



中國置業投資控股有限公司*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736



INTERIM REPORT
2019

* For identification purposes only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Han Wei (*Chairman*)

Au Tat On

Wang Linbo (appointed on 1st October 2019)

Independent Non-Executive Directors

Lai Wai Yin, Wilson

Cao Jie Min

Liang Kuo-Chieh

COMPANY SECRETARY

Wong Chi Yan

AUTHORISED REPRESENTATIVES

Au Tat On

Wong Chi Yan

AUDITOR

Crowe (HK) CPA Limited

LEGAL ADVISER

H.Y. Leung & Co. LLP Solicitors

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STOCK CODE

736

PRINCIPAL BANKERS

ICBC (Asia)

CMB Wing Lung Bank

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

The board (the “board”) of directors (the “directors”) of China Properties Investment Holdings Limited (the “company”) hereby announces the unaudited condensed consolidated interim results of the company and its subsidiaries (together the “group”) for the six months ended 30 September 2019, together with the comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

		Six months ended 30 September	
	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	6	27,475	27,524
Cost of sales and services rendered		(1,651)	(1,209)
Gross profit		25,824	26,315
Valuation loss on investment properties		(6,553)	(11,160)
Other income	7(a)	263	17,593
Other gains and losses	7(b)	99	694
Administrative expenses		(29,482)	(34,820)
Other expenses	8(d)	(14,998)	(25,248)
Loss from operations		(24,847)	(26,626)
Finance costs	8(a)	(4,546)	(1,833)
Loss before taxation	8	(29,393)	(28,459)
Income tax credit	9(a)	1,383	2,182
Loss for the period		(28,010)	(26,277)
Attributable to:			
Owners of the company		(28,010)	(26,277)
Loss per share	11		
– Basic		(HK0.5 cent)	(HK0.5 cent)
– Diluted		(HK0.5 cent)	(HK0.5 cent)

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss for the period	(28,010)	(26,277)
Other comprehensive loss for the period		
Items that may reclassified subsequently to profit or loss:		
Exchange differences arising on translation of:		
– financial statements of group entities	<u>(29,935)</u>	<u>(42,852)</u>
Total other comprehensive loss for the period	<u>(29,935)</u>	<u>(42,852)</u>
Total comprehensive loss for the period	<u>(57,945)</u>	<u>(69,129)</u>
Attributable to:		
Owners of the company	<u>(57,945)</u>	<u>(69,129)</u>

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	<i>Notes</i>	30/9/2019 (Unaudited) HK\$'000	31/3/2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	20,233	6,208
Investment properties	13	208,844	229,192
Intangible assets		1,619	2,034
Goodwill		2,550	2,550
Financial assets at fair value through profit or loss	14	1,556	45,509
Loan receivables	16	65,957	309,983
		300,759	595,476
Current assets			
Property under development		20,940	20,136
Trade and other receivables	15	41,083	30,075
Loan receivables	16	344,614	83,433
Financial assets at fair value through profit or loss	14	55,092	31,331
Tax recoverable		110	–
Fixed deposits	17	7,104	8,523
Cash and bank balances – trust accounts	17	7,525	6,726
Cash and bank balances – general accounts	17	33,158	40,654
		509,626	220,878
Current liabilities			
Trade and other payables	18	20,478	19,613
Interest-bearing bank borrowings		6,588	5,262
Unconvertible bonds	19	10,000	10,000
Lease liabilities		5,320	–
Tax payable		576	432
		42,962	35,307

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(continued)*

AS AT 30 SEPTEMBER 2019

	Notes	30/9/2019 (Unaudited) HK\$'000	31/3/2019 (Audited) HK\$'000
Net current assets		466,664	185,571
Total assets less current liabilities		767,423	781,047
Non-current liabilities			
Interest-bearing bank borrowings		84,538	61,973
Deferred tax liabilities	9(b)	9,664	12,036
Lease liabilities		9,361	–
Unconvertible bonds	19	10,000	10,000
		113,563	84,009
NET ASSETS		653,860	697,038
Equity			
Equity attributable to owners of the company			
Share capital	20	53,433	48,576
Reserves		600,427	648,462
TOTAL EQUITY		653,860	697,038

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the company							
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	48,576	2,064,777	(11,153)	136,012	27,392	36,665	(1,519,750)	782,519
Impact on initial application of HKPRS 9	-	-	-	-	-	(70)	(6,108)	(6,178)
Adjusted before at 1 April 2018	48,576	2,064,777	(11,153)	136,012	27,392	36,595	(1,525,858)	776,341
Total comprehensive loss for the period	-	-	-	-	-	(42,852)	(26,277)	(69,129)
At 30 September 2018 (Unaudited)	48,576	2,064,777	(11,153)	136,012	27,392	(6,257)	(1,552,135)	707,212
At 1 April 2019 (Audited)	48,576	2,064,777	(11,153)	136,012	39,387	7,651	(1,588,212)	697,038
Total comprehensive loss for the period	-	-	-	-	-	(29,935)	(28,010)	(57,945)
Issue of share upon exercise of share options	4,857	9,910	-	-	-	-	-	14,767
At 30 September 2019 (Unaudited)	53,433	2,074,687	(11,153)	136,012	39,387	(22,284)	(1,616,222)	653,860

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Six months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash used in operating activities		(43,739)	(50,518)
Net cash generated from investing activities		523	14,684
Net cash generated from financing activities		36,590	7,995
Net decrease in cash and cash equivalents		(6,626)	(27,839)
Cash and cash equivalents at beginning of period		40,654	61,679
Effect of foreign exchange rate changes, net		(870)	(160)
Cash and cash equivalents at end of period		33,158	33,680

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. CORPORATE INFORMATION

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The company is an investment holding company. The principal activities of its subsidiaries are investment holding, property investment, money lending and financial services.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, 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 unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2019, except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards as disclosed in note 3 below. The unaudited condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the group for the year ended 31 March 2019.

The measurement basis used in the preparation of the financial statement is the historical cost basis except that the following assets are stated at their fair value:

- investment properties
- financial assets at fair value through profit or loss

The unaudited condensed consolidated interim financial information for the period ended 30 September 2019 comprise the company and its subsidiaries.

3. CHANGE IN ACCOUNTING POLICIES

(a) Overview

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the group's interim condensed consolidated financial information.

- HKFRS 16 Leases

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 16 Leases ("HKFRS 16") on the group's interim condensed consolidated financial information.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 "Leases", and the related interpretations, HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease", HK(SIC) 15 "Operating Leases – Incentives", and HK(SIC) 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(a) Overview *(continued)*

HKFRS 16 Leases *(continued)*

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 24(ii).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expenses on a systematic basis over the lease term.

3. CHANGE IN ACCOUNTING POLICIES *(continued)***(a) Overview** *(continued)***HKFRS 16 Leases** *(continued)***(a) Changes in the accounting policies** *(continued)***(ii) Lessee accounting** *(continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(a) Overview *(continued)*

HKFRS 16 Leases *(continued)*

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.99%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

3. CHANGE IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

HKFRS 16 Leases (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	HK\$'000
Operating lease commitments at 31 March 2019 (Audited)	14,379
Less: commitments relating to leases exempt from capitalisation:	
– Short-term lease and other leases with remaining lease term ending on or before 31 March 2020	(797)
Less: total future interest expenses	<u>(1,146)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019, and total lease liabilities recognised at 1 April 2019 (Unaudited)	<u><u>12,436</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019. There is no impact on the opening balance of equity.

The Group presents right-of-use assets in “property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

3. CHANGE IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

HKFRS 16 Leases (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 (Audited) HK\$'000	Capitalisation of operating lease contracts (Unaudited) HK\$'000	Carrying amount at 1 April 2019 (Unaudited) HK\$'000
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Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:

Property, plant and equipment	6,208	12,436	18,644
Total non-current assets	595,476	12,436	607,912
Lease liabilities (current)	–	3,745	3,745
Total current liabilities	35,307	3,745	39,052
Net current assets	185,571	8,691	194,262
Total assets less current liabilities	781,047	8,691	789,738
Lease liabilities(non-current)	–	8,691	8,691
Net assets	697,038	–	697,038

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 (Unaudited) HK\$'000	At 1 April 2019 (Unaudited) HK\$'000
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Included in "Property, plant and equipment":
Properties leased for own use, carried at
depreciated cost

14,548	12,436
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3. CHANGE IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

HKFRS 16 Leases (continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value	Total minimum	Present value	Total minimum
	of the minimum	lease payments	of the minimum	lease payments
	lease payments	lease payments	lease payments	lease payments
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	5,321	5,802	3,745	4,172
After 1 year but within 2 years	3,835	4,233	3,353	3,739
After 2 years but within 5 years	4,868	5,081	3,950	4,253
After 5 years	658	666	1,388	1,418
	<u>14,682</u>	<u>15,782</u>	<u>12,436</u>	13,582
Less: total future interest expenses		<u>(1,100)</u>		<u>(1,146)</u>
Present value of lease liabilities		<u>14,682</u>		<u>12,436</u>

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(a) Overview *(continued)*

HKFRS 16 Leases *(continued)*

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

3. CHANGE IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

HKFRS 16 Leases (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

					Six months ended 30 September 2018
					(Unaudited)
Six months ended 30 September 2019 (Unaudited)					(Unaudited)
Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note i)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Financial result for six months ended 30 September 2019 impacted by the adoption of HKFRS 16:

Loss from operations	(24,847)	2,643	(2,813)	(25,017)	(26,626)
Finance costs	(4,546)	306	-	(4,240)	(1,833)
Loss before taxation	(29,393)	2,949	(2,813)	(29,257)	(28,459)
Loss for the period	(28,010)	2,949	(2,813)	(27,874)	(26,277)

Reportable segment (loss)/ profit before taxation for the six months ended 30 September 2019 (note 4(a)) impacted by the adoption of HKFRS 16

- Properties investment	(14,820)	728	(666)	(14,758)	(13,599)
- Money leading business	21,283	-	-	21,283	15,363
- Financial services	(4,536)	812	(777)	(4,501)	14,310
	<u>1,927</u>	<u>1,540</u>	<u>(1,443)</u>	<u>2,024</u>	<u>16,074</u>

3. CHANGE IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

HKFRS 16 Leases (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	Six months ended 30 September 2019 (Unaudited)			Six months ended 30 September 2018 (Unaudited)
	Estimated amounts related to operating leases as if under HKAS 17 (notes i & ii) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK\$'000	Compared to amounts reported for 2018 under HKAS 17 HK\$'000	
Line items in the condensed consolidated cash flow statement for six months ended 30 September 2019 impacted by the adoption of HKFRS 16:				
Net cash used in operating activities	(43,739)	(2,813)	(46,552)	(50,518)
Capital element of lease rentals paid	(2,507)	2,507	-	-
Interest element of lease rentals paid	(306)	306	-	-
Net cash generated from financing activities	36,590	2,813	39,403	7,995

Line items in the condensed consolidated cash flow statement for six months ended 30 September 2019 impacted by the adoption of HKFRS 16:

Net cash used in operating activities	(43,739)	(2,813)	(46,552)	(50,518)
Capital element of lease rentals paid	(2,507)	2,507	-	-
Interest element of lease rentals paid	(306)	306	-	-
Net cash generated from financing activities	36,590	2,813	39,403	7,995

Note i: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note ii: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the board of directors, chief operating decision maker (“CODM”) for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and each service type perspectives. Geographically, management considers the performance of the segments in Hong Kong and mainland China. The group has presented the following three reportable segments. These segments are managed separately. The properties investment segment, money lending business segment and financial services segment offer very different products and services.

i) Properties investment

The properties investment reportable operating segment derives its revenue primarily from leasing of investment properties.

ii) Money lending business

The money lending business reportable segment derives its revenue primarily from lending out loans and receive interest.

iii) Financial services

The financial services reportable segment derives its revenue from providing brokerage services for securities dealing, placing and undertaking services, margin financing and asset management.

4. SEGMENT REPORTING *(continued)*

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of profit or loss.

All assets are allocated to reportable segments other than available-for-sale investments, property under development, financial assets at fair value through profit or loss and corporate assets. All liabilities are allocated to reportable segments other than unconvertible bonds and corporate liabilities.

4. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resources allocation and assessment of segment performance for the period ended 30 September 2019 and 2018 is set out below.

	Six months ended 30 September 2019 (Unaudited)				Six months ended 30 September 2018 (Unaudited)			
	Properties investment	Money lending business	Financial services	Total	Properties investment	Money lending business	Financial services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>5,165</u>	<u>21,877</u>	<u>433</u>	<u>27,475</u>	<u>5,202</u>	<u>19,256</u>	<u>3,066</u>	<u>27,524</u>
Reportable segment revenue	<u>5,165</u>	<u>21,877</u>	<u>433</u>	<u>27,475</u>	<u>5,202</u>	<u>19,256</u>	<u>3,066</u>	<u>27,524</u>
Reportable segment (loss)/profit before taxation	(14,820)	21,283	(4,536)	1,927	(13,599)	15,363	14,310	16,074
Interest income on								
– Bank deposits	38	-	-	38	6	-	1	7
– Financial products	-	-	-	-	206	-	-	206
– Other	-	-	12	12	-	-	-	-
Reversal of impairment loss of accounts receivable	-	-	-	-	-	-	16,964	16,964
Depreciation and amortisation								
– Owned plant and equipment	(450)	-	(810)	(1,260)	(552)	-	(109)	(661)
– Right-of-use asset	(609)	-	(733)	(1,342)	-	-	-	-
– Intangible assets	-	-	(416)	(416)	-	-	(1,117)	(1,117)
Valuation loss on investment properties	(6,553)	-	-	(6,553)	(11,160)	-	-	(11,160)
Allowance of expected credit loss on loan receivables	(2,038)	(55)	-	(2,093)	-	(3,604)	-	(3,604)
Finance costs	<u>(3,880)</u>	<u>(294)</u>	<u>(80)</u>	<u>(4,254)</u>	<u>(1,332)</u>	<u>-</u>	<u>-</u>	<u>(1,332)</u>

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4. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

	As at 30 September 2019 (Unaudited)				As at 31 March 2019 (Audited)			
	Properties investment	Money lending business	Financial services	Total	Properties investment	Money lending business	Financial services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	<u>259,028</u>	<u>430,456</u>	<u>24,900</u>	<u>714,384</u>	<u>257,029</u>	<u>404,953</u>	<u>23,726</u>	<u>685,708</u>
Additions to non-current assets during the period/year	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>2,597</u>	<u>-</u>	<u>-</u>	<u>2,597</u>
Reportable segment liabilities	<u>(114,052)</u>	<u>(576)</u>	<u>(11,922)</u>	<u>(126,550)</u>	<u>(84,129)</u>	<u>(432)</u>	<u>(6,634)</u>	<u>(91,195)</u>

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other items

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Note)
(i) Revenue		
Total reportable segment revenue	<u>27,475</u>	<u>27,524</u>
Consolidated turnover	<u>27,475</u>	<u>27,524</u>
(ii) Loss before taxation		
Total reportable segments' profit	1,927	16,074
Unallocated corporate income	498	881
Depreciation	(1,530)	(989)
Interest income	75	66
Unallocated finance costs	(292)	(501)
Loss on dealing of financial assets at fair value through profit or loss	(12,905)	(21,644)
Unallocated corporate expenses	(17,166)	(22,346)
Consolidated loss before taxation	<u>(29,393)</u>	<u>(28,459)</u>

Note: The Group has initially applied HKFRS 16 of 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 3).

4. SEGMENT REPORTING (continued)

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other items (continued)

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
(iii) Assets		
Total reportable segments' assets	714,384	685,708
Property under development	20,940	20,136
Financial assets at fair value through profit or loss	56,648	76,840
Unallocated corporate assets	<u>18,413</u>	<u>33,670</u>
Consolidated total assets	<u><u>810,385</u></u>	<u><u>816,354</u></u>
(iv) Liabilities		
Total reportable segments' liabilities	(126,550)	(91,195)
Unconvertible bonds	(20,000)	(20,000)
Unallocated corporate liabilities	<u>(9,975)</u>	<u>(8,121)</u>
Consolidated total liabilities	<u><u>(156,525)</u></u>	<u><u>(119,316)</u></u>

4. SEGMENT REPORTING (continued)

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other items (continued)

(v) Other items

	Six months ended 30 September 2019 (Unaudited)				
	Properties investment	Money		Unallocated	Total
		lending business	Financial services		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income					
– bank deposits	38	–	–	75	113
– other	–	–	12	–	12
Depreciation					
– owned plant and equipment	(450)	–	(810)	(230)	(1,490)
– right-of-use asset	(609)	–	(733)	(1,300)	(2,642)
Finance costs	<u>(3,880)</u>	<u>(294)</u>	<u>(80)</u>	<u>(292)</u>	<u>(4,546)</u>

	Six months ended 30 September 2018 (Unaudited)				
	Properties investment	Money		Unallocated	Total
		lending business	Financial services		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income					
– bank deposits	6	–	1	66	73
– financial products	206	–	–	–	206
Depreciation					
– owned plant and equipment	(552)	–	(109)	(989)	(1,650)
Finance costs	<u>(1,332)</u>	<u>–</u>	<u>–</u>	<u>(501)</u>	<u>(1,833)</u>

4. SEGMENT REPORTING (continued)

c) Revenue from major services

The following is an analysis of the group's revenue from its major services:

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Properties investment	5,165	5,202
Money lending business	21,877	19,256
Financial services	433	3,066
	<u>27,475</u>	<u>27,524</u>

d) Geographic information

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The group's non-current assets (other than financial instruments) include plant and equipment, investment properties, intangible assets, goodwill and deposit for acquisition of plant and equipment. The geographic location of plant and equipment and investment properties are based on the physical location of the asset. In the case of intangible assets, goodwill and deposit for acquisition of plant and equipment, it is based on the location of operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	Six months ended 30 September 2019 (Unaudited) HK\$'000	Six months ended 30 September 2018 (Unaudited) HK\$'000	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Hong Kong (place of domicile)	3,932	11,696	12,441	6,587
PRC	23,543	15,828	219,138	231,494
Others	–	–	1,667	1,903
	<u>27,475</u>	<u>27,524</u>	<u>233,246</u>	<u>239,984</u>

5. SEASONALITY OF OPERATIONS

The group's business in properties leasing, money lending business and financial services had no specific seasonality factor.

6. REVENUE

Disaggregation of Revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers with the scope of HKFRS 15		
Rental income from investment properties	5,165	5,202
Loan interest income	21,877	19,256
Commission and fees income on dealing in securities	433	252
Placing and underwriting commission	–	702
Interest income from margin and initial public offer financing	–	2,112
	<u>27,475</u>	<u>27,524</u>

Revenue from the above enterprises are recognised at point in time. Disaggregates of revenue from contracts with customers by geographic markets is disclosed in note 4(d).

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
a) Other income		
Interest income on bank deposits	113	73
Interest income on financial products	–	206
Other interest income	<u>12</u>	<u>–</u>
Total interest income on financial assets	125	279
Dividend income	77	68
Reversal of loss allowance of accounts receivable	–	16,964
Sundry income	<u>61</u>	<u>282</u>
	<u>263</u>	<u>17,593</u>
b) Other gains and losses		
Exchange gain	<u>99</u>	<u>694</u>

During the period, the interest income that was derived from financial asset, not at fair value through profit or loss amounting to HK22,002,000 (2018: 21,441,000), included interest income on loans and from margin and initial public offer financing in revenue and interest income in other income.

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

	Six months ended	
	30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
a) Finance costs		
Interest expense on interest-bearing bank borrowings	3,739	1,332
Interest expense on unconvertible bonds	501	501
Interest expense on lease liabilities	306	–
	<u> </u>	<u> </u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>4,546</u>	<u>1,833</u>
b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	9,559	11,068
Contribution to defined contribution retirement plans	365	371
	<u> </u>	<u> </u>
	<u>9,924</u>	<u>11,439</u>
c) Other items		
Auditor's remuneration		
– other services	470	450
Amortisation of intangible assets, included in cost of sales and services rendered	416	1,117
Operating lease charges: minimum lease payments*	–	5,519
– rented premises, including directors' quarters of HK\$360,000 (2018: HK\$nil)	1,142	5,094
– hire of plant and equipment	–	425
Depreciation		
– owned plant and equipment	1,490	1,650
– right-of-use asset	2,642	–
Gross rental income from investment properties less direct outgoings of HK\$1,164,000 (2018: HK\$93,000)	<u>(4,001)</u>	<u>(5,110)</u>
d) Other expenses		
Loss on dealing of financial assets at fair value through profit or loss	12,905	21,644
Allowance of expected credit loss on loan receivables	2,093	3,604
	<u> </u>	<u> </u>
	<u>14,998</u>	<u>25,248</u>

* Operating lease charges for 2019 represented minimum lease payments for short-term lease which were not capitalised under HKFRS 16.

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 3).

9. INCOME TAX CREDIT

a) Income tax in the condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	<u>323</u>	<u>792</u>
	323	792
Deferred tax		
Origination and reversal of temporary differences	<u>(1,706)</u>	<u>(2,974)</u>
Income tax credit	<u>(1,383)</u>	<u>(2,182)</u>

Note:

- i) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5% (2018: 16.5%).

- ii) The PRC enterprise income tax ("EIT") for the period ended 30 September 2019 is 25% (2018: 25%). The EIT has not been provided for as the group has incurred losses in PRC for the period.

9. INCOME TAX CREDIT (continued)

b) Movements of deferred tax liabilities in the condensed consolidated statement of financial position are as follows:

	Intangible assets HK\$'000	Revaluation of investment properties HK\$'000	Total HK\$'000
Deferred tax liabilities arising from:			
At 1 April 2018	1,171	18,193	19,364
Deferred tax credited to the profit or loss	(836)	(5,324)	(6,160)
Exchange alignment	–	(1,168)	(1,168)
	<u>335</u>	<u>11,701</u>	<u>12,036</u>
At 31 March 2019	<u>335</u>	<u>11,701</u>	<u>12,036</u>
At 1 April 2019	335	11,701	12,036
Deferred tax credited to the profit or loss	(68)	(1,638)	(1,706)
Exchange alignment	–	(666)	(666)
	<u>–</u>	<u>(666)</u>	<u>(666)</u>
At 30 September 2019	<u>267</u>	<u>9,397</u>	<u>9,664</u>

10. DIVIDENDS

The directors of the company do not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

11. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the company of HK\$28,010,000 (2018: HK\$26,277,000) and on the weighted average number of 5,389,525,000 ordinary shares in issue during the period (2018: 4,857,582,000 ordinary shares).

Weighted average number of ordinary shares:

	2019	2018
	Weighted	Weighted
	average	average
	number of	number of
	ordinary shares	ordinary shares
	'000	'000
Weighted average number of ordinary shares at the beginning and the end of the period	<u>5,389,525</u>	<u>4,857,582</u>

b) Diluted loss per share

Diluted loss per share equals to basic loss per share because the outstanding share options had an anti-dilutive effect on the basis loss per share for the periods ended 30 September 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 3, the group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets related to leases which were previously classified as operating leases under HKAS 17.

During the six months ended 30 September 2019, the group entered into a lease agreement for use of office, and therefore recognised the additions to right-of-use assets of HK\$5,275,000.

(b) Acquisitions of owned asset

During the six months ended 30 September 2019, the group acquired plant and equipment with a cost of approximately HK\$1,115,000 (31 March 2019: approximately HK\$25,000).

13. INVESTMENT PROPERTIES

	HK\$'000
Valuation:	
At 1 April 2018 (Audited)	264,906
Additions	2,588
Losses on revaluation	(21,296)
Exchange alignment	(17,006)
At 31 March 2019 (Audited)	229,192
At 1 April 2019 (Audited)	229,192
Losses on revaluation	(6,553)
Exchange alignment	(13,795)
At 30 September 2019 (Unaudited)	208,844

All of the group's investment properties are held in the PRC.

All of the group's investment properties were revalued on 30 September 2019 and 31 March 2019 by Castores Magi (Hong Kong) Limited, an independent firm of professional valuers, who has recognised and relevant professional qualification and recent experience in the location and category of properties being valued. The properties had been revalued based on the income capitalisation approach. The investment properties are leased to third parties under operating leases.

As at 30 September 2019 the group's investment properties with a value of approximately HK\$208,844,000 (31 March 2019: approximately HK\$229,192,000) were pledged to secure the interest-bearing bank borrowings granted to the group.

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

13. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value as at 30 September 2019 (Unaudited) HK\$'000	Fair value measurements as at 30 September 2019 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

GroupRecurring fair value
measurement

Investment properties

– Commercial – PRC

208,844––208,844Fair value
as at31 March
2019

(Audited)

HK\$'000

Fair value measurements
as at 31 March 2019 categorised into

Level 1

HK\$'000

Level 2

HK\$'000

Level 3

HK\$'000

GroupRecurring fair value
measurement

Investment properties

– Commercial – PRC

229,192––229,192

During the period ended 30 September 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2019: Nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

13. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range
Investment properties I Commercial – the PRC	Income capitalisation approach	Estimated rental value (per square metre and per month)	HK\$178 – HK\$228 (31 March 2019: HK\$210 – HK\$260)
		Rental growth rate	1% (31 March 2019: 1%)
		Market yield	5% (31 March 2019: 5%)
Investment properties II Commercial – the PRC	Income capitalisation approach	Estimated rental value (per square metre and per month)	HK\$124 – HK\$163 (31 March 2019: HK\$114 – HK\$231)
		Rental growth rate	1% (31 March 2019: 1%)
		Market yield	5% (31 March 2019: 5%)

A significant increase/(decrease) in the estimated rental value (per square metre and per month) and rental growth rate in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	HK\$'000
Investment properties – Commercial – PRC	
At 1 April 2018	264,906
Additions	2,588
Valuation loss on investment properties	(21,296)
Exchange alignment	(17,006)
	229,192
At 31 March 2019 and 1 April 2019	(6,553)
Valuation loss on investment properties	(13,795)
Exchange alignment	
	208,844
At 30 September 2019	

All the loss recognised in profit or loss for the period arise from the properties held at the end of the reporting period.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial assets at fair value through profit or loss

As at 30 September 2019, the group's financial assets at FVTPL include unlisted investments fund and trading securities with the following details:

	Unlisted investments fund HK\$'000	Financial product HK\$'000	Trading securities (Note i) HK\$'000	Total HK\$'000
Balance at 1 April 2018 (Audited)	48,144	13,745	53,011	114,900
Maturities	–	(12,860)	–	(12,860)
Loss on fair value change	(2,635)	–	(11,792)	(14,427)
Sale proceeds	–	–	(9,888)	(9,888)
Exchange alignment	–	(885)	–	(885)
Balance at 31 March 2019 (Audited)	45,509	–	31,331	76,840
Balance at 1 April 2019 (Audited)	45,509	–	31,331	76,840
Additions	–	–	4,297	4,297
Sales proceeds	–	–	(11,584)	(11,584)
(Loss)/gain on fair value change	(13,203)	–	298	(12,905)
Balance at 30 September 2019 (Unaudited)	32,306	–	24,342	56,648
Analysed for reporting purpose as:				
Current assets	–	–	31,331	31,331
Non Current assets	45,509	–	–	45,509
Balance at 31 March 2019 (Audited)	45,509	–	31,331	76,840
Current assets	30,750	–	24,342	55,092
Non Current assets	1,556	–	–	1,556
Balance at 30 September 2019 (Unaudited)	32,306	–	24,342	56,648

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14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Financial assets at fair value through profit or loss (continued)

Note i:

Details of the investments in trading securities were as follows:

Stock Name	Stock Code	Nature of business	No. of share	Approx. %	Market	Change	No. of share	Approx. %	Market	Realised	Unrealised	Total gain/
			held	shareholding	value as at	in no. of	share	shareholding	value as at	gain/ (loss)	gain/ (loss)	(loss) on
			31/3/2019	as at	31/3/2019	for the	held	as at	30/9/2019	for the	on fair value	on dealing
				31/3/2019		period	30/9/2019	30/9/2019		period	change for	of trading
						ended				ended	for	securities for
						30/9/2019				30/9/2019	the period	the period
											ended	ended
											30/9/2019	30/9/2019
											HK\$'000	HK\$'000
SOHO China Limited	410	Investment in real estate development, property leasing and property management	19,500	0.0004%	64	-	19,500	0.0004%	43	-	(21)	(21)
AMCO United Holding Limited	630	Engaged in manufacture and sale of medical devices products and plastic moulding products; provision of construction services; provision of money lending and investment in securities	22,970,000	1.2%	2,067	-	22,970,000	1.2%	2,067	-	-	-
Unity Investments Holdings Limited	913	Investment in listed companies in Hong Kong stock markets; and also investment in unlisted companies.	26,330,000	1.4%	1,369	-	26,330,000	1.4%	737	-	(632)	(632)
China Construction Bank Corporation – H Shares	939	Provision of corporate and personal banking services	125,000	0.00005%	841	-	125,000	0.00005%	748	-	(93)	(93)
China Environmental Energy	986	Carrying trading of gold and diamond, money lending business, internet service and financial service	-	-	-	5,374,000	5,374,000	0.91%	4,138	-	(159)	(159)
Milan Station Holdings Limited	1150	Retailing of handbags, fashion accessories and embellishments operation	13,000,000	1.6%	1,430	-	13,000,000	1.6%	975	-	(455)	(455)
Bolina Holding Company Limited*	1190	Engaged in the manufacture and sale of sanitary ware and accessories	9,116,000	0.7%	-	-	9,116,000	0.7%	-	-	-	-
Lerato Financial Group Company Limited*	1225	Providing financial services, including securities broking, margin financing and money lending etc., and manufacturing and distributing children plastic toys and medical care products	107,000,000	4.6%	-	-	107,000,000	4.6%	-	-	-	-
AIA Group Limited	1299	Providing insurance services	13,600	0.00011%	1,063	-	13,600	0.00011%	1,007	-	(56)	(56)
Time2U International Holding Limited	1327	Engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches	30,000,000	0.9%	1,230	-	30,000,000	0.9%	870	-	(360)	(360)
China Aoyuan Property Group Limited	3883	Property Development, provision consultancy services and hotel ownership	35,000	0.0013%	331	-	35,000	0.0013%	311	-	(20)	(20)

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Financial assets at fair value through profit or loss (continued)

Note i: (continued)

Stock Name	Stock Code	Nature of business	No. of share held 31/3/2019	Approx. % shareholding as at 31/3/2019	Market value as at 31/3/2019 HK\$'000	Change in no. of share held for the period ended 30/9/2019	No. of share held 30/9/2019	Approx. % shareholding as at 30/9/2019	Market value as at 30/9/2019 HK\$'000	Realised gain/(loss) on disposal for the period ended 30/9/2019 HK\$'000	Unrealised gain/(loss) on fair value change for the period ended 30/9/2019 HK\$'000	Total gain/(loss) on dealing of trading securities for the period ended 30/9/2019 HK\$'000
Sino Splendid Holdings Limited	8006	Engaged in travel media operations; provision of contents and advertising services in a well-known financial magazine; investment in securities and money lending business	19,000,000	4.9%	3,553	-	19,000,000	4.9%	2,109	-	(1,444)	(1,444)
Hao Wen Holdings Limited	8019	Carrying money lending business; trading and manufacturing of biomass fuel and trading of electronic parts	75,000,000	3.5%	3,975	-	75,000,000	3.5%	2,100	-	(1,875)	(1,875)
KPM Holding Limited	8027	Provision of design, fabrication, installation and maintenance of signage and related products	48,000,000	1.5%	1,776	-	48,000,000	1.5%	1,056	-	(720)	(720)
Luxey International (Holdings) Limited	8041	Engaged in manufacturing and trading of high-end swimwear and garment products; trading and provision of on-line shopping and media related services; and money lending business.	61,240,000	1.0%	2,817	-	61,240,000	0.9%	4,226	-	1,409	1,409
China 33 Media Group Limited	8087	Provision of advertising services of printed media for railway networks; film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong.	142,780,000	2.5%	4,284	-	142,780,000	2.5%	2,570	-	(1,714)	(1,714)
Wealth Glory Holdings Limited	8269	Trading of natural resources and commodities; money lending business; investment in coal trading business; development and promotion of brands; design, manufacture and sale of trendy fashion merchandises and other consumer products; and investment in securities	27,700,000	3.4%	2,632	-	27,700,000	3.4%	1,385	-	(1,247)	(1,247)
Asia Grocery Distribution Limited	8413	Engaged in the food and beverage grocery distribution business	28,250,000	2.4%	3,899	(28,250,000)	-	-	-	7,685	-	7,685
					<u>31,331</u>				<u>24,342</u>	<u>7,685</u>	<u>(7,387)</u>	<u>298</u>

* Suspend trading

- The market values of the trading securities are based on their closing bid prices at the end of the reporting period.
- None of the above trading securities is individually carrying at value more than 5% of the group's net assets.

15. TRADE AND OTHER RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Within 1 month	655	–
1 to 3 months	1,310	1,926
3 to 6 months	1,310	905
Over 6 months	5,906	6,740
	9,181	9,571
Trade receivables	9,181	9,571
Within 1 month	3,098	8,165
1 to 3 months	5,877	3,142
3 to 6 months	8,483	–
Over 6 months	2,382	–
	19,840	11,307
Interest receivables from money lending business	19,840	11,307
Accounts receivable from the business of dealing in securities (note iii)		
Within 1 month	383	451
	383	451
Clearing house and cash clients	383	451
Other loan and interest receivables (note ii)	45,138	45,138
Less: loss allowance	(45,138)	(45,138)
	–	–
Other loan and interest receivables (net)	–	–
Other receivables	1,823	811
	1,823	811
Financial assets at amortised cost	31,227	22,140
Prepayments and deposits	9,856	7,935
	41,083	30,075

15. TRADE AND OTHER RECEIVABLES *(continued)*

Note:

- i) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.
- ii) On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited (“Simsen”) and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK\$42,000,000 and second participation amount of HK\$8,000,000 (together the “Participation Loans”). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the “Loan Agreement”) between Simsen and Make Success Limited (“Borrower”). The Borrower has assigned a promissory note of HK\$300,000,000 (the “PN”) and a convertible note of HK\$90,000,000 (the “CN”) as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited (“Mayer”) to the Borrower.

The repayment date of the loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been drawn down by the borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

Following a litigation between Mayer and the Borrower, Simsen disposed of the PN on 10 February 2012 for an amount of HK\$10,000,000 with the consent of the company. During the year ended 31 March 2015, the company received HK\$4,862,000 from the disposal of the PN after the payment of other loan participant of Simsen, all cost and expenses in connection with the disposal.

- iii) The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date.

16. LOAN RECEIVABLES

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Loan receivables arising from:		
– Money lending business	425,096	406,652
Less: Allowance for expected credit losses	<u>(14,525)</u>	<u>(13,236)</u>
	<u>410,571</u>	<u>393,416</u>
Amounts due within one year included under current assets	344,614	83,433
Amounts due after one year included under non-current assets	<u>65,957</u>	<u>309,983</u>
	<u>410,571</u>	<u>393,416</u>

Notes:

During the period ended 30 September 2019, the group lent total amount of HK\$425,096,000 (31 March 2019: HK\$406,652,000) to independent third parties. These loan receivables had 12 to 24 month loan periods and bore interest at rates ranged from 10% to 18% per annum, and the corresponding interest were expected to be repaid on a monthly, or quarterly basis. These loan receivables were secured by property located in Hong Kong or private equities.

The movement in the allowance for expected credit losses for loan receivables for the period is as follows:

	HK\$'000
Balance at 1 April 2018 under HKFRS 9	6,178
Allowance of expected credit loss	7,136
Exchange alignment	<u>(78)</u>
Balance at 1 April 2019	13,236
Allowance of expected credit loss	2,093
Exchange alignment	<u>(804)</u>
Balance at 30 September 2019	<u>14,525</u>

16. LOAN RECEIVABLES (continued)

At the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Due within 1 month or on demand	21,667	–
Due after 1 month but within 3 months	–	–
Due after 3 months but within 6 months	41,171	39,000
Due after 6 months but within 12 months	281,777	44,433
Due after 12 months	65,956	309,983
	<u>410,571</u>	<u>393,416</u>

17. CASH AND CASH EQUIVALENTS

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Cash at bank and on hand	47,787	55,903
Less: Fixed deposits with maturity of 3 months or more	(7,104)	(8,523)
Less: Trust accounts	(7,525)	(6,726)
	<u>33,158</u>	<u>40,654</u>
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u>33,158</u>	<u>40,654</u>

18. TRADE AND OTHER PAYABLES

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Accounts payable from the business of dealing in securities		
Margin and cash clients (<i>note i</i>)	5,911	5,047
Other payables and accruals	11,720	11,479
Amounts due to directors (<i>note ii</i>)	220	234
Amounts due to related parties (<i>note ii</i>)	<u>34</u>	<u>35</u>
Financial liabilities measured at amortised cost	17,885	16,795
Contract liabilities	–	56
Rental deposit received (non-refundable)	<u>2,593</u>	<u>2,762</u>
	<u>20,478</u>	<u>19,613</u>

Notes:

- i) The settlement terms of accounts payable, except for margin loans, arising from the business of dealing in securities are two days after trade date. All of the remaining trade and other payables (including amounts due to related parties and amounts due to directors) are expected to be settled or recognised as income within one year or are repayable on demand.

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

As at 30 September 2019, included in accounts payable, amounts of HK\$5,911,000 (31 March 2019: HK\$5,047,000) respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the group currently does not have an enforceable right to offset these accounts payables with the deposits placed.

- ii) The amounts due to directors and amounts due to related parties are unsecured, interest-free and repayable on demand.

18. TRADE AND OTHER PAYABLES (continued)

The following is an aging analysis of accounts payable from the business of dealing in securities presented based on the invoice date:

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Within 1 month	<u>5,911</u>	<u>5,047</u>

19. UNCONVERTIBLE BONDS

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Non-current portion	10,000	10,000
Current portion	<u>10,000</u>	<u>10,000</u>
Unconvertible bonds	<u>20,000</u>	<u>20,000</u>

The amount represented two unconvertible bonds of total HK\$20,000,000 (31 March 2019: HK\$20,000,000) with HK\$10,000,000 each. As at 30 September 2019, accrued interest of HK\$736,000 (31 March 2019: HK\$214,000) was included in other payables and accruals. The unconvertible bonds bear interest at 5% per annum on the outstanding aggregate principal amount. The interest is payable in arrears annually on the anniversary of issue date or redemption date. The company may redeem principal amounts of outstanding bonds in whole or in part at any time before the maturity date. The maturity date of the unconvertible bonds are 7 years from their issue date i.e. 7 February 2020 and 4 December 2020 respectively.

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each '000	HK\$'000
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	<u>30,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 1 April 2019	4,857,582	48,576
Exercise of share options	<u>485,750</u>	<u>4,857</u>
At 30 September 2019	<u>5,343,332</u>	<u>53,433</u>

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The company has a share option scheme which was adopted on 16 December 2011 whereby the directors of the company are authorised, at their discretion, to invite the company's employees, company's director (including independent non-executive directors), other employees and director of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group, any shareholder of the group (collectively "Participant") and any company wholly owned by one or more persons belonging to any of the Participant, to take up options at a nominal consideration to subscribe for ordinary shares of the company. The exercise price of options should be the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The share option scheme shall be valid and effective for a period of ten years ending on 15 December 2021, after which no further options will be granted.

The option vest immediately from the date of grant and then exercisable within a period of 5 years (i) from 11 July 2017 to 10 July 2022, (ii) from 10 October 2017 to 9 October 2022 or (iii) from 25 March 2019 to 24 March 2024. Each option gives the holder the right to subscribe for one ordinary share in the company and is settled gross in shares.

a) The terms and condition of the grant are as follows:

<u>Date of grant</u>	<u>Exercisable period</u>	<u>Exercise price</u>	<u>Number of share options</u>
i) Options granted to directors			
10 October 2017	10 October 2017 to 9 October 2022	HK\$0.05	97,150,000
ii) Options granted to employees			
11 July 2017	11 July 2017 to 10 July 2022	HK\$0.058	80,900,000
10 October 2017	10 October 2017 to 9 October 2022	HK\$0.05	388,600,000
iii) Options granted to service providers			
25 March 2019	25 March 2019 to 24 March 2024	HK\$0.0304	485,750,000
			<u>1,052,400,000</u>

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21. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

a) The terms and condition of the grant are as follows: (continued)

For the period ended 30 September 2019

	Number of share options			Date of grant of share options*	Date of exercised of share options	Exercisable period of share options	Exercise price of share options** HK\$
	Outstanding at 1 April 2019	Exercised during the period	Outstanding at 30 September 2019				
Directors							
Mr Xu Dong (resigned on 12 December 2017)	48,575,000	-	48,575,000	10-10-2017	N/A	10-10-2017 to 9-10-2022	0.05
Mr Han Wei	48,575,000	-	48,575,000	10-10-2017	N/A	10-10-2017 to 9-10-2022	0.05
	<u>97,150,000</u>	<u>-</u>	<u>97,150,000</u>				
Employees							
Other employees	80,900,000	-	80,900,000	11-7-2017	N/A	11-7-2017 to 10-7-2022	0.058
Other employees	388,600,000	-	388,600,000	10-10-2017	N/A	10-10-2017 to 9-10-2022	0.05
	<u>469,500,000</u>	<u>-</u>	<u>469,500,000</u>				
Other eligible participants							
Other service provider	485,750,000	(485,750,000)	-	25-3-2019	9-4-2019	25-3-2019 to 24-3-2024	0.0304
	<u>485,750,000</u>	<u>(485,750,000)</u>	<u>-</u>				
Total number of share options	<u>1,052,400,000</u>	<u>(485,750,000)</u>	<u>566,650,000</u>				

* The share options vested immediately from the date of the grant.

** The exercise price of the share option is subject of adjustment in the case of rights issues, or other relevant changes in the company's share capital.

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

- b) The number and weighted average exercise price of share options under the scheme are as follows:

	30 September 2019		31 March 2019	
	Weighted average exercise price HK\$	Number of shares issuable under options	Weighted average exercise price HK\$	Number of shares issuable under options
Outstanding at 1 April	0.042	1,052,400,000	0.051	566,650,000
Granted during the year	-	-	0.0304	485,750,000
Exercised during the period	0.0304	(485,750,000)	-	-
Outstanding at the end of period/year	0.051	566,650,000	0.042	1,052,400,000
Exercisable at the end of the period/year	0.051	566,650,000	0.042	1,052,400,000

The share option scheme is governed by chapter 17 of the Listing Rules. No option has been granted for the period ended 30 September 2019.

The share options outstanding at 30 September 2019 had an exercise price of HK\$0.05 or HK\$0.058 and a weighted average remaining contractual life of 2.99 years.

22. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2019.

a) **Key management personnel emoluments**

Emoluments for key management personnel, including amounts paid to the company's directors and certain of the highest paid employees during the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 (Unaudited) HK\$'000	Six months ended 30 September 2018 (Unaudited) HK\$'000
Short-term employee benefits	3,663	4,199
Post-employment benefits	47	36
	3,710	4,235

Total emoluments is included in "staff costs" (see note 8(b)).

22. RELATED PARTY TRANSACTIONS (continued)

b) Outstanding balances with related parties

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Amounts due to directors (note 18)	220	234
Amounts due to related parties (note 18)	<u>34</u>	<u>35</u>

The amounts due to related parties represented the advance from directors of company's subsidiaries. The balances with these related parties and the amounts due to directors are unsecured, interest-free and repayable on demand.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

i) Fair value measurement

a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The group has a team headed by the chief financial officer performing valuations for the financial instruments, including unlisted investments fund under financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the directors and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the directors. Discussion of the valuation process and results with the directors and the audit committee is held twice a year, to coincide with the reporting dates.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

i) Fair value measurement (continued)

a) Financial assets and liabilities measured at fair value (continued)

	Fair value measurements as at 30 September 2019 categorised into				Fair value measurements as at 31 March 2019 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value at 30 September 2019 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value at 31 March 2019 HK\$'000
Recurring fair value measurements assets:								
Financial assets at fair value through profit or loss:								
– Unlisted investments fund (note 1 & 2)	-	1,556	30,750	32,306	-	2,792	42,717	45,509
– Trading securities	24,342	-	-	24,342	31,331	-	-	31,331

During the period ended 30 September 2019 and year ended 31 March 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Note:

- 1 The valuation techniques and key inputs used on financial assets at fair value through profit or loss for level 2 fair value measurement are as follows:

The fair value of financial assets at fair value through profit or loss is assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT *(continued)*

i) Fair value measurement *(continued)*

a) Financial assets and liabilities measured at fair value *(continued)*

Note: *(continued)*

- 2 The valuation techniques and key inputs used on financial assets at fair value through profit or loss for level 3 fair value measurement at the end of the reporting period are as follows:

	Valuation techniques	Significant unobservable inputs	Percentage of discount
Unlisted investments fund classified as financial assets at fair value through profit or loss	Market comparable companies	Discount for lack of marketability	25% (31 March 2019: 25%)

The fair value of unlisted investments fund is assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments. Where appropriate, a discount is applied to take into consideration of the unlisted securities held under the investment. The fair value measurement is negatively correlated to the discount for lack of marketability. No sensitivity analysis is disclosed for the impact of changes in the discount for the lack of marketability as the management considers that the exposure is insignificant to the group.

The fair value of financial product is determined by discounting the contractual price of financial assets. The discount rate used is derived from the expected return.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)**i) Fair value measurement** (continued)**a) Financial assets and liabilities measured at fair value** (continued)

Note: (continued)

The movements during the period ended 30 September 2019 and the year ended 31 March 2019 in the balance of these Level 3 fair value measurements are as follows:

	Unaudited	
	Financial assets at fair value through profit or loss Unlisted investments fund HK\$'000	Financial assets at fair value through profit or loss Financial product HK\$'000
Balance at 1 April 2018 under HKFRS 9	44,103	13,745
Maturities	–	(12,860)
Loss on fair value change	(1,386)	–
Exchange alignment	–	(885)
	<u>–</u>	<u>–</u>
Balance at 31 March 2019	<u>42,717</u>	<u>–</u>
	<u>42,717</u>	<u>–</u>
Balance at 1 April 2019	42,717	–
Loss on fair value change	(11,967)	–
	<u>–</u>	<u>–</u>
Balance at 30 September 2019	<u>30,750</u>	<u>–</u>

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT *(continued)*

i) Fair value measurement *(continued)*

b) Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The fair value is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

24. COMMITMENTS

Operating lease commitments

i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from eight to ten years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases from its tenants falling due as follows:

	At 30 September 2019 (Unaudited) HK\$'000	At 31 March 2019 (Audited) HK\$'000
Within one year	10,158	11,915
In the second to fifth year, inclusive	61,670	67,246
Over five years	44,585	57,991
	<u>116,413</u>	<u>137,152</u>

24. COMMITMENTS (continued)**Operating lease commitments** (continued)**ii) The group as lessee:**

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties	Motor Vehicles	Total
Within one year	4,209	730	4,939
In the second to fifth year, inclusive	7,475	547	8,022
Over five years	1,418	–	1,418
	<u>13,102</u>	<u>1,277</u>	<u>14,379</u>

The group is the lessee in respect of a number of properties and motor vehicles held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with policies set out in note 3.

25. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the “Defendants”) for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK\$40 million being the economic loss suffered by the company together with interest and legal costs. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

26. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 28 November 2019.

27. COMPARATIVE FIGURES

The Group had initially applied HKFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details at the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the principal business activities of the group included the properties investment, money lending and financial services.

For the properties investment, as at 30 September 2019, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, approximately 100% of which was leased to third parties under operating leases with lease terms ranging up to twelve years. For the six months ended 30 September 2019, the rental income of approximately HK\$5.17 million were recorded.

For the financial services, the wholly owned subsidiaries of the company, namely C.P. Securities International Limited, which is a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (“SFO”) and C.P. Financial Management Limited, which is licensed under the SFO to carry on Type 9 (asset management) regulated activity, have engaged in financial services business of the group, including the provision of securities trading, margin financing, underwriting and assets management which help diversifying the businesses of the group and broaden the source of its income. For the six months ended 30 September 2019, a segment revenue of approximately HK\$0.43 million were recorded.

The money lending business generated steady interest income during the period. For the six months ended 30 September 2019, the group had a loan portfolio amounted to approximately HK\$425.10 million with the average interest rate of 10.64%. The interest income generated from the money lending business was approximately HK\$21.88 million for the six months ended 30 September 2019.

Financial Review

For the period under review, the group’s turnover was approximately HK\$27.48 million (2018: approximately HK\$27.52 million). The unaudited net loss for the period under review was approximately HK\$28.01 million (2018: approximately HK\$26.28 million) and the basic loss per share for was HK\$0.005 (2018: HK\$0.005).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

The administrative expenses of the group for the period amounted to approximately HK\$29.48 million, representing a decrease of approximately 15.33% compared with the corresponding period last year. The finance cost of the group amounted to approximately HK\$4.55 million which was mainly incurred for the bank loan under the security of investment properties in Shanghai and the unconvertible bonds issued by the company.

Liquidity and Financial Resources

As at 30 September 2019, the group's net current assets were approximately HK\$466.66 million (at 31 March 2019: approximately HK\$185.57 million), including cash and bank balance of approximately HK\$40.68 million (at 31 March 2019: approximately HK\$47.38 million).

The group had borrowing of approximately HK\$91.13 million as at 30 September 2019 (at 31 March 2019: approximately HK\$67.24 million) of which 7.23%, 7.23%, 16.51%, 69.03% were due within 1 year, after 1 year but within 2 years, after 2 years but within 5 years, after 5 years respectively from balance sheet date. The gearing ratio, defined as the percentage of net debts to the total equity of the company, was 17% (at 31 March 2019: 12.52%).

Significant Investments

Investment with fair value accounting for more than 5% of the group's total assets was considered as significant investment. The company has the following significant investments as at 30 September 2019.

As at 30 September 2019, the company held approximately 310,250 participating shares (as at 31 March 2019: approximately 310,250 participating shares) of the Avant Capital Dragon Fund SP (the "Dragon Fund") with the total investment cost of HK\$270 million. The Dragon Fund is a segregated portfolio of Avant Capital SPC which is an exempted segregated portfolio company incorporated under the laws of the Cayman Islands. The fair value of the Dragon Fund was approximately HK\$30.75 million as at 30 September 2019 (as at 31 March 2019: approximately HK\$42.71 million). An fair value loss on financial assets at fair value through profit or loss of approximately HK\$11.96 million was recognised for the six month ended 30 September 2019. The Dragon Fund represented 4.7% of the net assets value of the group as at 30 September 2019 (as at 31 March 2019: 6.13%) and there was no dividend being distributed by the Dragon Fund for the period under review. The Dragon Fund was compulsory redeemed in October 2019 due to lack of operating scale and the shrinking assets under the management of the fund.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant Investments *(continued)*

As at 30 September 2019, the company held approximately 193,476 participating shares (as at 31 March 2018: approximately 193,476 participating shares) of the Tiger High Yield Fund Segregate Portfolio (the “Tiger Fund”) with the total investment cost of HK\$150 million. Tiger Fund is a segregated portfolio of Tiger Super Fund SPC which is an exempted segregated portfolio company incorporated under the laws of the Cayman Islands. The fair value of the Tiger Fund was approximately HK\$1.55 million as at 30 September 2019 (as at 31 March 2019: approximately HK\$2.79 million). An fair value loss on financial assets at fair value through profit or loss of approximately HK\$1.24 million was recognised for the six month ended 30 September 2019. The Tiger Fund represented 0.24% of the net assets value of the group as at 30 September 2019 (as at 31 March 2019: 0.40%) and there was no dividend being distributed by the Tiger Fund for the period under review.

The recognition of the said fair value loss is due to decline in the fair values of the company’s investment in Dragon Fund and Tiger Fund (the “Investment Funds”). For the purpose of assessment of the fair value of the Investment Funds, the company has engaged an independent valuer to prepare valuation report on the Investment Funds. The investment portfolio of the Investment Funds comprises various stocks of listed companies. The stock price of the listed companies decreased for the period ended 30 September 2019 in comparing with the stock price in 2018, which poses a change in the market value of the Investment Funds.

In valuing the market value of the stocks in the investment portfolio of the Investment Funds, the valuer adopted the closing stock price as at 30 September 2019 (the “Valuation Date”). The valuation of the company’s interest in the Investment Funds requires consideration of all pertinent factors affecting the operations of the Investment Funds and their ability to generate future investment returns. The factors considered in the appraisal including, but were not limited to, the following factors:

- the economic and industry outlooks affecting the Investment Funds;
- the nature and the performance of the Investment Funds and their invested enterprises; and
- the risks facing by invested enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant Investments *(continued)*

In view of the ever-changing business environment in which the Investment Funds are operating, a number of reasonable assumptions were made in the course of the appraisal, which are set out as follows:

- the continuous operation of the Investment Funds;
- there will be no material changes from political, legal, economic or financial aspects in the jurisdictions in which the Investment Funds currently incorporate or invest which will materially affect its operation;
- there will be no substantial market fluctuation in the economy in the jurisdictions in which the Investment Funds currently invest which will materially affect their operations and the earnings attributed to the Investment Funds;
- there will be no substantial fluctuation in current interest rates and foreign currency exchange rates in the jurisdictions in which the Investment Funds currently invest which will materially affect their operations and the earnings attributed to the Investment Funds; and
- the investment managers of the Investment Funds will not make any decision which is harmful to the profit generation ability of the Investment Funds.

In the process of valuing the company's interest in the Investment Funds, the asset-based approach was adopted by the valuer. Asset-based approach is a means of estimating the value of a business/investment fund based on market value of individual business assets less liabilities. This approach provides an indication of the value of the business enterprise/investment fund by developing a market value balance sheet and all of the business's liabilities are brought to current value as of the Valuation Date. The difference between the market value of the assets and the current value of the liabilities is an indication of the business enterprise equity value under the asset-based approach.

In the process of valuing the investment portfolio of the Investment Funds, the valuer adopted the market approach to estimate the market value of the stocks in the investment portfolio. The market approach is basically a comparison method which estimates market value from analyzing sales and financial data and ratios of comparable public and, whenever possible, private companies.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant Investments *(continued)*

There is no change in the value of the inputs and assumptions from those previously adopted.

The valuer has adopted the following valuation methodology:–

- | | |
|---|---|
| (A) Asset Accumulation Method: | the value of the individual assets (both tangible and intangible) less the value of the liabilities (both recorded and contingent) represents the subject business value of the Investment Funds. |
| (B) Liabilities Valuation – Carrying Value: | In valuing the current payables and liabilities of Tiger Fund and Dragon Fund, all accounting items were stated at the carrying values on the balance sheet. |

The valuer did not adopt the valuation methodology of price-to-earnings ratio this time since the Investment Funds did not hold any stock in privately held company as at the six months ended 30 September 2019. Save for the disclosure above, there is no change in the valuation methodology used from those previously adopted. The group adopts the investment strategy with the aim to improve the capital usage efficiency and to generate additional investment returns on the idle funds of the group. Accordingly, the group will continue to maintain a diversified portfolio of investment of various industries to minimise the possible financial risks. Also, the directors will cautiously assess the performance progress of the investment portfolio from time to time.

Foreign Exchange Exposure

As most of the group's assets and liabilities are denominated in Hong Kong dollar, Renminbi and US dollar and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Structure and Share Capital

On 17 April 2019, the Company issued 485,750,000 ordinary shares under the share option scheme adopted by the Company on 16 December 2011 at subscription price HK\$0.0304 per share.

Save as disclosed above, there was no other change in the share capital and capital structure of the company for the six months ended 30 September 2019.

Charges on the Group's Assets

As at 30 September 2019, the group's investment properties with a value of approximately HK\$209 million were pledged to secure a borrowing from Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the company.

Contingent Liabilities

As at 30 September 2019, the group did not have any material contingent liability (2018: Nil).

Acquisition and Disposal of Subsidiaries

There was no acquisition and disposal of subsidiaries of the group during the six months ended 30 September 2019.

Employees

As at 30 September 2019, the group has 41 employees. The remuneration was determined with reference to statutory minimum wages, market terms as well as the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option schemes and incentive schemes are adopted to encourage personal commitment of employees.

Outlook

Going forward, the group will remain focused on its existing businesses in properties investment, financial services and money lending business which will enhance the revenue stream of the group. In the meantime, the group will also look for other suitable business opportunities from time to time so as to maximise the benefit of the company and its shareholders as a whole.

DIVIDEND

The directors of the company do not recommend payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale of any of the company's listed securities by the company or any of the company's subsidiaries during the six months ended 30 September 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2019, no directors has registered an interest or short position in the share capital (the "Shares") of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The interests of directors in the share options of the company are separately disclosed in the note 21 to this condensed consolidated financial statements.

SHARE OPTION SCHEME

The company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the group.

The company's existing share option scheme ("Share Option Scheme") was adopted on 16 December 2011 and is effective for a period of ten years commencing on the adoption date.

At 30 September 2019, the number of shares in respect of which share options could be exercisable under the terms of the Share Option Scheme was 566,650,000 shares, representing approximately 10.60% of the shares of the company in issue at that date. All share options are currently held by the employees of the group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 September 2019, so far as known to the Directors, there was no other person who had an interest or short position in the shares of the company and underlying shares which would require disclosure to the company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

The company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors. The company had also made specific enquiry of the directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

CORPORATE GOVERNANCE

The company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2019, except for the deviation from the requirement of code provision A.2.1 and E.1.2 of the CG Code explained as follows.

The provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the company also acted as chief executive officer of the company during the period under review, deviating from the requirement of the code provision A.2.1. The board considered that this structure was conducive with strong and consistent leadership, enabling the company to respond promptly and efficiently to business opportunities and issues.

Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend annual general meetings. The chairman was unable to attend the company's annual general meeting held on 29 August 2019 due to his other work commitments.

AUDIT COMMITTEE

The audit committee of the company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Lai Wai Yin Wilson, Ms. Cao Jie Min and Liang Kuo-Chieh. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The principal duties of the Audit Committee include the review and supervision of the group's financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the group. The results of the group for the six months ended 30 September 2019 was reviewed by the Audit Committee which is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

By order of the board

China Properties Investment Holdings Limited

Han Wei

Chairman

Hong Kong, 28 November 2019