decrease in cash and bank balances was mainly attributable to the Zhenjiang Acquisition, the Jinhua Acquisition and the acquisition of Lin'an Land. The Group's cash and bank balances were deposited in Hong Kong Dollars ("HKD") and RMB which were mainly preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 30 June 2019, the Group's bank and other borrowings amounted to approximately HK$1,386.8 million (31 December 2018: approximately HK$839.9 million), in which the bank borrowings carry floating interest rate at Hong Kong Interbank Offer Rate ("HIBOR") plus a fixed margin and the other borrowings carry interest ranging from 8% to 23% per annum, the maturity profile is set out as follows:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Repayable:		
On demand or within one year	**585,453**	25,710
Within a period of more than one year but within two years	**25,710**	25,710
Within a period of more than two years but within five years	**775,595**	788,450
	1,386,758	839,870

The Group's gearing ratio as at 30 June 2019, which is calculated on the basis of total liabilities over total assets, was approximately 41.3% (31 December 2018: approximately 29.5%) whilst the current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2019, was approximately 1.9 (31 December 2018: approximately 29.0). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

In addition, as at 30 June 2019, the Group has undrawn loan facilities with a total of HK$100.0 million (as at 31 December 2018: nil) which provides adequate funding for the Group's operational and capital expenditure requirements.

Capital Structure

As at 30 June 2019, the issued share capital of the Company was 1,125,027,072 shares. During the Interim Period, there was no movement of the issued share capital of the Company.

As at 30 June 2019, the unaudited net assets amounted to approximately HK$2,116.0 million (31 December 2018: audited net assets amounted to approximately HK$2,096.3 million), represented an increase of approximately 0.9% as compared with the same as at 31 December 2018. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2019, the unaudited net assets value per share was approximately HK$1.88 (as at 31 December 2018: approximately HK$1.86).

Treasury Policy

The Group's transactions and its monetary assets and liabilities are principally denominated in Hong Kong dollars ("HK$") and RMB. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

INTERIM DIVIDEND

The Company had a policy in deciding whether to propose a dividend after taking into account factors such as financial performance, working capital requirement and external economic conditions.

The Directors do not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 September 2018: Nil).

CORPORATE GUARANTEE

As at 30 June 2019, the Company provided corporate guarantees in aggregate of HK$857,000,000 (31 December 2018: HK$857,000,000) which was given to a bank for securing banking facilities granted to its subsidiaries, while certain subsidiaries have provided corporate guarantees of HK$150,000,000 (31 December 2018: Nil) in favor of a financial institution for securing other borrowings provided to the Company.

CHARGES ON GROUP ASSETS

As at 30 June 2019, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK$1,974,000,000 (31 December 2018: HK$1,655,000,000) for securing bank and other borrowings of its subsidiaries;

2. share mortgage of certain subsidiaries for securing their respective bank borrowings;

3. rent assignments in respect of the investment properties;

4. properties for sale under development with an aggregate carrying amount of approximately HK$711,378,000 (31 December 2018: Nil) for securing other borrowings amounted to RMB448,400,000 (equivalent to approximately HK$509,742,000) from Shanghai Aijian;

5. Properties for sale – completed properties with an aggregate carrying amount of approximately HK$21,497,000 (31 December 2018: Nil) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

6. entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50,000,000 from a financial institution, China Cinda (HK) Asset Management Co., Limited.

CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed among the Company, Rose City Group Limited ("Rose City"), an indirect wholly-owned subsidiary of the Company and Prime Magic Holdings Limited ("Prime Magic") on 13 July 2017, the Company acts as a guarantor in favour of Prime Magic for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

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

As at 30 June 2019, there was no relevant claim reported.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2019.

COMMITMENTS

As at 30 June 2019, the Group had committed payment for the construction and land development expenditures in respect of properties under development classified as properties for sale amounting to approximately HK$265,897,000 (as at 31 December 2018: Nil).

As disclosed in note 13 to the condensed consolidated interim financial statements, as at 30 June 2019, the outstanding capital contribution commitment amounted to RMB34,500,000 (equivalent to approximately HK$39,219,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The following content lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas set out below:

Economic and financial risk

The Group's major assets are investment properties located in Hong Kong which contributed the Group's revenue and results of operations, accordingly, they are exposed to the risk of uncertain and/or negative performance of Hong Kong economics, and financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase the finance cost and decrease the fair value of the Group's investment properties and hence the net asset values. Since 2018, the Group has commenced a new business segment – property project management services in the PRC and the Group has entered into property development business during the Interim Period to diversify the economic risk.

Beside the outlook of the Hong Kong's economy, prospect on the Group's businesses also rely on the performance of the property market in the PRC. The property market in the PRC is affected by a number of factors, including changes in social, political, economic and legal environment, and the government's policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group will continue to develop and expand into different regional markets to reduce its dependence on specific markets.

All of the bank borrowings secured by the investment properties in Hong Kong are subject to floating interest rates based on HIBOR plus a fixed margin while the other borrowings are subject to fixed interest rates ranging from 8% to 23%. The Group will closely monitor and manage its exposure to the interest rate fluctuations and will consider engaging hedging instruments as and when appropriate.

The Group's property project management services and property development businesses are mainly denominated in RMB. During the Interim Period, an unrealised exchange loss on translating foreign operations of approximately HK$9.6 million was charged as other comprehensive loss, which has arisen mainly from the translation of operations in the PRC due to the depreciation of RMB. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

Regulatory risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the Interim Period, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 75 employees. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for those disclosed in note 13 to the condensed consolidated interim financial statements, the Zhenjiang Acquisition, the Jinhua Acquisition and the acquisition of Lin'an Land, the Group did not have any significant investments, material acquisitions or disposals during the Interim Period.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "Share Option Scheme") upon the previous share option scheme, which was adopted on 3 September 2003 for a term up to 2 September 2013.

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

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

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

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

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

As at 30 June 2019, there were no outstanding share options under the Share Option Scheme.

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

As at 30 June 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 June 2019, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

		As at 30 June 2019	
Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company[1]
Sansheng Hongye (Hong Kong) Limited ("Sansheng Hongye")	Beneficial owner	L – 857,301,457 [2] S – 48,770,971 [3]	76.20% 4.34%
Shanghai Sansheng [4]	Interest of controlled corporation	L – 857,301,457 [2] S – 48,770,971 [3]	76.20% 4.34%
上海三盛房地產（集團）有限責任公司 (Shanghai Sansheng Real Estate (Group) Company Limited*) ("Sansheng Real Estate")	Interest of controlled corporation	L – 857,301,457 [2] S – 48,770,971 [3]	76.20% 4.34%
Chen Jianming [4]	Interest of controlled corporation	L – 857,301,457 [2] S – 48,770,971 [3]	76.20% 4.34%
Chen Yanhong [4]	Interest of spouse	L – 857,301,457 [2] S – 48,770,971 [3]	76.20% 4.34%
China Cinda Asset Management Co., Ltd. [7]	Interest of controlled corporation	L – 857,301,457 [5]	76.20%

Name of substantial shareholder	Capacity and nature of interest	As at 30 June 2019: Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	As at 30 June 2019: Approximate percentage of issued share capital of the Company(1)
China Cinda (HK) Holdings Company Limited (7)	Interest of controlled corporation	L – 857,301,457 (5)	76.20%
China Cinda (HK) Asset Management Co., Limited (7)	Person having a security interest in shares	L – 857,301,457 (5)	76.20%
DCP China Credit Fund I, L.P. (8)	Interest of controlled corporation	L – 843,585,747 (6)	74.98%
Dignari Capital Partners GP Limited (8)	Interest of controlled corporation	L – 843,585,747 (6)	74.98%
Tan Mei Zie Grace (8)	Interest of controlled corporation	L – 843,585,747 (6)	74.98%

Notes:

(1) Based on 1,125,027,072 ordinary shares of the Company in issue as at 30 June 2019.

(2) Sansheng Hongye held 843,585,747 ordinary shares of the Company and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 ordinary shares of the Company.

(3) The Company was notified that Sansheng Hongye had a short position of 48,770,971 underlying shares of the Company pursuant to unlisted physically settled equity derivatives as a result of the call options granted by Sansheng Hongye.

(4) Shanghai Sansheng controlled 100% of the voting power of Sansheng Hongye, Mr. Chen Jianming controlled approximately 81.58% of the voting power of Shanghai Sansheng (comprising around 41.45% direct interests in Shanghai Sansheng and around 40.13% indirect interests in Shanghai Sansheng controlled through Sansheng Real Estate (Sansheng Real Estate controls around 40.13% of the equity interest in Shanghai Sansheng)). Accordingly, Sansheng Real Estate, Shanghai Sansheng and Mr. Chen Jianming were deemed to be interested in shares and underlying shares of the Company held by Sansheng Hongye. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the shares and underlying shares of the Company which Mr. Chen Jianming was interested in.

(5) Sansheng Hongye pledged 843,585,747 shares of the Company and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 shares of the Company in favour of China Cinda (HK) Asset Management Co., Limited.

(6) DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives.

(7) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which controlled 100% of China Cinda (HK) Asset Management Co., Limited.

(8) DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Review by Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (Chairman), Mr. Liew Fui Kiang and Mr. Wong Sai Tat. The unaudited interim results of the Group for the six months ended 30 June 2019 and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 ("Interim Financial Statements") have been reviewed by the Audit Committee.

Compliance with the Model Code for Securities Transactions

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

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

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

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

On 16 May 2019, the Company entered into an agreement with a financial institution for a term loan facility in the principal amount of up to HK$150 million.

On 6 August 2019, each of Top Bright, Smart Land and Pioneer Delight entered into their respective facility agreement with a financial institution for term loan facilities in the aggregated principal amount of HK$270 million.

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

EVENTS AFTER REPORTING PERIOD

As disclosed in the announcement of the Company dated 8 August 2019, 佛山快彤物業服務有限公司 (Foshan Express Property Service Co., Ltd.*) ("Foshan Express"), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company has entered into a sale and purchase agreement ("S&P Agreement") with 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*) ("Foshan Sansheng"), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Shanghai Sansheng, and 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) ("Zhoushan Sansheng"), a company incorporated in the PRC with limited liability which is wholly owned by Foshan Sansheng. Pursuant to the S&P Agreement, Foshan Express agreed to acquire and Foshan Sansheng agreed to sell the entire equity interest in Zhoushan Sansheng at a cash consideration of approximately RMB120.0 million (equivalent to approximately HK$134.4 million) (subject to adjustment).

As Foshan Sansheng is wholly owned by Shanghai Sansheng and Shanghai Sansheng is the holding company of Sansheng Hongye, Foshan Sansheng is a connected person of the Company under the Listing Rules. Accordingly, the acquisition constitutes a connected transaction and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The acquisition has not yet been completed as at the date of this report.

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

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

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

Hong Kong, 23 August 2019

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

Executive directors
Mr. Pan Gongcheng *(Chairman) (Appointed on 5 June 2019)*
Mr. Fan Xuerui
Mr. Sun Meng
Ms. Li Guang

Independent non-executive directors
Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 (Unaudited)

	Notes	Unaudited **Six months ended 30 June 2019 HK$'000**	Six months ended 30 September 2018 HK$'000
Revenue	4	**23,425**	19,092
Other income and gains	5	**3,514**	4,120
Net gain in fair value of investment properties	11	**27,300**	17,000
Staff costs	6	**(7,609)**	(3,009)
Depreciation of property, plant and equipment and right-of-use assets		**(979)**	(421)
Other operating expenses		**(7,384)**	(6,091)
Profit from operations	6	**38,267**	30,691
Gain arising from negative goodwill on acquisition of an associate	12	**10,693**	–
Share of results of an associate	12	**(7,231)**	–
Finance costs	7	**(9,695)**	(11,439)
Profit before taxation		**32,034**	19,252
Taxation	8	**(2,708)**	(2,506)
Profit for the period		**29,326**	16,746
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(9,613)**	88
Other comprehensive (loss)/income for the period, net of tax		**(9,613)**	88
Total comprehensive income for the period		**19,713**	16,834
Profit for the period attributable to the owners of the Company		**29,326**	16,746
Total comprehensive income for the period attributable to the owners of the Company		**19,713**	16,834
Earnings per share	10		
– Basic (in HK cents)		**2.61**	1.49
– Diluted (in HK cents)		**2.49**	1.49

Condensed Consolidated Statement of Financial Position

At 30 June 2019 (Unaudited)

	Notes	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**2,715**	2,855
Right-of-use assets		**6,049**	–
Investment properties	11	**1,974,000**	1,946,700
Investment in an associate	12	**241,907**	–
Amount due from an associate	12	**55,146**	–
Financial assets at fair value through profit or loss	13	**65,025**	–
Deferred tax assets		**4,238**	–
		2,349,080	1,949,555
CURRENT ASSETS			
Properties for sale	14	**735,731**	–
Trade and other receivables, deposits and prepayments	15	**299,640**	7,872
Amounts due from former shareholders of a subsidiary		**9,973**	–
Derivative financial instruments	16	**2,177**	728
Tax recoverable		**250**	250
Cash and bank balances		**206,484**	1,015,021
		1,254,255	1,023,871
CURRENT LIABILITIES			
Trade and other payables, deposits and accrued expenses	17	**39,732**	8,159
Lease liabilities		**2,495**	–
Bank and other borrowings	18	**585,453**	25,710
Amounts due to related companies	25(b)	**21,019**	–
Tax payable		**3,526**	1,417
		652,225	35,286
NET CURRENT ASSETS		**602,030**	988,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,951,110**	2,938,140
NON-CURRENT LIABILITIES			
Other payables and deposits	17	**10,074**	8,240
Lease liabilities		**3,845**	–
Bank and other borrowings	18	**801,305**	814,160
Convertible notes	19	**9,280**	8,761
Deferred tax liabilities		**10,585**	10,671
		835,089	841,832
NET ASSETS		**2,116,021**	2,096,308
CAPITAL AND RESERVES			
Share capital	20	**112,502**	112,502
Reserves	21	**2,003,519**	1,983,806
TOTAL EQUITY		**2,116,021**	2,096,308

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 (Unaudited)

	Unaudited							
	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 21(a))	Exchange reserve HK$'000 (note 21(b))	Convertible note equity reserve HK$'000 (note 21(c))	Contribution from shareholders HK$'000 (note 21(d))	Retained profits HK$'000	Total HK$'000
At 1 January 2019	**112,502**	**168,300**	**9,628**	**(120)**	**5,619**	**233,606**	**1,566,773**	**2,096,308**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**29,326**	**29,326**
Other comprehensive loss, net of tax:								
Items that may be reclassified subsequently to profit or loss:								
Exchange difference on translating foreign operations	**–**	**–**	**–**	**(9,613)**	**–**	**–**	**–**	**(9,613)**
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**(9,613)**	**–**	**–**	**29,326**	**19,713**
At 30 June 2019	**112,502**	**168,300**	**9,628**	**(9,733)**	**5,619**	**233,606**	**1,596,099**	**2,116,021**

	Unaudited							
	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 21(a))	Exchange reserve HK$'000 (note 21(b))	Convertible note equity reserve HK$'000 (note 21(c))	Contribution from shareholders HK$'000 (note 21(d))	Retained profits HK$'000	Total HK$'000
At 1 April 2018	112,502	168,300	9,628	(18)	5,619	233,606	1,549,432	2,079,069
Profit for the period	–	–	–	–	–	–	16,746	16,746
Other comprehensive income, net of tax:								
Items that may be reclassified subsequently to profit or loss:								
Exchange difference on translating foreign operations	–	–	–	88	–	–	–	88
Total comprehensive income for the period	–	–	–	88	–	–	16,746	16,834
At 30 September 2018	112,502	168,300	9,628	70	5,619	233,606	1,566,178	2,095,903

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 (Unaudited)

	Notes	Unaudited **Six months ended 30 June 2019** **HK$'000**	Six months ended 30 September 2018 HK$'000
Net cash (used in)/generated from operating activities		**(246,325)**	849
Cash flows from investing activities			
Acquisition of investment in an associate	12	**(246,224)**	–
Loan to an associate		**(55,146)**	–
Investment in financial assets at fair value through profit or loss		**(64,798)**	–
Net cash outflow on acquisition of subsidiaries	22	**(233,101)**	–
Deposit paid for acquisition of a land parcel		**(83,555)**	–
Other investing activities		**1,392**	1,393
Net cash (used in)/generated from investing activities		**(681,432)**	1,393
Cash flows from financing activities			
New bank and other borrowings raised		**281,326**	287,000
Repayment of bank borrowings		**(12,855)**	(10,703)
Advance from related companies		**117,710**	–
Repayment of amounts due to related companies		**(266,387)**	–
Other financing activities		**(319)**	–
Net cash generated from financing activities		**119,475**	276,297
Net (decrease)/increase in cash and cash equivalents		**(808,282)**	278,539
Cash and cash equivalents at the beginning of the period		**1,015,021**	749,153
Effect of foreign exchange rate changes		**(255)**	88
Cash and cash equivalents at the end of the period		**206,484**	1,027,780

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company is engaged in investment holding and the principal activities of the Group are property investment, property development and provision of property project management services.

The Company's shares are listed on the Stock Exchange. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Interim Financial Statements is presented in HKD, unless otherwise stated, and was approved by the Board for issue on 23 August 2019. The Interim Financial Statements has not been audited.

2. BASIS OF PREPARATION

Statement of compliance

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Interim Financial Statements should be read in conjunction with the consolidated financial statements of the Company for the nine months ended 31 December 2018 ("2018 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Stock Exchange, and any public announcements made by the Company during the Interim Period.

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

The Interim Financial Statements has been prepared in accordance with same accounting policies adopted in the 2018 Financial Statements, except for those described in note 3 below.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Application of new and amendments to HKFRS

During the Interim Period, the Group has adopted all the new and amended HKFRS which are first effective for the reporting period and relevant to the Group. The impact of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRS that are effective from 1 January 2019 did not have material effect on the Group's accounting policies.

The Group is in the process of making assessment of the potential impact of adopting new/revised HKFRS that have been issued but are not yet effective and have not been early adopted by the Group. The Directors have so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Application of new and amendments to HKFRS (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the Interim Period. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

HKFRS 16 distinguishes between lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all lessee by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

On 1 January 2019, the Group adopted the requirements of HKFRS 16 and recognised lease liabilities in relation to leases which had previously been classified as "operating leases" in accordance with HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. The associated right-of-use ("ROU") assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised on balance sheet at 31 December 2018. In addition, the practical expedients permitted by the standard was applied where operating leases with a remaining lease term of less than 12 months as at 1 January 2019 were treated as short-term leases.

The Group has applied HKFRS 16 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2019. Difference at the date of initial application is recognised in the opening retained profits without restating comparative information. In relation to the operating leases that were under HKAS 17 "Leases", the adoption of HKFRS 16 increased assets by approximately HK$935,000 and increased financial liabilities by the same amount with no effect on net assets or retained profits.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Application of new accounting policies

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets or financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Application of new accounting policies (Continued)

Investment in associate (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Properties for sale

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale. Properties under development for sales are transferred to completed properties held for sales upon completion. Properties under development for sales are transferred to property, plant and equipment when there is a change in use, evidenced by commencement of owner-occupation which the carrying amount is carried forward and transferred to property, plant and equipment as the cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. REVENUE AND SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the Board, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

(i) Property investment – leasing of investment properties located in Hong Kong

(ii) Property project management services – provision of property project management services in the PRC

(iii) Property development in the PRC

No segment revenue and results are presented for the provision of property project management services and property development as there is no revenue generated and expenses incurred for these segments during the six months ended 30 September 2018.

Segment revenue and results

The following is an analysis of the Group's revenue and results (including share of results of an associate) by reportable segments:

Six months ended 30 June 2019 (unaudited)

	Property investment HK$'000	Property project management services HK$'000	Property development HK$'000	Total HK$'000
Revenue from other sources				
– Rental income	**19,616**	**–**	**–**	**19,616**
Revenue from contract with customers				
– Recognised over time	**–**	**3,809**	**–**	**3,809**
Segment revenue	**19,616**	**3,809**	**–**	**23,425**
Segment results	**18,040**	**1,731**	**1,262**	**21,033**
Other income and gains				**3,514**
Corporate and other unallocated expenses				**(10,118)**
Net gain in fair value of investment properties				**27,300**
Finance costs				**(9,695)**
Profit before taxation				**32,034**

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Segment results represents the results from each segment without allocation of corporate and other unallocated expenses, other income and gains, net gain in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There was no inter-segment revenue for the periods reported.

Segment assets and liabilities

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

At 30 June 2019 (unaudited)

	Property investment HK$'000	Property project management services HK$'000	Property development HK$'000	Total HK$'000
Segment assets	**1,979,074**	**2,726**	**1,340,297**	**3,322,097**
Unallocated				**281,238**
Consolidated total assets				**3,603,335**
Segment liabilities	**28,424**	**504**	**541,026**	**569,954**
Unallocated				**917,360**
Consolidated total liabilities				**1,487,314**

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2018 (audited)

	Property investment HK$'000	Property project management services HK$'000	Property development HK$'000	Total HK$'000
Segment assets	1,977,990	12,977	–	1,990,967
Unallocated				982,459
Consolidated total assets				2,973,426
Segment liabilities	865,337	797	–	866,134
Unallocated				10,984
Consolidated total liabilities				877,118

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

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use assets, certain other receivables, deposits and prepayments, financial assets at fair value through profit or loss, derivative financial instruments and cash and bank balances.

- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, lease liabilities, certain tax payables, convertible notes and its accrued interests, certain deferred tax liabilities, bank borrowings and amounts due to related companies.

5. OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June 2019 HK$'000	Six months ended 30 September 2018 HK$'000
Bank interest income	**1,614**	1,662
Change in fair value of derivative financial asset component of convertible notes (Note 19)	**1,449**	1,518
Change in fair value of financial assets at fair value through profit or loss	**231**	–
Exchange gain, net	**–**	940
Sundry income	**220**	–
	3,514	4,120

6. PROFIT FROM OPERATIONS

	Unaudited	
	Six months ended 30 June 2019 HK$'000	Six months ended 30 September 2018 HK$'000
Profit from operations has been arrived at after charging/(crediting) the followings:		
Directors' emoluments	**999**	540
Other staff costs	**6,610**	2,469
Total staff costs	**7,609**	3,009
Gross rental income from investment properties	**(19,616)**	(19,092)
Less: Direct operating expenses from investment properties that generated rental income during the period	**1,576**	1,771
	(18,040)	(17,321)

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June 2019 HK$'000	Six months ended 30 September 2018 HK$'000
Interest on bank and other borrowings	**26,289**	9,916
Effective interest expenses on convertible notes (Note 19)	**611**	566
Interest on lease liabilities	**47**	–
Other finance costs	**–**	957
Total finance costs	**26,947**	11,439
Less: amount capitalised	**(17,252)**	–
	9,695	11,439

8. TAXATION

	Unaudited	
	Six months ended 30 June 2019 HK$'000	Six months ended 30 September 2018 HK$'000
Current tax		
Hong Kong profit tax		
– Provision for the period	**2,699**	2,286
– Under provisions in prior years	**–**	2
	2,699	2,288
The PRC		
– Enterprise income tax ("EIT")	**95**	–
	2,794	2,288
Deferred taxation		
– (Credited)/charged to the condensed consolidated statement of profit or loss and other comprehensive income	**(86)**	218
	2,708	2,506

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

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

9. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 September 2018: Nil).

10. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June 2019 HK$'000	Six months ended 30 September 2018 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share	**29,326**	16,746
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**525**	–
Fair value gains on derivative financial assets component of convertible notes	**(1,449)**	–
Earnings for purpose of diluted earnings per share	**28,402**	16,746

	Unaudited	
	Six months ended 30 June 2019	Six months ended 30 September 2018
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,125,027,072**	1,125,027,072
Effect of dilutive potential ordinary shares:		
Convertible notes	**13,715,710**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,138,742,782**	1,125,027,072

The diluted earnings per share for the six months ended 30 June 2019 and six months ended 30 September 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

11. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 31 December 2018 (audited) and 1 January 2019 (unaudited)	1,946,700
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	27,300
At 30 June 2019 (unaudited)	**1,974,000**

The fair value of the Group's investment properties as at 30 June 2019 was determined by valuations carried out by Knight Frank Petty Limited (31 December 2018: CBRE Limited), an independent qualified professional valuer not connected to the Group.

The responsible valuers of Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and it has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on (i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the properties; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the properties and capitalising them on an appropriate rate to produce a capital value.

There have been no changes to the valuation techniques during the Interim Period.

As at 30 June 2019, investment properties with a carrying amount in aggregate of HK$1,974,000,000 (31 December 2018: HK$1,655,000,000) were pledged as collateral for the Group's bank and other borrowings.

12. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

On 4 February 2019, Agile Scene Limited ("Agile Scene"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell 49% equity interest in Yitai at a cash consideration of approximately RMB255,600,000 (equivalent to approximately HK$299,000,000). Yitai is an investment holding company and indirectly holds 99% beneficial equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*) ("Jinhua Mingrui"), which is engaged in property development in Jinhua City, Zhejiang Province, the PRC. The acquisition was completed on 2 April 2019.

The investment in an associate is accounted for using equity method in the consolidated financial statements.

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Cost of investment in an associate, unlisted	**246,224**	–
Gain arising from negative goodwill on acquisition of an associate	**10,693**	–
Share of post-acquisition results and other comprehensive income	**(7,231)**	–
Exchange adjustment	**(7,779)**	–
	241,907	–
Amount due from an associate (note)	**55,146**	–

Note:

As disclosed in the circular of the Company dated 8 March 2019, the amount represents the loan in the principal amount of RMB48.51 million which was assigned to the Group pursuant to the SPA II. The amount was unsecured, non-interest bearing and shall be repayable (i) on demand after obtaining of the 竣工驗收備案表 (acceptance form of construction completion*) issued by 中國地方城市建議局 (local urban construction bureau*) to Jinhua Mingrui and (ii) in any event before distribution of dividends of Jinhua Mingrui.

At 30 June 2019, the Group has interests in the following associate:

Name	Country of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group At 30 June 2019	Proportion of nominal value of issued capital held by the Group At 31 December 2018	Principal activities
Yitai International (BVI) Holdings Ltd.	British Virgin Islands	PRC	Ordinary shares	**49%**	–	Investment holding

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Unlisted fund investments (note a)	**55,930**	–
Unlisted equity investments (note b)	**9,095**	–
	65,025	–

Notes:

(a) During the Interim Period, 舟山銘泰物業管理有限公司 (Zhoushan Mingtai Property Management Co., Ltd.*) ("Zhoushan Mingtai"), an indirect wholly-owned subsidiary of the Group, entered into an agreement with a private fund management company established in the PRC and independent of the Company, in which Zhoushan Mingtai entrusted the private fund management company for investments in real estate industry related financial assets, including but not limited to, (i) bonds; (ii) funds; (iii) Real estate investment trust and (iv) properties, in an amount of RMB49,000,000 (equivalent to approximately HK$55,703,000). The investment period is expected to be not more than 24 months from the payment date.

(b) During the Interim Period, Zhoushan Mingtai entered into a Limited Partnership Agreement ("LP Agreement") to subscribe, as a limited partner, in the total amount of RMB42,500,000 (equivalent to approximately HK$48,314,000) for the registered capital of an investment entity which is independent of the Company. The timing of capital contribution of the investment is due on or before 1 January 2050. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity. As at 30 June 2019, the Group had invested RMB8,000,000 (equivalent to approximately HK$9,095,000) to the investment entity, the outstanding capital contribution commitment amounted to RMB34,500,000 (equivalent to approximately HK$39,219,000).

14. PROPERTIES FOR SALE

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Properties under development	**711,378**	–
Completed properties (note)	**24,353**	–
	735,731	–

Note:

As at 30 June 2019, certain completed properties of approximately RMB18,910,000 (equivalent to approximately HK$21,497,000) were pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Rental receivables	(i)	**2,131**	1,784
Property project management service receivables	(ii)	**2,544**	3,957
		4,675	5,741
Prepaid construction costs		**202,200**	–
Security deposits for financing arrangements	(iii)	**5,097**	–
Deposit paid for acquisition of a land parcel		**83,555**	–
Other receivables, deposits and prepayments		**4,113**	2,131
		299,640	7,872

(i) The amount represents rental receivables for leasing of investment properties.

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

No allowance for doubtful debts is provided as at 30 June 2019 and 31 December 2018.

The ageing analysis of the Group's rental receivables are as follows:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Effective rental receivables (0 days)	**1,684**	1,690
Up to 30 days	**92**	94
31 to 60 days	**160**	–
61 to 90 days	**195**	–
	2,131	1,784

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(ii) The property project management service fee is payable within 12 days from the end of each quarter. No allowance for doubtful debts is provided as at 30 June 2019 and 31 December 2018. The ageing analysis of the Group's property project management service receivables, based on the invoice date, are as follows:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
0 – 30 days	**2,544**	3,957

(iii) The amounts are deposited in a financial institution for securing loans to subsidiaries of the Group. Such deposits will be refunded to the Group upon final repayments of the respective loans.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (Note 19)	**2,177**	728

As at 30 June 2019, the fair value of derivative financial asset component of convertible notes with an outstanding principal amount of HK$11,000,000 was appraised by BMI Appraisals Limited. The key inputs used for the calculation of the fair value were disclosed in note 19 to the Interim Financial Statements.

17. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Trade payables	**2,030**	–
Rental deposits received	**12,754**	11,505
Other payables and accruals charges	**34,085**	3,948
	48,869	15,453
Advance rental received	**937**	946
	49,806	16,399
Less: non-current portion of other payables and deposits	**(10,074)**	(8,240)
Current portion	**39,732**	8,159

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

Ageing analysis of trade payables as at the end of the Interim Period, based on the invoice date, is as follows:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
0-30 days	**455**	–
31-90 days	**368**	–
91-180 days	**898**	–
181-365 days	**309**	–
	2,030	–

18. BANK AND OTHER BORROWINGS

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Bank loans, secured	**827,015**	839,870
Other loans, secured	**559,743**	–
	1,386,758	839,870
Less: current portion	**(585,453)**	(25,710)
Non-current portion	**801,305**	814,160

The carrying amount of the above bank and other borrowings are repayable as follows:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
On demand or within one year	**585,453**	25,710
Within a period of more than one year but within two years	**25,710**	25,710
Within a period of more than two years but within five years	**775,595**	788,450
	1,386,758	839,870
Less: Amounts due within one year shown under current liabilities	**(585,453)**	(25,710)
Amounts shown under non-current liabilities	**801,305**	814,160

The bank and other borrowings are secured by the Group's assets which were set out in the paragraph under the heading "Charges On Group Assets" under the Management Discussion and Analysis section of this interim report on page 12.

19. CONVERTIBLE NOTES

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

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

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

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

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Risk free rate	**1.61%**	1.82%
Expected life	**1.44 years**	1.94 years
Expected volatility	**78.86%**	56.38%
Expected dividend yield	**7.47%**	7.97%

19. CONVERTIBLE NOTES (Continued)

The movements of equity component, liability component and redemption option derivative of the convertible notes for the six months ended 30 June 2019 are set out below:

	Unaudited			
	Liability component HK$'000	Equity component HK$'000	Redemption option derivative component HK$'000	Total HK$'000
At 1 January 2019	8,761	5,619	(728)	13,652
Effective interest charged (note 7)	611	–	–	611
Interest payable	(92)	–	–	(92)
Change in fair value of derivative financial asset component of convertible notes (note 5)	–	–	(1,449)	(1,449)
At 30 June 2019	**9,280**	**5,619**	**(2,177)**	**12,722**

As at 30 June 2019, the outstanding principal amount of the convertible notes was HK$11,000,000 (31 December 2018: HK$11,000,000).

20. SHARE CAPITAL

	Unaudited As at 30 June 2019		Audited As at 31 December 2018	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 April 2018, 31 December 2018, 1 January 2019 and 30 June 2019	**1,125,027**	**112,502**	1,125,027	112,502

21. RESERVES

Nature of reserves

(a) Special reserve

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

(b) Exchange reserve

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

(c) Convertible notes equity reserve

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

(d) Contribution from shareholders

As at 1 April 2018, 30 September 2018, 1 January 2019 and 30 June 2019, the contributions from shareholders represent the discount on acquisitions of Uptodate Management Limited with amount of approximately HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

22. ACQUISITION OF SUBSIDIARIES

On 9 December 2018, Agile Scene entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell the entire issued share capital of High Morality at a cash consideration of RMB194,900,000 (equivalent to approximately HK$222,200,000). High Morality is an investment holding company and indirectly holds 100% equity interest in 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), which is engaged in property development in Zhenjiang City, Jiangsu Province, the PRC. The acquisition was completed on 1 March 2019 and High Morality became an indirect wholly-owned subsidiary of the Company.

The acquisition of High Morality has been accounted for as an acquisition of assets and liabilities as High Morality Group does not constitute a business upon the completion of acquisition. The Group identified and recognised the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. The acquisition does not give rise to goodwill or bargain purchase gain.

22. ACQUISITION OF SUBSIDIARIES (Continued)

The identifiable assets acquired and liabilities assumed are as follows:

	HK$'000
Property, plant and equipment	138
Deferred tax assets	4,370
Properties for sale	705,493
Right-of-use assets	1,403
Other receivables, deposits and prepayments	10,233
Amounts due from former shareholders of a subsidiary	10,285
Cash and bank balances	428
Accruals and other payable	(33,820)
Lease liabilities	(1,493)
Amounts due to related companies	(172,290)
Other borrowings	(291,218)
Net assets acquired	233,529
Satisfied by:	
Cash consideration	233,529
Acquisition consideration settled in cash	229,787
Expenses incurred for the acquisition	3,742
	233,529
Less: Cash and bank balances acquired	(428)
Net cash outflows	233,101

23. FINANCIAL RISK MANAGEMENT

Fair values measurements of financial instruments

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

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

Financial assets	Fair value as at Unaudited 30 June 2019 HK$'000	Fair value as at Audited 31 December 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss	**65,025**	–	Level 3	Expected credit loss model	Recovery rate adopted was 17.5% (31 December 2018: Nil). Default rate adopted was 0.02% (31 December 2018: Nil)
Derivative financial asset component of convertible notes	**2,177**	728	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.61% (31 December 2018: 1.82%). Expected volatility of 78.86% (31 December 2018: 56.38%)

There were no transfers between Level 1 and 2 during the Interim Period.

Please refer to note 19 for the fair value reconciliation of derivative financial asset component of convertible notes for the six months ended 30 June 2019.

23. FINANCIAL RISK MANAGEMENT (Continued)

Fair values measurements of financial instruments (Continued)

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

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

(a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

	Unaudited 30 June 2019		Audited 31 December 2018	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**9,280**	**10,302**	8,761	9,493

24. OPERATING LEASES

The Group as lessee

The Group leases various offices and warehouse premises under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2019 presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities as at 30 June 2019 under newly adopted accounting standard HKFRS 16 (note 3(a)). The operating lease commitment as at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Within one year	**440**	1,146
In the second to fifth years inclusive	**–**	273
	440	1,419

The Group as lessor

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

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Within one year	**28,193**	29,786
In the second to fifth years inclusive	**25,402**	30,603
	53,595	60,389

25. RELATED PARTY TRANSACTIONS

(a) Save as those disclosed elsewhere in this interim report, the Group had the following material transactions with related parties during the Interim Period:

Related party relationship	Type of transactions	Unaudited Six months ended 30 June 2019 HK$'000	 Six months ended 30 September 2018 HK$'000
Companies that are members of Shanghai Sansheng, for which Shanghai Sansheng is the common ultimate shareholder:	Property project management services income		
– 佛山茂國房地產開發有限公司 (Foshan Maogao Property Development Limited*)		**1,499**	–
– 佛山市萊福利房地產開發有限公司 (Foshan Laifuli Property Development Limited*)		**997**	–
– 鶴山市萬城房地產發展有限公司 (Heshan Wancheng Property Development Limited*)		**995**	–
– 博羅縣翠華達房地產有限公司 (Boluo Xian Cuihuada Property Limited*)		**318**	–
		3,809	–

The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

25. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Amounts due to:		
Chin Lung International Development Limited ("Chin Lung International") (note (i))	**15,000**	–
Sansheng Real Estate (note (ii))	**6,019**	–
	21,019	–
Trade payables:		
浙江頤景園物業服務有限公司(Zhejiang Yijingyuan Property Services Limited*)("Zhejiang Yijingyuan")(note (iii))	**309**	–
上海鈺景園林股份有限公司(Shanghai Yjingyuanlin Investment Limited*)("Shanghai Yjingyuanlin") (note (iv))	**609**	–
	918	–

Notes:

(i) Mr. Pi Mingjie, being one of the senior management and key management personnel of the Group, is the sole director of Chin Lung International.

(ii) Sansheng Hongye, being the controlling shareholder of the Company, is 100% controlled by Shanghai Sansheng, Mr. Chen Jianming controlled approximately 81.58% of the voting power of Shanghai Sansheng (comprising around 41.45% direct interests in Shanghai Sansheng and around 40.13% indirect interests in Shanghai Sansheng controlled through Sansheng Real Estate (Sansheng Real Estate controls around 40.13% of the equity interest in Shanghai Sansheng)).

(iii) Zhejiang Yijingyuan is a wholly-owned subsidiary of Shanghai Sansheng.

(iv) Shanghai Yjingyuanlin is a non wholly-owned subsidiary of Shanghai Sansheng.

The above balances are unsecured, interest free and has no fixed terms of repayment.

Other than the above balances with related parties and those disclosed elsewhere in this interim report, the Group had no material outstanding balances with related parties at the end of the Interim Period.

(c) The Group's secured other borrowings of RMB448.4 million (equivalent to approximately HK$509.7 million) were secured by, among others, guarantee given by Shanghai Sansheng and personal guarantee by Mr. Chen Jianming,

26. COMMITMENTS

At the end of the Interim Period, the Group had the following significant commitments:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Contracted, but not provided for:		
Construction and land development expenditure in respect of properties under development classified as properties for sale	**265,897**	–
Capital contribution to a limited partnership (note 13(b))	**39,219**	–
	305,116	–

* *for identification purpose only*