Hon Kwok Land Investment Company, Limited

Stock Code: 160

Interim Report 2019/20

CONTENTS

	Page(s)
Corporate Information	2
Chairman's Statement	3
General Information	8
Condensed Consolidated Statement of Profit or Loss	17
Condensed Consolidated Statement of Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Interim Consolidated Financial Statements	24

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
James Sing-Wai Wong
Xiao-Ping Li
Philip Bing-Lun Lam
Zuo Xiang*
Janie Fong*
David Tak-Wai Ma*

* *Independent non-executive directors*

AUDIT COMMITTEE

Zuo Xiang *(Chairman)*
Janie Fong
David Tak-Wai Ma

REMUNERATION COMMITTEE

David Tak-Wai Ma *(Chairman)*
Philip Bing-Lun Lam
Janie Fong

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank Limited

AUDITOR

Ernst & Young

REGISTRAR

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

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2523 7177
Fax : (852) 2845 1629
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 160

WEBSITE

http://www.honkwok.com.hk

FINANCIAL RESULTS

For the six months ended 30 September 2019, the Group's unaudited consolidated revenue was HK$375 million (2018: HK$1,184 million) and net profit attributable to shareholders was HK$224 million (2018: HK$576 million), including an increase in fair value of investment properties net of deferred taxation of HK$105 million (2018: HK$281 million). The drop in revenue was mainly due to the decrease in property sales from the Group's development projects in Mainland China of which the project in Guangzhou, namely The Botanica, was completed with nearly all units being delivered to customers in prior years. Whereas the drop in profit was mainly attributable to the decrease in profit contributions from property sales and the decrease in fair value gains on investment properties upon revaluation at 30 September 2019.

Basic earnings per share was HK$0.31 (2018: HK$0.80). As at 30 September 2019, the shareholders' equity amounted to HK$11,468 million (as at 31 March 2019: HK$11,874 million) and net assets per share attributable to shareholders was HK$15.92 (as at 31 March 2019: HK$16.48). Owing to the depreciation of Renminbi against Hong Kong Dollars during the six months ended 30 September 2019, the Group recorded an exchange loss upon translating the assets and liabilities in the financial statements of the subsidiaries and an associated company incorporated in Mainland China into Hong Kong Dollars at the exchange rate prevailing at 30 September 2019. The translation difference caused by the depreciation of Renminbi against Hong Kong Dollars and the dividends paid were larger than the increase in net profit attributable to shareholders during the period and resulted in a net decrease in shareholders' equity at period end.

INTERIM DIVIDEND

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

BUSINESS REVIEW

(i) Property Development

For the six months ended 30 September 2019, the property development segment revenue was HK$218 million compared with HK$1,067 million in 2018. Segment profit before taxation was HK$163 million compared with HK$568 million in 2018. The revenue and profit were attributable to delivery of the sold units in Botanica and Metropolitan Oasis.

The Group's property development projects are located in Mainland China comprising mainly (i) The Botanica in the Tian He District of Guangzhou in which the Group owns 60% interest; (ii) Metropolitan Oasis, the Group's wholly owned project in the Da Li District of Nanhai; (iii) 45-107 Beijing Nan Road, the Group's wholly owned project in the Yue Xiu District of Guangzhou and (iv) Enterprise Square in the Nanshan District of Shenzhen in which the Group owns 20% interest.

BUSINESS REVIEW *(Continued)*

(i) Property Development *(Continued)*

The Botanica with a total gross floor area of approximately 229,000 square meters was developed in phases. The final phase of the development was completed in December 2016 with all residential units already sold out in prior years. For the six months ended 30 September 2019, the Group booked revenue of HK$97 million (2018: HK$945 million) from the units delivered during the period. As at 30 September 2019, the contracted property sales of the remaining units but not yet booked amounted to RMB34 million.

Metropolitan Oasis with a total gross floor area of approximately 273,000 square meters was also developed in phases. Phase 3 of the project, comprising 19 blocks of high rise apartments of approximately 550 units, is scheduled for completion next year. For the six months ended 30 September 2019, the Group booked revenue of HK$121 million (2018: HK$122 million) from the units of phase 1 and phase 2 delivered during the period. In September 2018, the Group launched part of the units in phase 3 to the market for pre-sale and achieved satisfactory results. As at 30 September 2019, the contracted property sales but not yet booked amounted to RMB749 million.

The site at 45-107 Beijing Nan Road, which is adjacent to the pedestrian street and the Pearl River, will be developed into a 30-storey residential building and a 32-storey commercial/office building. Foundation works for the project are in progress.

Enterprise Square, situated at Qiaoxiang Road North, Nanshan District, covers a site area of approximately 49,000 square meters and a total gross floor area of approximately 224,500 square meters. It has been developed into a commercial complex composed of office towers, a residential apartment tower and a commercial mall offering dining and entertainment facilities to the tenants. Development for the entire project was completed in June 2018. The office portion and the residential apartment have been launched to the market for sale. For the six months ended 30 September 2019, the project realized revenue of RMB1,394 million (2018: RMB1,751 million). As at 30 September 2019, the contracted property sales but not yet booked amounted to RMB121 million. Net profit attributable to the Group in respect of Enterprise Square, including an increase in fair value of an office tower, the residential apartment tower and the commercial mall which are classified as investment properties, amounted to HK$88 million (2018: HK$149 million) for the six months ended 30 September 2019.

(ii) Property Investment

For the six months ended 30 September 2019, the property investment segment revenue was HK$140 million compared with HK$103 million in 2018. Segment profit before taxation was HK$191 million compared with HK$405 million in 2018. Excluding the change in fair value of investment properties, segment profit before taxation was HK$78 million compared with HK$56 million in 2018, such increase in revenue and profit was mainly attributable to the commencement of leasing activities of Hon Kwok City Commercial Centre in Shenzhen and the opening of the hotel at Chongqing Jinshan Shangye Zhongxin after its refurbishment works finished in the fourth quarter of 2018. Leasing of Hon Kwok City Commercial Centre is progressing well and it is expected that the recurrent income base of the Group will be significantly improved.

BUSINESS REVIEW *(Continued)*

(ii) Property Investment *(Continued)*

Property Investment – Hong Kong

The Group's completed investment property portfolio in Hong Kong with a total gross floor area of approximately 246,000 square feet comprises (i) Hon Kwok Jordan Centre, a commercial/office building at Hillwood Road, Tsim Sha Tsui; (ii) The Bauhinia, a hotel cum serviced apartment property at Connaught Road Central and Des Voeux Road Central; and (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui. Average occupancy of the properties reached 85% for the six months ended 30 September 2019 (2018: 95%) amid the deteriorating business environment caused by the recent social incidents. Occupancy of our hotel properties has dropped due to the decline in tourists arrivals to Hong Kong since July 2019.

The Group's investment property under development in Hong Kong comprises a construction site at Kin Chuen Street, Kwai Chung, New Territories, providing a gross floor area of approximately 228,000 square feet. It is being developed into a data centre for rental purpose. Superstructure works are progressing smoothly and the project is scheduled for completion in the first quarter of 2020. Pre-leasing discussions of the building are currently underway.

Property Investment – Mainland China

The Group's completed investment property portfolio in Mainland China with a total gross floor area of approximately 446,000 square meters comprises (i) Hon Kwok City Commercial Centre, a commercial/office building at the Futian District of Shenzhen (ii) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (iii) City Suites, serviced apartment units atop of City Square at the Luo Hu District of Shenzhen, (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) Chongqing Hon Kwok Centre, a twin-tower office building atop of a commercial podium at the Bei Bu Xin Qu of Chongqing and (vi) Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower each with a commercial podium at the Bei Bu Xin Qu of Chongqing. The properties, excluding Hon Kwok City Commercial Centre which has been completed recently and was at the stage of renovation by the tenants during the period, achieved an average occupancy of 74% for the six months ended 30 September 2019 (2018: 74%).

Property Investment – Valuation

The Group's investment properties, including the data centre project which is at its final stage of development, were fair valued at HK$14,099 million as at 30 September 2019 (as at 31 March 2019: HK$14,297 million, including the data centre project stated at cost). After netting off the additions to investment properties and the exchange loss arising from depreciation in Renminbi during the period, the increase in fair value of the Group's investment properties amounted to HK$113 million (2018: HK$349 million) for the six months ended 30 September 2019.

BUSINESS REVIEW *(Continued)*

(iii) Property and carpark management

For the six months ended 30 September 2019, the property and carpark management segment revenue was HK$17 million compared with HK$14 million in 2018. Segment profit before taxation was HK$0.3 million compared with HK$0.9 million in 2018. The profit contributions were adversely affected under the recent social unrest. As at 30 September 2019, the Group managed 10 car parks (31 March 2019: 11 car parks) with 1,980 parking spaces (31 March 2019: 2,000 parking spaces).

OUTLOOK

Looking ahead, substantial uncertainties are clouding the global economic growth which continues to be fragile. The re-escalation of trade conflicts arose from the imposition of increased tariff by the United States, followed by the retaliatory actions of China. The lingering trade disputes posed substantial downside risks and weighed on export trades in the two largest economies in the world. Nevertheless, it showed some signs of reaching an initial trade agreement to remove the additional tariff in phases in the near future. On the other hand, it is expected that the Federal Reserve will continue its monetary easing policies vigilantly to alleviate the downward risk in tandem with maintaining a strong labour market and an inflation rate of around 2% target. In view of the prevailing challenges, including the protracted trade disputes, geopolitical tensions and the possibility of agreeing a Brexit deal within the three-month extension granted, it is likely that the erratic business environment will continue in the near term.

In Mainland China, economic growth weakened to 6% (bottom end of government's target) in the third quarter of 2019 amid the ongoing US-China trade conflicts and lacklustre domestic market. Under the city-specific housing policies adopted in prior years, the real estate market has been stabilised and recovering. Nevertheless, the expected economic slowdown has dampened buyers' confidence and investment sentiment. Confronting the mounting headwinds, it is expected that the Central Government will implement fiscal stimulus and monetary easing measures to bolster economic growth while maintaining supervision over financing activities in the real estate market to control financial risks with an aim to striving for a stable and healthy real estate market.

OUTLOOK *(Continued)*

Hong Kong, being a small economic entity, is highly susceptible to external uncertainties including the trade protectionism and the US monetary policy, has been adversely affected by the global economic downturn. Furthermore, impacting by the recent prolonged social incidents, Hong Kong economy has experienced a sharp contraction, particularly, the inbound tourism, retailing and catering sectors were seriously hit. Consequently, shrinkage in GDP of 2.9% year-on-year was recorded in the third quarter of 2019. Under the local Government's easing measures introduced recently to boost economic growth, it is anticipated that the residential properties will remain resilient as supported by solid demand and the relaxation of mortgage ceiling, whilst the office and retail property markets will continue to be influenced by the economic sentiment.

Finally, I wish to express my sincere thanks to my fellow directors for their contributions and all staff members for their hard work during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 27 November 2019

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. James Sai-Wing Wong ("Dr. Wong")	*1 & 2*	Through controlled corporations	502,262,139	69.72

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued shares/ paid-up registered capital
Dr. Wong	*1 & 3*	Chinney Investments, Limited ("Chinney Investments")	Through controlled corporations	341,439,324	61.93
	1	Chinney Investments	Beneficially owned	480,000	0.09
	1 & 4	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	20,000	100.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 6	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporations	7,150	55.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. *All the interests stated above represent long positions.*

2. *Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which Dr. Wong is a director and has beneficial interests therein. The remaining 11,756,000 shares are held by Chinney Capital Limited ("Chinney Capital") of which Dr. Wong is a director and has beneficial interests therein.*

3. *These shares are beneficially held by Chinney Holdings. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.*

4. *These shares are beneficially held by Lucky Year. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.*

5. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is paid up by a wholly-owned subsidiary of the Company and RMB74,000,000 is paid up by a company controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in this company.*

6. *Out of the 13,000 issued shares of Chinney Trading, 2,600 shares are held by a wholly-owned subsidiary of the Company and 4,550 shares are held by a company controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 2019, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, so far as is known to the directors of the Company, the following substantial shareholders and other persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. Wong	*1, 2, 3*	Through controlled corporations	502,262,139	69.72
Lucky Year	*1 & 2*	Through controlled corporations	490,506,139	68.09
Chinney Holdings	*1 & 2*	Through controlled corporation	490,506,139	68.09
Chinney Investments	*1 & 2*	Directly beneficially owned	490,506,139	68.09

Notes:

1. *All the interests stated above represent long positions.*
2. *Dr. Wong, Lucky Year, Chinney Holdings and Chinney Investments are deemed to be interested in the same parcel of 490,506,139 shares by virtue of Section 316 of the SFO.*
3. *11,756,000 shares are held by Chinney Capital of which Dr. Wong is a director and has beneficial interests therein.*

Save as disclosed herein, as at 30 September 2019, none of the substantial shareholders or other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

In February 2019, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "Facility Agreement") relating to HK$1,500 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of financial institutions (the "Lenders"). The Loan Facilities have a term of 48 months commencing from the date of the Facility Agreement and to be used for refinancing the existing syndicated loan with an outstanding balance of HK$440 million and financing the general corporate funding requirements of the Group.

Pursuant to the Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to be the major beneficial shareholder of the Company as a result of Chinney Investments ceasing to hold no less than 30% effective shareholding of the Company or does not or ceases to maintain management control of the Company; or (ii) Dr. Wong, the Chairman of both the Company and Chinney Investments, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interest in Chinney Investments.

If an event of default under the Facility Agreement occurs, the agent acting for the Lenders may, and shall if so requested by a majority of the Lenders, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

CONNECTED TRANSACTIONS

1. On 20 September 2016, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Kin Wing Foundations Limited ("Kin Wing Foundations"), an indirect wholly-owned subsidiary of Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556) and an indirect non wholly-owned subsidiary of Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), pursuant to which, Kin Wing Foundations was appointed by Gold Famous as a contractor for the foundation construction works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK$210,000,000. As Dr. Wong is the controlling shareholder of each of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing, the transaction constituted a connected transaction under the Listing Rules. The transaction was approved by the independent shareholders of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing at the respective general meetings held by each of the companies on 7 November 2016.

   During the six months ended 30 September 2019, total development cost paid to Kin Wing Foundations amounted to HK$5,250,000.

CONNECTED TRANSACTIONS *(Continued)*

2. On 12 June 2018, Gold Famous entered into a consultancy agreement with Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of a data centre on a parcel of land owned by Gold Famous in Kwai Chung, Hong Kong (the "Data Centre Project") at a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements.

   During the six months ended 30 September 2019, the consultancy fee paid to Shun Cheong Data Centre Solutions amounted to HK$2,430,000 in respect of the transaction.

3. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction Company, Limited ("Chinney Construction"), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the Data Centre Project at a total contract sum not exceeding HK$757,800,000 (the "Framework Agreement"). As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the related transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. Since the entering into of the Consultancy Agreement dated 12 June 2018 also constituted a connected transaction and pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which are connected with one another. The applicable percentage ratios of the Framework Agreement on both stand-alone and the basis when aggregated with the Consultancy Agreement, are more than 5% and contract sum was more than HK$10 million, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements. The transaction was approved by the independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

   During the six months ended 30 September 2019, total development cost paid to Chinney Construction amounted to HK$194,085,000 in respect of the transaction.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2019.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2019, except for the following deviations:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

   Currently, Dr. Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

The Chairman will not be subject to retirement by rotation; which deviates from CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

3. CG Code provision A.5.1 stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director.

   The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates having due regard to the Nomination Policy and the Board Diversity Policy adopted by the Company and assess the independence of the proposed independent non-executive director(s) as appropriate.

4. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

   The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit committee

The Company has established an Audit Committee comprising Mr. Zuo Xiang, Ms. Janie Fong and Mr. David Tak-Wai Ma.

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2019 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$4,937 million as at 30 September 2019 (as at 31 March 2019: HK$5,028 million), of which approximately 14% (as at 31 March 2019: 22%) of the debts were classified as current liabilities. Included therein were debts of HK$87 million related to bank loans with repayable on demand clause and HK$469 million related to project or term loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 3%.

Total cash and bank balances including time deposits were approximately HK$1,732 million as at 30 September 2019 (as at 31 March 2019: HK$1,963 million) and the decrease was mainly due to the repayment of bank loans and the exchange loss arising from the depreciation in Renminbi during the period. Included in cash and bank balances are restricted bank deposits of HK$95 million (as at 31 March 2019: HK$77 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK$2,088 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2019 were approximately HK$11,468 million (as at 31 March 2019: HK$11,874 million). An exchange loss was recorded upon translating the financial statements of the foreign operations denominated in Renminbi to Hong Kong Dollars, which has offset the increase in net profit attributable to shareholders during the period, and resulted in a decrease in shareholders' equity at period end.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$3,205 million (as at 31 March 2019: HK$3,065 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$11,646 million (as at 31 March 2019: HK$12,069 million), was 28% as at 30 September 2019 (as at 31 March 2019: 25%).

FINANCIAL REVIEW *(Continued)*

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2019, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK$14,622 million as at 30 September 2019 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its joint venture and associate, employed approximately 320 employees as at 30 September 2019. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 12 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**374,724**	1,183,878
Cost of sales		**(110,896)**	(540,630)
Gross profit		**263,828**	643,248
Other income	*3*	**12,652**	9,229
Fair value gains on investment properties, net		**112,623**	348,583
Administrative expenses		**(38,101)**	(44,788)
Other operating expenses, net		**(13,347)**	(8,323)
Finance costs	*4*	**(94,992)**	(53,372)
Share of profit of an associate		**88,415**	148,905
Profit before tax	*5*	**331,078**	1,043,482
Income tax expense	*6*	**(91,647)**	(349,006)
Profit for the period		**239,431**	694,476
Attributable to:			
Owners of the Company		**224,377**	575,746
Non-controlling interests		**15,054**	118,730
		239,431	694,476
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic and diluted		**HK$0.31**	HK$0.80

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**239,431**	694,476
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(30,357)**	(24,996)
Exchange differences on translation of foreign operations	**(541,565)**	(731,949)
Other comprehensive loss for the period, net of tax	**(571,922)**	(756,945)
Total comprehensive loss for the period	**(332,491)**	(62,469)
Attributable to:		
Owners of the Company	**(316,075)**	(141,538)
Non-controlling interests	**(16,416)**	79,069
	(332,491)	(62,469)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2019 (Unaudited) HK$'000	At 31 March 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**247,513**	266,766
Right-of-use assets		**41,875**	–
Investment properties		**14,099,104**	14,296,837
Investment in a joint venture		**199**	199
Investment in an associate		**746,330**	789,271
Total non-current assets		**15,135,021**	15,353,073
CURRENT ASSETS			
Tax recoverable		**1,258**	5,895
Properties held for sale under development and completed properties held for sale		**1,904,933**	2,051,599
Trade receivables	*9*	**19,471**	21,561
Contract costs		**21,330**	5,547
Prepayments, deposits and other receivables		**158,013**	136,159
Cash and bank balances		**1,731,999**	1,963,000
Total current assets		**3,837,004**	4,183,761
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**164,572**	415,741
Lease liabilities		**24,326**	–
Contract liabilities		**500,471**	286,193
Customer deposits		**45,182**	47,582
Due to an associate		**–**	15,950
Interest-bearing bank borrowings		**715,607**	1,107,931
Tax payable		**151,989**	122,549
Total current liabilities		**1,602,147**	1,995,946
NET CURRENT ASSETS		**2,234,857**	2,187,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,369,878**	17,540,888

	Note	At 30 September 2019 (Unaudited) HK$'000	At 31 March 2019 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**17,866**	–
Interest-bearing bank borrowings		**4,221,013**	3,920,286
Deferred tax liabilities		**1,484,987**	1,552,045
Total non-current liabilities		**5,723,866**	5,472,331
Net assets		**11,646,012**	12,068,557
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**1,519,301**	1,519,301
Reserves		**9,948,774**	10,354,903
		11,468,075	11,874,204
Non-controlling interests		**177,937**	194,353
Total equity		**11,646,012**	12,068,557

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	1,519,301	537,408	9,315,386	11,372,095	91,035	11,463,130
Profit for the period	–	–	575,746	575,746	118,730	694,476
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	–	(717,284)	–	(717,284)	(39,661)	(756,945)
Total comprehensive income/(loss) for the period	–	(717,284)	575,746	(141,538)	79,069	(62,469)
Final and special dividends in respect of previous financial year	–	–	(126,075)	(126,075)	–	(126,075)
At 30 September 2018	1,519,301	(179,876)	9,765,057	11,104,482	170,104	11,274,586
At 1 April 2019	1,519,301	7,085	10,347,818	11,874,204	194,353	12,068,557
Profit for the period	–	–	224,377	224,377	15,054	239,431
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	–	(540,452)	–	(540,452)	(31,470)	(571,922)
Total comprehensive income/(loss) for the period	–	(540,452)	224,377	(316,075)	(16,416)	(332,491)
Final dividend in respect of previous financial year	–	–	(90,054)	(90,054)	–	(90,054)
At 30 September 2019	**1,519,301**	**(533,367)**	**10,482,141**	**11,468,075**	**177,937**	**11,646,012**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**331,078**	1,043,482
Adjustments for:			
Finance costs	*4*	**94,992**	53,372
Share of profit of an associate		**(88,415)**	(148,905)
Interest income	*3*	**(9,717)**	(6,867)
Loss/(gain) on disposal of items of property, plant and equipment		**(94)**	6
Depreciation of property, plant & equipment	*5*	**4,712**	2,679
Depreciation of right-of-use assets	*5*	**13,954**	–
Fair value gains on investment properties, net		**(112,623)**	(348,583)
		233,887	595,184
Decrease in properties held for sale under development and completed properties held for sale		**33,073**	627,724
Decrease in trade receivables		**2,090**	1,829
Decrease/(increase) in prepayments, deposits and other receivables		**(34,864)**	14,522
Increase in contract costs		**(17,023)**	(5,730)
Decrease in trade payables and accrued liabilities		**(213,384)**	(271,911)
Increase in contract liabilities		**242,462**	250,123
Decrease in customer deposits		**(2,400)**	(1,164,582)
Cash generated from operations		**243,841**	47,159
Overseas taxes paid		**(44,347)**	(148,762)
Net cash flows from/(used in) operating activities		**199,494**	(101,603)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,717**	6,867
Purchases of items of property, plant and equipment		**(331)**	(347)
Proceeds from disposal of items of property, plant and equipment		**94**	12
Additions to investment properties		**(244,024)**	(204,966)
Dividend received from an associate		**101,000**	–
Decrease in balance due to an associate		**(15,950)**	(10,052)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(10)**	(25)
Net cash flows used in investing activities		**(149,504)**	(208,511)

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**71,713**	178,461
Repayment of bank loans	**(85,164)**	(344,092)
Dividends paid	**(90,054)**	(126,075)
Interest paid	**(115,961)**	(97,064)
Principal portion of lease payments	**(14,075)**	–
Net cash flows used in financing activities	**(233,541)**	(388,770)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(183,551)**	(698,884)
Cash and cash equivalents at beginning of period	**1,960,383**	2,675,728
Effect of foreign exchange rates changes, net	**(47,320)**	(99,413)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,729,512**	1,877,431
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,042,016**	1,802,114
Non-pledged time deposits	**689,983**	77,858
Cash and bank balances as stated in the condensed consolidated statement of financial position	**1,731,999**	1,879,972
Non-pledged time deposits with original maturity of more than three months when acquired	**(2,487)**	(2,541)
	1,729,512	1,877,431

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

The financial information relating to the year ended 31 March 2019 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2019 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value.

The accounting policies adopted in the preparation of the condensed interim consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

The nature and the impact of the changes are described below:

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's condensed interim consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the comparative information as at 31 March 2019 and for the six months ended 30 September 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets and total assets	**55,829**
Liabilities	
Increase in lease liabilities and total liabilities	**55,829**

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	(Unaudited) ***HK$'000***
Operating lease commitments as at 31 March 2019	**61,258**
Weighted average incremental borrowing rate as at 1 April 2019	**5%**
Discounted operating lease commitments as at 1 April 2019	**56,117**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	**(288)**
Lease liabilities as at 1 April 2019	**55,829**

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *(Continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *(Continued)*

Amounts recognised in the condensed interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets (Unaudited) *HK$'000*	Lease liabilities (Unaudited) *HK$'000*
As at 1 April 2019	55,829	55,829
Depreciation charge	(13,954)	–
Interest expenses	–	438
Payments	–	(14,075)
As at 30 September 2019	**41,875**	**42,192**

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's condensed interim consolidated financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's condensed interim consolidated financial information.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

	Six months ended 30 September 2019 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Property and carpark management** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**218,064**	**139,581**	**17,079**	**374,724**
Segment results	**163,152**	**190,701**	**304**	**354,157**
Reconciliation:				
Interest income				**9,717**
Unallocated expenses				**(26,219)**
Finance costs				**(94,992)**
Share of profit of an associate				**88,415**
Profit before tax				**331,078**

	Six months ended 30 September 2018 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property and carpark management *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	1,066,725	102,668	14,485	1,183,878
Segment results	567,932	405,073	864	973,869
Reconciliation:				
Interest income				6,867
Unallocated expenses				(32,787)
Finance costs				(53,372)
Share of profit of an associate				148,905
Profit before tax				1,043,482

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2019 (Unaudited)			
	Property development	Property investment	Property and carpark management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,124,235	14,596,698	2,383,771	19,104,704
Reconciliation:				
Elimination of intersegment receivables				(2,612,465)
Investment in a joint venture				199
Investment in an associate				746,330
Corporate and other unallocated assets				1,733,257
Total assets				18,972,025
Segment liabilities	1,699,697	1,025,428	639,757	3,364,882
Reconciliation:				
Elimination of intersegment payables				(2,612,465)
Corporate and other unallocated liabilities				6,573,596
Total liabilities				7,326,013

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 31 March 2019 (Audited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property and carpark management *HK$'000*	Total *HK$'000*
Segment assets	2,241,050	14,639,264	2,070,899	18,951,213
Reconciliation:				
Elimination of intersegment receivables				(2,172,744)
Investment in a joint venture				199
Investment in an associate				789,271
Corporate and other unallocated assets				1,968,895
Total assets				19,536,834
Segment liabilities	1,481,445	1,009,820	446,945	2,938,210
Reconciliation:				
Elimination of intersegment payables				(2,172,744)
Corporate and other unallocated liabilities				6,702,811
Total liabilities				7,468,277

(b) Geographical segments

	Six months ended 30 September	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Hong Kong	**52,589**	53,923
Mainland China	**322,135**	1,129,955
	374,724	1,183,878

3. REVENUE AND OTHER INCOME

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 September 2019 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property and carpark management *HK$'000*	Total *HK$'000*
Segment				
Type of goods or services				
Sales of properties	218,064	–	–	218,064
Property management income	–	15,774	804	16,578
Total revenue from contracts with customers	218,064	15,774	804	234,642
Revenue from other sources				
Gross rental income	–	123,807	16,275	140,082
Total revenue from other sources	–	123,807	16,275	140,082
Revenue disclosed in the segment information	218,064	139,581	17,079	374,724
Timing of revenue recognition				
Goods transferred at a point in time	218,064	–	–	218,064
Services transferred over time	–	15,774	804	16,578
Total revenue from contracts with customers	218,064	15,774	804	234,642

3. REVENUE AND OTHER INCOME *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended 30 September 2018 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property and carpark management *HK$'000*	Total *HK$'000*
Segment				
Type of goods or services				
Sales of properties	1,066,725	–	–	1,066,725
Property management income	–	15,348	785	16,133
Total revenue from contracts with customers	1,066,725	15,348	785	1,082,858
Revenue from other sources				
Gross rental income	–	87,320	13,700	101,020
Total revenue from other sources	–	87,320	13,700	101,020
Revenue disclosed in the segment information	1,066,725	102,668	14,485	1,183,878
Timing of revenue recognition				
Goods transferred at a point in time	1,066,725	–	–	1,066,725
Services transferred over time	–	15,348	785	16,133
Total revenue from contracts with customers	1,066,725	15,348	785	1,082,858

Other income

	Six months ended 30 September	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Bank interest income	**9,717**	6,867
Others	**2,935**	2,362
	12,652	9,229

4. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**115,961**	97,064
Interest on lease liabilities	**438**	–
Less: Interest capitalised under properties under development/construction	**(21,407)**	(43,692)
	94,992	53,372

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,712**	2,679
Depreciation on right-of-use assets*	**13,954**	–
Employee benefit expenses (including directors' remuneration)	**23,496**	28,884
Less: Amounts capitalised under properties under development/construction	**(8,150)**	(8,700)
	15,346	20,184

* Included in the amount are the rental expenses for carpark operations of HK$10,226,000 which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. INCOME TAX

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere	**83,847**	281,100
Deferred	**7,800**	67,906
Total tax charge for the period	**91,647**	349,006

No Hong Kong profits tax has been provided as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$224,377,000 (2018: HK$575,746,000) and the number of 720,429,301 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2019 and 2018 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

The final dividend of HK 12.5 cents per ordinary share for the year ended 31 March 2019 was approved by the Company's shareholders at the annual general meeting of the Company held on 29 August 2019 and paid on 23 September 2019.

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	At 30 September 2019 (Unaudited) *HK$'000*	At 31 March 2019 (Audited) *HK$'000*
Within 30 days	**1,513**	1,900
31 to 60 days	**550**	1,347
61 to 90 days	**165**	1,370
Over 90 days	**17,243**	16,944
Total	**19,471**	21,561

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$17,773,000 (as at 31 March 2019: HK$28,088,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2019 (Unaudited) *HK$'000*	At 31 March 2019 (Audited) *HK$'000*
Within 30 days	**17,773**	28,088

11. SHARE CAPITAL

There were no movements in the issued and fully paid share capital of the Company in the current interim period.

12. CONTINGENT LIABILITIES

(a) As at 31 March 2019, the Group has given a guarantee of HK$24,000,000 to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK$24,000,000 as at 31 March 2019.

The bank loan was fully repaid by the associate during the six months ended 30 September 2019.

(b) As at 30 September 2019, the Group has given guarantees of HK$230,418,000 (as at 31 March 2019 (audited): HK$198,487,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

13. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2019 (Unaudited) *HK$'000*	At 31 March 2019 (Audited) *HK$'000*
Within one year	**207,607**	174,276
In the second to fifth years, inclusive	**554,001**	533,253
After five years	**657,826**	738,060
	1,419,434	1,445,589

14. CAPITAL COMMITMENTS

At 30 September 2019, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK$563,455,000 (at 31 March 2019 (audited): HK$774,257,000).

15. RELATED PARTY TRANSACTIONS

(a) Connected transactions

(i) During the period, the Group paid development expenditure relating to foundation construction works to an indirect wholly-owned subsidiary of Chinney Kin Wing amounted to HK$5,250,000 (2018: HK$74,054,000). The above transaction was negotiated between the concerned parties by reference to prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 7 November 2016.

(ii) On 12 June 2018, Gold Famous entered into the Consultancy Agreement with Shun Cheong Data Centre Solutions, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of the Data Centre Project at a fixed fee of HK$16,200,000. As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements. During the period, the Group paid consultancy fee to Shun Cheong Data Centre Solutions amounted to HK$2,430,000 (2018: HK$4,860,000).

15. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Connected transactions *(Continued)*

(iii) On 12 July 2018, Gold Famous entered into the Framework Agreement with Chinney Construction, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the Data Centre Project at a total contract sum not exceeding HK$757,800,000. As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the related transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. Since the entering into of the Consultancy Agreement dated 12 June 2018 also constituted a connected transaction and pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which are connected with one another. The applicable percentage ratios of the Framework Agreement on both stand-alone and the basis when aggregated with the Consultancy Agreement, are more than 5% and contract sum was more than HK$10 million, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements. The transaction was approved by the independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018. During the period, the Group paid development cost to Chinney Construction amounted to HK$194,085,000 (2018: Nil).

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**14,619**	12,524
Post-employment benefits	**608**	560
	15,227	13,084

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customer deposits, trade payables and accrued liabilities, the current portion of interest-bearing bank borrowings, current portion of lease liabilities and a balance with an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the non-current portion of interest-bearing bank borrowings and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 September 2019 was assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets measured at fair value as at 30 September 2019 and 31 March 2019.

The Group did not have any financial liabilities measured at fair value as at 30 September 2019 and 31 March 2019. As at 30 September 2019, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings (non-current portion) of HK$4,221,013,000 (as at 31 March 2019 (audited): HK$3,920,286,000) and lease liabilities (non-current portion) of HK$17,866,000. The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities of the Group.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 27 November 2019.