GROUND INTERNATIONAL
广泽国际

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

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

2019/20
Interim Report
中 期 報 告

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CUI Xintong *(Chairperson)*
LIU Hongjian

Non-executive Director

CONG Peifeng

Independent Non-executive Directors

TSANG Hung Kei *(appointed on 30 April 2019)*
WANG Xiaochu
ZHU Zuoan

BOARD COMMITTEES

Audit Committee

TSANG Hung Kei *(appointed on 30 April 2019)* *(Chairperson)*
WANG Xiaochu
ZHU Zuoan

Remuneration Committee

CUI Xintong *(Chairperson)*
TSANG Hung Kei *(appointed on 30 April 2019)*
WANG Xiaochu
ZHU Zuoan

Nomination Committee

ZHU Zuoan *(Chairperson)*
CUI Xintong
TSANG Hung Kei *(appointed on 30 April 2019)*
WANG Xiaochu

COMPANY SECRETARY

NG Man Kit Micky

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

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PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

Michael Li & Co.

AUDITORS

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial Bank Co., Ltd.

STOCK CODE

989

Management Discussion and Analysis

OVERVIEW AND OUTLOOK

In recent months of 2019/2020 financial year, the macro economies around the world have been filled with more uncertainties caused not only by the circumstances of prolonged and unresolved Sino US trade war as well as BREXIT, but also the social incidents in Hong Kong and elsewhere in the world. In the era of globalization, economies at national and regional levels are somewhat inter-related and therefore are subject to adverse impact by each other. The year-on-year gross domestic product growth in the People's Republic of China (the "PRC") is expected to maintain a rate of 6% which hits the lowest since 1992. Many other economies in Europe and other emerging markets are also expected to be weakened as a result of the above-mentioned uncertainties.

For the property development sector, various cooling measures adopted by the PRC government are still in force. Moreover, with the continuously tightened financing environment, property developers will continue to increase sales and its collectability, and cautiously in acquiring new land bank. Nevertheless, there remains a market demand for residential properties from the public, and there remains many opportunities in residential development.

In the PRC, following the burst of P2P financing platform bubble as well as the significant decrease in the number of micro-finance enterprises, the financial service sector is facing many challenges. Notwithstanding, the PRC government has encouraged financial institutions to support small and medium enterprises ("SMEs") and the "Three Rural" (三農) by the provision of financing at a low cost; and the financing guarantee companies have been playing an important role to bridge the financial institutions and the SMEs/三農. However, at the same time, the financing guarantee companies are exposed to increase in credit risks.

Based on a report issued by China Tourism Academy, the cultural tourism sector in the PRC has seen a general gradual growth in terms of number of tourists and related income, at a rate of 8.8% and 13.5% during the first half of 2019 as compared to the corresponding period in 2018. Weekend getaways and 3-hour short to medium travel circle (including High-speed rail or self-drive tour to surrounding cities and suburbs) become popular. Nevertheless, development of cultural tourism project requires intensive capital and that the investment payback period tends to be long. With the tightening in supply of financing in the PRC, cultural tourism project development has also significantly raised the bar; and set high requirements in developer's financing ability and management experience.

Management Discussion and Analysis

OVERVIEW AND OUTLOOK (continued)

Given all of the above, the board of directors (the "Board") of the Company has been re-visiting the feasibility of the Group's growth model of "one primary sector as supplemented by two" (一主兩輔). On one hand, the Board looks at the macro-view as well as the industry-related factors; and on the other, it takes into consideration the current financial position, cash flows and financial performance of the Group.

The preliminary results of the assessment by the Board are that, for the cultural tourism sector where it involves intensive capital and a long payback period, the Group's management should carefully determine the development pace based on the specific conditions of the projects as well as the Group's financial position and management team. At the same time, it will not rule out the possibility of looking out for a suitable business partner in this sector for co-operation or divestment. For the property development sector, the Group will focus on the development and sales of residential and commercial properties, which enables the Group to generate quick and stable income and cash flows; and gradually improve its financial position. In addition, the Group will also pay attention to potential featured property projects to enhance its profitability. From the industry perspective, property development remains to have a demand by the public and the credit risk tends to be lower. The Group will not rule out the possibility of any merger and acquisitions; so as to benefit from the Group's structural optimization and become more market-orientated.

Having considered the risk exposure of the financing guarantee business, the income contribution to and the existing financial position of the Group, the management will be more cautious in controlling business risks and reducing expansion in new business and instead, will keep looking for an opportunity to divest.

For the Group's investment property portfolio, it consists of the office premises in Kowloon Bay, Hong Kong and the shopping malls in Baishan City, the PRC. The Group's management continuously monitors the operating performance and net investment return of these properties. In the event that the operating performance of any of these properties does not meet with the Group's expectation and/or there exists any potential buyer to acquire the property, the Group's management will assess the cost and benefits for the Board's consideration to make the appropriate decision, with an aim to benefit the Group as a whole and to maximise shareholders' value. As of 30 September 2019, the Group's Hong Kong investment properties in Kowloon Bay have a rental yield of approximately 3%; however, it is pledged against a bank loan, which the rental income is no longer able to cover the related interest expenses. Having taken into account of the various factors including but not limited to the operating performance, the uncertainty surrounding Hong Kong as well as the upside from its original investment cost, the Board considers appropriate to make an exit plan from this investment. Accordingly, the Group's management has commenced seeking for potential buyer.

BUSINESS REVIEW

For the six months ended 30 September 2019, overall revenue of the Group was approximately RMB65.1 million (six months ended 30 September 2018: RMB142.5 million), representing a decrease of 54.3%. Gross profit was RMB19.4 million (six months ended 30 September 2018: RMB31.6 million). Net loss after tax was RMB439.5 million (six months ended 30 September 2018: net profit after tax was RMB10.5 million).

Property development

Contracted sales

For the six months ended 30 September 2019, the Group continued its sales of the remaining high-end villas, other residential units and commercial units at Guangze • Tudors Palace, "緹香" and "花香四季" (previously known as Wansheng • Qiancheng International), Guangze • Amethyst City (all of which are located at Jilin City, Jilin Province), and Guangze Red House located at Yanji City, Jilin Province.

Properties completed, delivered and sale of properties recognised during the six months ended 30 September 2019

For the six months ended 30 September 2019, the sales of properties (excluding car parks) decreased by 78.9% and recognised GFA decreased by 66.9% main due to the fact that fewer units of the completed property projects were delivered in the current period. For the six months ended 30 September 2019, the sale of properties (excluding car parks) related to the remaining units of the property projects that were completed in the previous years, mainly contributed from the sales of Guangze • Tudors Palace, Guangze • Amethyst City and Guangze Red House Phase II of RMB9.5 million, RMB1.8 million and RMB5.5 million, respectively and with an aggregate GFA of 2,159 sq.m recognised.

For the six months ended 30 September 2018, the Group recognised property sales with respect to the property project of Guangze • Tudors Palace, Guangze • Amethyst City and Guangze Red House Phase II of RMB14.6 million, RMB14.5 million and RMB14.5 million respectively.

For the six months ended 30 September 2019, the Group delivered and recognised sale of car park units of approximately RMB3.8 million from the sale of 30 car park units (six months ended 30 September 2018: RMB43 million from the sale of 235 car park units).

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development

As at 30 September 2019, the Group had two remaining projects at various stages of development, including an estimated GFA of projects under development of approximately 213,729.6 sq.m., and an estimated GFA of project held for future development of approximately 547,977 sq.m.

The projects under development include a residential project in Baishan City under Guangze China House Phase II and a tourism project in Fusong County under Changbaishan Ground Pine Township International Resort — Phase I. The project held for future development is referred to the remaining land parcels under Changbaishan Ground Pine Township International Resort.

As disclosed in the section headed "OVERVIEW AND OUTLOOK", the Group's management will carefully determine the development pace of the projects as well as the Group's financial position and will not rule out the possibility of looking for a suitable business partner for cooperation and divestment.

Property investment

As at 30 September 2019, the Group had two investment properties, one being office premises and car parks in Kowloon Bay, Hong Kong and the other being a shopping centre in Baishan City, the PRC. During the period, the Hong Kong property market suffered from the social incident resulting in a deterioration of market sentiment. This led to a net loss of RMB30.4 million on the fair value change of investment properties in Hong Kong despite a full occupancy during the period. The property market in Baishan City, Jilin Province remained stable, the occupancy rate was improved due to the continuous emphasis put on the enhancement of tenants mix by the management.

			Six months ended 30 September	
			2019	2018
Name of the property	**Location of the property**	**Total leasable area**	**Occupancy rate**	Occupancy rate
Enterprise Square	Kowloon Bay, Hong Kong	40,505 sq.ft.	**100.0%**	100%
Guangze International Shopping Centre (廣澤國際購物中心)	Baishan City, the PRC	26,235 sq.m	**94.2%**	92.9%

BUSINESS REVIEW (continued)

Financial services

Provision of guarantee services

For the six months ended 30 September 2019, the revenue and net loss of the Group from provision of guarantee services were RMB11.5 million and RMB101.6 million respectively (six months ended 30 September 2018: revenue of RMB9.4 million and net profit of RMB13.5 million respectively). As at 30 September 2019, the Group's total outstanding guarantees were RMB2,068.3 million, of which the property development and agriculture sectors accounted for 25% and 55% of the Group's outstanding guarantees, respectively. The outstanding guarantees issued in respect of the agricultural sector as compared to the total issued have increased from 47% as at 31 March 2019 to 55% as at 30 September 2019 following the government support on SMEs and the "Three Rural".

(Expressed in RMB'000, unless otherwise stated)	As at 30 September 2019
Provision rate	**1.4%**
Provision for guarantee losses	**29,753**
Total outstanding guarantees	**2,068,320**

Management Discussion and Analysis

FINANCIAL REVIEW

Key changes to profit or loss

Revenue

Sales of properties remained the major source of income for the Group accounting for 34% of the Group's total revenue for the six months ended 30 September 2019 (six months ended 30 September 2018: 74%). The analysis of the Group's revenue is as follows:

	Six months ended 30 September 2019		Six months ended 30 September 2018	
	RMB'000	**%**	RMB'000	%
Sale of properties	**22,237**	**34**	105,548	74
Rental income	**13,125**	**20**	12,676	9
Property management service income	**18,241**	**28**	14,852	10
Guarantee fee income	**11,504**	**18**	9,386	7
	65,107	**100**	142,462	100

The Group's revenue decreased from RMB142.5 million for the six months ended 30 September 2018 to RMB65.1 million for the six months ended 30 September 2019 or an decrease by 54.3%, mainly caused by the decrease in sale of properties by 79% or RMB83.8 million as compared with the corresponding period. The decrease in sales of properties during the six months ended 30 September 2019 was attributable to the decrease in sales and delivery of remaining units of the property projects. For the six months ended 30 September 2019, the sales of properties (excluding car parks) related to the remaining units of the property projects that were completed in the previous year, mainly contributed from the sales of Guangze • Tudors Palace, Guangze • Amethyst City and Guangze Red House Phase II of RMB9.5 million, RMB1.8 million and RMB5.5 million, respectively.

During the six months ended 30 September 2018, the Group sold remaining units of the property projects of Guangze • Tudors Palace, Guangze • Amethyst City and Guangze Red House Phase II of RMB14.6 million, RMB14.5 million and RMB14.5 million, respectively.

On the other hand, sales of car parks decreased from RMB43 million for the six months ended 30 September 2018 to RMB3.4 million for the six months ended 30 September 2019.

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Revenue (continued)

The rental income and property management service income increased from RMB12.7 million and RMB14.9 million for the six months ended 30 September 2018 to RMB13.1 million and RMB18.2 million for the six months ended 30 September 2019 due to the change in tenants mix for the investment properties and the increase in number of managed units.

The financial services segment contributed a guarantee fee income of RMB11.5 million (six months ended 30 September 2018: RMB9.4 million) to the Group's total revenue during the six months ended 30 September 2019 as a result of increase in financing guarantees issued.

Gross profit and gross margin

The Group's overall gross profit has decreased from RMB31.6 million for the six months ended 30 September 2018 to RMB19.4 million for the six months ended 30 September 2019 mainly attributable to the decrease in sales of properties; however, the gross profit margin has improved from 22.1% for the six months ended 30 September 2018 to 29.8% for the six months ended 30 September 2019. Such improvement in the Group's overall gross profit margin was attributable to the increase in rental income and property management service income.

Other income and gains

The Group's other income and gains decreased from RMB20.4 million for the six months ended 30 September 2018 to RMB8.3 million for the six months ended 30 September 2019 which was mainly attributable to the dividend income of RMB7.8 million recognised for the six months ended 30 September 2018 and no such gain for the current period.

Selling and distribution costs

The increase in selling and distribution costs by RMB20.6 million from RMB10.3 million for the six months ended 30 September 2018 to RMB30.9 million for the six months ended 30 September 2019 was mainly due to the increase in the provision for guarantee loss of RMB27.3 million relating to the financing guarantee business as a result of certain customers' credit rating worsened giving rise to a significant increase in credit risk of these customers.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Administrative expenses

The decrease in administrative expenses by RMB5.4 million from RMB28.7 million for the six months ended 30 September 2018 to RMB23.3 million for the six months ended 30 September 2019 was mainly contributed by continual cost control implemented on the Group.

Finance costs

	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Interest on bank loans	**35,018**	28,456
Interest on Convertible Bonds	**3,536**	3,063
Interest on other loans	**–**	2,452
Interest on lease liabilities	**1,761**	–
Other borrowing costs from customers accrued on receipt in advance	**9,847**	6,106
	50,162	40,077
Less: interest capitalised into properties under development	**(16,998)**	(29,358)
	33,164	10,719

The increase in finance costs by RMB22.5 million from RMB10.7 million for the six months ended 30 September 2018 to RMB33.2 million for the six months ended 30 September 2019 was mainly attributable to less interests were qualified for capitalisation as a result of the suspension of the property project, namely Changbaishan Ground Pine Township International Resort, in Fusong County, the PRC, details of which are set out in section headed "Properties under development and completed properties held for sale" under Financial Review section.

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Other expenses

The significant increase in other expenses by RMB412.5 million from RMB3.1 million for the six months ended 30 September 2018 to RMB415.6 million for the six months ended 30 September 2019 was mainly attributable to (i) the impairment losses of RMB81.2 million made on entrusted loan receivables, details of which are set out in note (iv) under section headed "Trade and other receivables" under Financial Review section; and (ii) the provision of properties under development held for sale of RMB300 million made in respect of the property project in Fusong County, the PRC, details of which are set out in section headed "Properties under development and completed properties held for sale" under Financial Review section.

Change in fair value of investment properties

A loss in fair value of RMB30.4 million of the investment properties in Hong Kong was recognised for the six months ended 30 September 2019 (six months ended 30 September 2018: a gain in fair value of RMB20.2 million) due to the Hong Kong property market sentiment deterioration caused by the social incidents in Hong Kong.

Change in fair value of derivative financial instruments

A loss in fair value of RMB3.0 million of the derivative financial instruments was recognised for the six months ended 30 September 2019 (six months ended 30 September 2018: loss in fair value of RMB2.0 million). The derivative financial instruments represented the Company's early redemption right features of the convertible bonds which are due on 27 July 2021. The change in fair value was mainly attributable to the volatility of the Company's share price and deterioration of the time value.

Income tax

The Group's current income tax includes Corporate Income Tax (CIT) and Land Appreciation Tax (LAT). For the six months ended 30 September 2019, the Group's current income tax amounted to RMB0.9 million (six months ended 30 September 2018: RMB6.6 million). The decrease in CIT and LAT for the six months ended 30 September 2019 was mainly due to decrease in taxable income as fewer properties units were delivered and sales recognised during the period. A tax credit from deferred tax of RMB70.1 million was recorded for the six months ended 30 September 2019 (six months ended 30 September 2018: tax charge of RMB0.2 million) was mainly attributable by the reversal of deferred tax liabilities during the period.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items

Investment properties

As at 30 September 2019, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer). A loss in fair value of RMB30.4 million of the investment properties in Hong Kong was recognised for the six months ended 30 September 2019 (six months ended 30 September 2018: a gain in fair value of RMB20.2 million).

Properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sales are located in Jilin Province. The decrease in properties under development and completed properties held for sales from RMB2,576.6 million as at 31 March 2019 to RMB2,268.1 million as at 30 September 2019 was mainly attributable to the write-down of properties under development of Changbaishan Ground Pine Township International Resort by RMB300 million during the period. This was caused by the Group's management reassessment of the current changes in the project pace and surrounding prospect, as well as the feasibility and sustainability of the project, the results of which are not the same as previously expected. Accordingly, the Board decided to suspend the project and to look for a potential business partner for co-operation or for divestment.

Against the background above, the Group appointed Savills Valuation and Professional Services Limited ("Savills"), an independent property valuer, to carry out a valuation on the project, on the bases that (i) the project is to sell the land parcel on a "bare land" basis; and (ii) the project will be available for immediate sale within six months ("Sales Period").

The results of the valuation by Savills came to appraised values of (i) RMB1,650 million on "bare land" basis and (ii) RMB1,155 million on the Sales Period basis as of 30 September 2019. Based on these two appraised values, management made further judgement and estimation taking into account that (i) the Sales Period has already passed two months since the valuation date; and (ii) the various discussions held with several potential business partners in respect of proposed divestment of the project; and it came to an estimated net realizable value of the project of approximately RMB1,355 million (that is a write-down of RMB300 million).

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Trade and other receivables

	Notes	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Trade receivables		**24,102**	25,185
Less: provision for impairment of trade receivables		**(4,060)**	(4,138)
	(i)	**20,042**	21,047
Other receivables			
— Deposits for land development expenditure	(ii)	**350,779**	352,612
— Deposits for construction and pre-sale of property projects	(iii)	**33,847**	39,984
— Prepaid business tax and other taxes		**28,031**	33,369
— Entrusted loan receivables	(iv)	**286,421**	410,075
— Other receivables, prepayments and deposits		**62,783**	87,185
		761,861	923,225
		781,903	944,272

(i) The trade receivables remained stable from RMB21.0 million as at 31 March 2019 to RMB20.0 million as at 30 September 2019.

(ii) Land development expenditure made by certain subsidiaries of the Group represented monies advanced to the local government for land development works at various land sites. The Directors anticipate that these land sites will be acquired through the tender, auction and listing process which will take place in 2020.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Trade and other receivables (continued)

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

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

	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Gross carrying amounts	**383,662**	426,075
Less: provision for impairment	**(97,241)**	(16,000)
	286,421	410,075

The decrease in the balance from RMB410.1 million as at 31 March 2019 to RMB286.4 million as at 30 September 2019 was primarily attributable to impairment losses of RMB81.2 million made on certain entrusted loan receivables as the related borrowers' credit ratings have worsened; and also a net repayment of RMB42.4 million made.

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Trade and other receivables (continued)

The credit risk exposure on the entrusted loan receivables as at 30 September 2019 is as follows:

As at 30 September 2019

Internal credit rating	**Gross carrying amounts RMB'000**	**Expected loss rate %**	**ECL**	**Provision for impairment RMB'000**
Performing	**152,325**	**2%–4%**	**12-month**	**4,706**
Underperforming	**231,337**	**40%–70%**	**12-month**	**92,535**
	383,662			**97,241**

As at 31 March 2019

Internal credit rating	Gross carrying amounts RMB'000	Expected loss rate %	ECL	Provision for impairment RMB'000
Performing	410,075	1.5%–3%	12-month	11,200
Underperforming	16,000	30%–60%	12-month	4,800
	426,075			16,000

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Trade and other receivables (continued)

The movement of entrusted loan receivables by internal credit rating during the six months ended 30 September 2019 is as follows:

	Performing	Underperforming	Total
	RMB'000	RMB'000	RMB'000
At 31 March 2019	410,075	16,000	426,075
Granted	7,750	–	7,750
Repaid	(50,142)	(21)	(50,163)
Transferred	(215,358)	215,358	–
At 30 September 2019	152,325	231,337	383,662

As at 30 September 2019, the underperforming entrusted loan receivables included five corporate borrowers and one individual borrower (31 March 2019: one corporate borrower) which are all independent to the Group. These entrusted loan receivables were in the respective principal amounts ranging from RMB16 million to RMB52 million with fixed interest rates at 6%–18% per annum; and each of the entrusted loan receivables was granted for a loan period of not exceeding 12 months and all were unsecured. During the six months ended 30 September 2019, five of these loans were transferred from performing category to underperforming category as a result of these loans becoming over four months overdue; and the management of FR Guarantee has commenced internal collection procedures in expediting the collection of these loans, including but not limit to negotiation with each of the borrowers for repayment schedule and on-site monitoring of the borrowers' operation. In the event the aforementioned debt collection procedures are unsuccessful, the Group will initiate legal proceedings against these borrowers for recovering the loans and also other damages. In addition, the Group has tightened up the authorisation limit and criteria for granting new entrusted loans.

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Trade and other payables

	Notes	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Trade payables	(i)	**75,564**	79,700
Accrued construction costs		**383,019**	440,112
Interest payable		**31,073**	29,534
Deposits received from the government	(ii)	**19,978**	19,978
Provision for guarantee losses	(iii)	**29,753**	15,315
Other creditors and accruals	(iv)	**162,830**	58,197
Other deposits received		**30,014**	40,735
		732,231	683,571

(i) The decrease in trade payables from RMB79.7 million at 31 March 2019 to RMB75.6 million at 30 September 2019 was mainly attributable to more settlement of trade payable balances of the completed properties projects.

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

(iii) The Group through FR Guarantee provided financing guarantees to certain banks in order for its customers to secure bank financing. At the end of the reporting period, a provision for guarantee losses of RMB29,753,000 (31 March 2019: RMB15,315,000) has been made. The carrying amounts approximate their fair values.

(iv) The increase in other creditors and accruals from RMB58.2 million at 31 March 2019 to RMB162.8 million at 30 September 2019 was mainly due to the certain payments made on behalf of the Group by third parties.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of financial position items (continued)

Contract liabilities

	Notes	**As at 30 September 2019 RMB'000**	As at 31 March 2019 RMB'000
Deposits from sales of properties	(i)	**321,596**	253,529
Receipt in advance from management services	(ii)	**10,064**	8,655
Deferred income	(iii)	**21,603**	11,706
		353,263	273,890

(i) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

(ii) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

(iii) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued. The increase in deferred income was attributable to the increase in total outstanding guarantees issued during the period.

Liquidity and financial resources

Cash position

As at 30 September 2019, the carrying amount of cash and bank deposits of the Group was approximately RMB43.6 million (as at 31 March 2019: approximately RMB30.1 million), representing an increase of approximately 44.9% as compared with that as at 31 March 2019.

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing

The Group's bank and other borrowings as at 30 September 2019 decreased by RMB15.3 million to RMB926.4 million which were payable as follows:

	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Current	**727,220**	464,081
Non-current	**199,138**	477,586
	926,358	941,667
Analysed into:		
Bank loans and entrusted loan payable:		
Within one year or on demand	**705,220**	440,891
In the second year	**56,898**	306,896
In the third to fifth years, inclusive	**142,240**	170,690
	904,358	918,477
Other borrowings repayable:		
Within one year	**22,000**	23,190
	926,358	941,667

The current portion of bank and other borrowings increased from RMB464.1 million as at 31 March 2019 to RMB727.2 million as at 30 September 2019 and the non-current portion of bank and other borrowing decreased from RMB477.6 million as at 31 March 2019 to RMB199.1 million as at 30 September 2019 as the non-current portion as at 31 March 2019 was reclassified as current portion during the period.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The Group's gearing ratio as at 30 September 2019 was as follows:

	At 30 September 2019 RMB'000	At 31 March 2019 RMB'000
Loans from a controlling shareholder	**162,214**	149,065
Bank and other borrowings	**926,358**	941,667
Trade and other payables	**732,231**	683,571
Less: Cash and cash equivalents	**(43,571)**	(30,064)
Pledged and restricted deposits	**(227,823)**	(189,055)
Net debt	**1,549,409**	1,555,184
Liability component of Convertible Bonds	**69,762**	62,962
Equity	**1,804,644**	2,328,311
Adjusted capital	**1,874,406**	2,391,273
Capital and net debt	**3,423,815**	3,946,457
Gearing ratio	**45%**	39%

The gearing ratio of the Group as at 30 September 2019 increased when compared with 31 March 2019, which was mainly attributable to the increase in provision for guarantee losses which was included in the trade and other payables; and the decrease in equity contributed by the loss for the six months ended 30 September 2019.

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Cash flows for the Group's operating and investing activities

For the six months ended 30 September 2019, the Group recorded net operating cash inflow of RMB4.9 million (six months ended 30 September 2018: outflow of RMB136.1 million). The inflow was mainly attributable to the pre-sales of properties during the six months ended 30 September 2019 and partly offset by the increase in restricted bank deposits under provision of financing guarantee services during the six months ended 30 September 2019. For investing activities, the Group recorded a cash inflow of RMB45.0 million (six months ended 30 September 2018: outflow of RMB14.1 million). The inflow was mainly as a result of the receipt of entrusted loans advanced to independent third parties.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 30 September 2019, the Group did not have any contracted but not provided for commitments in respect of properties under development (31 March 2019: RMB23.6 million) and the development expenditure was prepaid and funded by the Group's internal resources and/or project loans.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2019, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). As at 30 September 2019, approximately 0.8% (31 March 2019: 3.4%) of the Group's total cash and bank balance (including pledged bank deposits) were denominated in HK$ and approximately 26.9% of the Group's total borrowings were denominated in HK$ (31 March 2019: 26.4%). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

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

Management Discussion and Analysis

CHARGE ON ASSETS

As at 30 September 2019, the Group had the following assets pledged against bank and other loans granted:

	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Investment properties	**988,018**	997,531
Properties under development and completed properties held for sale	**1,392,570**	1,668,625

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had 259 (31 March 2019: 285) full-time staff. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2019 amounted to approximately RMB10.6 million (six months ended 30 September 2018: RMB14.0 million). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including share options, discretionary bonus, training allowance and provident fund.

Report on Review of Interim Financial Information

MAZARS

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To the board of directors of
Ground International Development Limited
(incorporated in the Bermuda with limited liability)

We have reviewed the interim financial information of Ground International Development Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 25 to 65 which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34 issued by the HKICPA. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the HKAS 34 "Interim Financial Reporting".

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 27 November 2019

Chan Wai Man
Practising Certificate number: P02487

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue	5(a)	**65,107**	142,462
Cost of sales and services		**(45,674)**	(110,911)
Gross profit		**19,433**	31,551
Other income and gains	5(b)	**8,256**	20,417
Selling and distribution costs		**(30,921)**	(10,256)
Administrative expenses		**(23,253)**	(28,743)
Finance costs	6	**(33,164)**	(10,719)
Other expenses		**(415,559)**	(3,085)
Change in fair value of investment properties		**(30,419)**	20,152
Change in fair value of derivative financial instruments		**(3,045)**	(1,989)
(Loss)/profit before tax	7	**(508,672)**	17,328
Income tax	8	**69,175**	(6,791)
(Loss)/profit for the period		**(439,497)**	10,537
Attributable to:			
Owners of the parent		**(439,497)**	10,537
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	9		
Basic		**(8.33) Cents**	0.20 Cent
Diluted		**(8.33) Cents**	0.15 Cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE PERIOD	**(439,497)**	10,537
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(48,170)**	(11,514)
	(48,170)	(11,514)
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	**–**	(30,261)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(48,170)**	(41,775)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(487,667)**	(31,238)
Attributable to:		
Owners of the parent	**(487,667)**	(31,238)

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,968**	8,597
Investment properties	11	**988,018**	997,531
Goodwill		**4,999**	4,999
Right-of-use assets		**40,345**	–
Deferred tax assets		**61,811**	62,653
Total non-current assets		**1,103,141**	1,073,780
CURRENT ASSETS			
Properties under development and completed properties held for sale	12	**2,268,120**	2,576,578
Trade and other receivables	13	**781,903**	944,272
Prepaid income tax		**17,683**	12,088
Derivative financial instruments	19	**2,046**	4,837
Pledged and restricted deposits	14	**227,823**	189,055
Cash and cash equivalents	14	**43,571**	30,064
Total current assets		**3,341,146**	3,756,894
CURRENT LIABILITIES			
Trade and other payables	15	**732,231**	683,571
Contract liabilities	16	**353,263**	273,890
Lease liabilities		**18,560**	–
Loans from a controlling shareholder	17	**162,214**	149,065
Bank and other borrowings	18	**727,220**	464,081
Income tax payable		**73,539**	75,869
Total current liabilities		**2,067,027**	1,646,476
NET CURRENT ASSETS		**1,274,119**	2,110,418
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,377,260**	3,184,198

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2019

	Notes	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	18	**199,138**	477,586
Liability component of the Convertible Bonds	19	**69,762**	62,962
Deferred tax liabilities		**244,325**	315,339
Lease liabilities		**23,391**	–
Total non-current liabilities		**536,616**	855,887
Net assets		**1,840,644**	2,328,311
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	**228,370**	228,370
Convertible preference shares	21	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	19	**40,368**	40,368
Reserves		**389,966**	877,633
Total equity		**1,840,644**	2,328,311

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019 — unaudited

				Reserves										
	Share capital RMB'000 (Note 20)	Convertible preference shares RMB'000 (Note 21)	Equity component of the Convertible Bonds RMB'000 (Note 19)	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Recycling fair value reserve RMB'000	Non-recycling fair value reserve RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 2018	228,335	1,181,940	40,368	3,534,137	2,053	184,684	24,311	5,351	–	(3,304,013)	35,802	331,591	813,916	2,264,559
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	(5,351)	5,351	–	–	–	–	–
At 1 April 2018 (adjusted)	228,335	1,181,940	40,368	3,534,137	2,053	184,684	24,311	–	5,351	(3,304,013)	35,802	331,591	813,916	2,264,559
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	10,537	10,537	10,537
Other comprehensive income for the period														
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(30,261)	–	–	–	(30,261)	(30,261)
Exchange differences arising from foreign operations	–	–	–	–	(11,514)	–	–	–	–	–	–	–	(11,514)	(11,514)
Total comprehensive income for the period	–	–	–	–	(11,514)	–	–	–	(30,261)	–	–	10,537	(31,238)	(31,238)
Issuance of shares upon exercise of shares options	35	–	–	1,002	–	–	(351)	–	–	–	–	–	651	686
Equity-settled share-based share option arrangements	–	–	–	–	–	–	86	–	–	–	–	–	86	86
Forfeiture of share options	–	–	–	–	–	–	(42)	–	–	–	–	42	–	–
At 30 September 2018	228,370	1,181,940	40,368	3,535,139	(9,461)	184,684	24,004	–	(24,910)	(3,304,013)	35,802	342,170	783,415	2,234,093
At 1 April 2019	228,370	1,181,940	40,368	3,535,139	33,400	184,684	24,558	–	–	(3,245,631)	65,871	279,612	877,633	2,328,311
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	(439,497)	(439,497)	(439,497)
Other comprehensive income for the period														
Exchange differences arising from foreign operations	–	–	–	–	(48,170)	–	–	–	–	–	–	–	(48,170)	(48,170)
Total comprehensive income for the period	–	–	–	–	(48,170)	–	–	–	–	–	–	(439,497)	(487,667)	(487,667)
At 30 September 2019	228,370	1,181,940	40,368	3,535,139	(14,770)	184,684	24,558	–	–	(3,245,631)	65,871	(159,885)	389,966	1,840,644

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019 — unaudited

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash generated from (used in) operations	**52,680**	(85,252)
Interest received	**228**	135
Interest paid	**(45,669)**	(30,908)
Tax paid:		
— PRC corporate income tax paid	**(1,210)**	(17,885)
— PRC land appreciation tax paid	**(1,087)**	(2,186)
Net cash flows from (used in) operating activities	**4,942**	(136,096)
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**–**	(1,470)
Proceeds from disposal of items of property, plant and equipment	**–**	820
Dividend income received, net	**–**	7,034
Redemption of receivable investment	**–**	310,000
Interest received from receivable investment and entrusted loans	**2,545**	23,059
Decrease (increase) in entrusted loan receivables, net	**42,413**	(339,946)
Decrease in pledged bank deposits	**–**	(13,608)
Net cash flows from (used in) investing activities	**44,958**	(14,111)
FINANCING ACTIVITIES		
Proceeds from shares issued under share option scheme	**–**	686
Proceeds from new bank loans	**36,989**	356,478
Repayment of bank loans	**(66,903)**	(324,881)
Repayment of other loans	**(1,190)**	(14,391)
Proceeds from the controlling shareholder's loan	**8,105**	119,011
Payment on lease liabilities	**(13,812)**	–
Net cash flows (used in) from financing activities	**(36,811)**	136,903
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**13,089**	(13,304)
Cash and cash equivalents at the beginning of the period	**30,064**	64,220
Effect of foreign exchange rate changes, net	**418**	755
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**43,571**	51,671

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Ground International Development Limited (the "Company", together with its subsidiaries referred to as the "Group") is a limited liability company incorporated in Bermuda. Its registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 September 2019 (the "Interim Financial Information") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2019, except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") for the first time on 1 April 2019 as set out in note 3 to the condensed consolidated financial statements.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2019.

3. CHANGE IN ACCOUNTING POLICIES

3.1 New HKFRSs adopted

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

The Group applies, for the first time, HKFRS 16 *Leases*. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time for the period commencing on 1 April 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows applying HKAS 7.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the financial impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 April 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the periods from 1 April 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts at 1 April 2019 in equity.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	RMB'000
Operating lease commitment at 31 March 2019 and gross lease liabilities at 1 April 2019	52,813
Less: short-term leases to be expired within twelve months	(486)
	52,327
Discounting	(5,027)
Lease liabilities at 1 April 2019 upon initial application of HKFRS 16	47,300

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.1 New HKFRSs adopted (continued)

The adjustments resulted from the initial application of HKFRS 16 at 1 April 2019 are set out below. The prior period amounts were not adjusted.

	Increase/ (decrease) (unaudited) RMB'000
Assets	
Right-of-use assets	47,300
	47,300
Liabilities	
Lease liabilities	
— Current	24,129
— Non-current	23,171
	47,300

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rates of 4.7% and 7.0% at the date of initial application for those leases located in Hong Kong and the PRC respectively.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

Notes to the Condensed Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICIES (continued)

3.2 New and revised HKFRSs not yet adopted

The following new standards have been issued but is not yet effective for the financial year beginning on 1 April 2019 and has not been adopted by the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material*
Amendments to HKFRS 3	Definition of Business**

* Effective for annual periods beginning on or after 1 January 2020

** Effective for acquisition that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

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

4. OPERATING SEGMENT INFORMATION

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

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

4. OPERATING SEGMENT INFORMATION (continued)

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

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

Segment results and other segment information

For the six months ended 30 September 2019 — unaudited

	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	40,478	13,125	11,504	65,107
Segment results	(329,345)	(34,174)	(101,626)	(465,145)
Bank interest income				228
Finance costs				(33,164)
Change in fair value of derivative financial instruments				(3,045)
Unallocated head office and corporate expenses				(7,546)
Loss before tax				(508,672)
Income tax				69,175
Loss for the period				(439,497)

Notes to the Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 September 2018 — unaudited

	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	120,400	12,676	9,386	142,462
Segment results	(1,410)	13,257	25,734	37,581
Bank interest income				552
Finance costs				(10,719)
Change in fair value of derivative financial instruments				(1,989)
Unallocated head office and corporate expenses				(8,097)
Profit before tax				17,328
Income tax				(6,791)
Profit for the period				10,537

5. REVENUE, OTHER INCOME AND GAINS

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

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

(a) Revenue

	Six months ended 30 September 2019 (unaudited)			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Revenue from contracts with customers within HKFRS 15:				
Sale of properties	22,237	–	–	22,237
Property management service income	18,241	–	–	18,241
Guarantee fee income	–	–	11,504	11,504
	40,478	–	11,504	51,982
Revenue from other sources:				
Rental income	–	13,125	–	13,125
	40,478	13,125	11,504	65,107
Representing geographical markets of:				
The PRC	40,478	8,405	11,504	60,387
Hong Kong	–	4,720	–	4,720
	40,478	13,125	11,504	65,107
Timing of revenue recognition				
— At a point in time	22,237	–	–	22,237
— Over time	18,241	13,125	11,504	42,870
	40,478	13,125	11,504	65,107

Notes to the Condensed Consolidated Financial Statements

5. REVENUE, OTHER INCOME AND GAINS (continued)

(a) Revenue (continued)

	Six months ended 30 September 2018 (unaudited)			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Revenue from contracts with customers within HKFRS 15:				
Sale of properties	105,548	–	–	105,548
Property management service income	14,852	–	–	14,852
Guarantee fee income	–	–	9,386	9,386
	120,400	–	9,386	129,786
Revenue from other sources:				
Rental income	–	12,676	–	12,676
	120,400	12,676	9,386	142,462
Representing geographical markets of:				
The PRC	120,400	8,605	9,386	138,391
Hong Kong	–	4,071	–	4,071
	120,400	12,676	9,386	142,462
Timing of revenue recognition				
— At a point in time	105,548	–	–	105,548
— Over time	14,852	12,676	9,386	36,914
	120,400	12,676	9,386	142,462

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) Other income and gains

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
Interest income	**2,773**	11,691
Gain on disposal of property, plant and equipment	**–**	895
Dividend income	**–**	7,816
Sundry income	**2,223**	15
Other tax refund	**3,260**	–
Total other income and gains	**8,256**	20,417

6. FINANCE COSTS

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
Interest on bank loans	**35,018**	28,456
Interest on Convertible Bonds	**3,536**	3,063
Interest on other loans	**–**	2,452
Interest on lease liabilities	**1,761**	–
Other borrowing costs accrued on receipt in advance from customers	**9,847**	6,106
	50,162	40,077
Less: Interest capitalised into properties under development*	**(16,998)**	(29,358)
Total finance costs	**33,164**	10,719

* The borrowing costs have been capitalised at rates ranging from 5.4% to 8.0% per annum (six months ended 30 September 2018: 5.4% to 8.0% per annum).

Notes to the Condensed Consolidated Financial Statements

7. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
Cost of properties sold	**18,851**	84,253
Cost of services	**13,953**	13,527
Cost of rental**	**12,870**	13,131
Write-down of properties under development to net realisable value*	**300,000**	–
Write-down of completed properties held for sale to net realisable value	**–**	19,052
Depreciation	**13,886**	587
Operating lease charges in respect of office premises and other leased assets under short term leases	**1,021**	1,387
Equity-settled share option expenses	**–**	86
Foreign exchange differences, net	**–**	1
(Reversal)/increase of impairment on		
— Trade receivables*	**(78)**	(77)
— Other receivables*	**114,533**	545
Provision for guarantee losses	**27,317**	1,632

* These items are included in other expenses in the condensed consolidated statements of profit or loss.

** Included in the cost of rental for the six months ended 30 September 2019 was depreciation of the right-of-use assets in respect of certain leased units of the Group's shopping mall in Baishan City, the PRC, in property investment segment of RMB12,870,000 which was also included in the depreciation as disclosed separately above following the adoption of HKFRS 16 (six months ended 30 September 2018: operating lease charges of RMB13,131,000 in respect of certain leased units of the Group's shopping mall in Baishan City, the PRC under HKAS 17 but not included in the depreciation amount).

8. INCOME TAX

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
Current tax		
PRC Corporate Income Tax	**510**	6,142
PRC Land Appreciation Tax	**417**	425
	927	6,567
Deferred tax		
Origination and reversal of temporary differences	**(70,102)**	224
Total (credit) charge	**(69,175)**	6,791

No Hong Kong profits tax has been provided for the six months ended 30 September 2019 and 2018 as the Group's estimated unrecognised tax losses brought forward from previous years exceeded the estimated assessable profits for the period.

PRC Corporate Income Tax ("CIT") has been provided for the six months ended 30 September 2019 and 2018 based on the estimated assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%.

As at 30 September 2019, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB58,590,000 (31 March 2019 (audited): RMB69,193,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect.

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

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

Tax losses of RMB375,577,000 as at 30 September 2019 (31 March 2019 (audited): RMB304,875,000) have not been recognised as deferred tax assets as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Notes to the Condensed Consolidated Financial Statements

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the parent of RMB439,497,000 (six months ended 30 September 2018: profit attributable to owners of RMB10,537,000) for the six months ended 30 September 2019 and the weighted average of 5,273,401,000 shares (six months ended 30 September 2018: 5,272,695,000 shares) in issue during the six months ended 30 September 2019.

The calculation of the diluted (loss)/earnings per share amounts is based on the adjusted loss or profit for the period attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
(Loss)/earnings		
(Loss) profit attributable to owners of the parent	**(439,497)**	10,537
Effect of interest on the liability component of the Convertible Bonds	**3,536**	3,063
Effect of fair value loss on the derivative component of the Convertible Bonds	**3,045**	1,989
Adjusted (loss) profit attributable to owners of the parent	**(432,916)**	15,589

	Number of shares	
	Six months ended 30 September 2019 (unaudited) '000	Six months ended 30 September 2018 (unaudited) '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**5,273,401**	5,272,695
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**1,639,353**(b)	1,639,353
Convertible Bonds	**103,485**(b)	103,485(a)
Share options	**–**(c)	17,035
Weighted average number of ordinary shares (diluted)	**7,016,239**	7,032,568

9. (LOSS)/EARNINGS PER SHARE (continued)

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

(b) Because the diluted loss per share amount was decreased when taking into account of the convertible preference shares and the Convertible Bonds, both had anti-dilutive effect on the basic loss per share amount for the six months ended 30 September 2019. Therefore, the diluted loss per share amount is the same as the basic loss per share amount for the six months ended 30 September 2019.

(c) Because the exercise price of the share options were out of the money compared to the average stock prices of the Company during the six months ended 30 September 2019, the share options had an anti-dilutive effect on the basic loss per share amount for the six months ended 30 September 2019.

10. DIVIDEND

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

11. INVESTMENT PROPERTIES

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
At the beginning of the reporting period	**997,531**	956,000
Net (loss) gain from fair value adjustment	**(30,419)**	20,538
Exchange alignment	**20,906**	20,993
At the end of the reporting period	**988,108**	997,531
Representing:		
The PRC	**660,000**	660,000
Hong Kong	**328,018**	337,531
	988,018	997,531

As at 30 September 2019, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer).

Notes to the Condensed Consolidated Financial Statements

11. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 30 September 2019 using			
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	**Significant observable inputs (Level 2) (unaudited) RMB'000**	**Significant unobservable inputs (Level 3) (unaudited) RMB'000**	**Total (unaudited) RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**988,018**	**988,018**

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	Total (audited) RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	997,531	997,531

During the period, there are no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 September 2018: Nil).

As at 30 September 2019, all of the Group's investment properties with an aggregate carrying amount of RMB998,018,000 (31 March 2019 (audited): RMB997,531,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 to the condensed consolidated financial statements.

12. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	Notes	**30 September 2019 (unaudited) RMB'000**	31 March 2019 (audited) RMB'000
Properties under development	(a)	**1,763,627**	1,942,742
Completed properties held for sale		**857,976**	687,319
		2,621,603	2,630,061
Write-down of properties under development and completed properties held for sale to net realisable value	(b)	**(353,483)**	(53,483)
		2,268,120	2,576,578

(a) As at 30 September 2019, certain of the Group's properties under development and completed properties held for sale with carrying value of RMB1,392,570,000 (31 March 2019 (audited): RMB1,668,625,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 to the condensed consolidated financial statements.

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

	RMB'000
At 1 April 2019 and 31 March 2019 (audited)	53,483
Increase in the write-down	300,000
At 30 September 2019 (unaudited)	353,483

During the six months ended 30 September 2019, the Group wrote down its properties under development by RMB300 million as a result of re-estimation of the net realisable value of a project in Fusong County, the PRC, upon the management reassessment of the project feasibility and sustainability based on current changes in the project pace and surrounding prospect. The Group decided to suspend the project and estimated the net realisable value with the assumption of possible divestment of the entire project in near future.

Notes to the Condensed Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES

	Notes	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Trade receivables		**24,102**	25,185
Less: provision for impairment		**(4,060)**	(4,138)
	(a)	**20,042**	21,047
Other receivables:			
Deposits for land development expenditure	(b)	**350,779**	352,612
Deposits for construction and pre-sale of property projects	(c)	**33,847**	39,984
Prepaid business tax and other taxes		**28,031**	33,369
Entrusted loan receivables	(d)	**286,421**	410,075
Other receivables, prepayments and deposits		**62,783**	87,185
	(a)	**761,861**	923,225
		781,903	944,272

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

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

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Within 30 days	**7,754**	3,672
31 days–180 days	**7,783**	11,338
Over 180 days	**4,505**	6,037
	20,042	21,047

13. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

For trade receivables, the Group has applied the simplified approach and has calculated expected credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In estimating the expected credit losses of other receivables other than deposits, the Group has grouped these other receivables based on same credit risk characteristics and the days past due.

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

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

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

Analysis by methods for assessing allowances for impairment losses

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
12-month ECL		
Gross balance	**383,662**	426,075
Less: provision for impairment	**(97,241)**	(16,000)
	286,421	410,075

The Group's assessment of expected credit loss on entrusted loans are based on the 12-month ECL as all entrusted loans granted cannot exceed a loan period of twelve months. The Group performed post-transaction monitoring procedures to ensure the recoverability of the entrusted loans. As at 30 September 2019, a provision for impairment of RMB97,241,000 has been made (31 March 2019 (audited): RMB16,000,000). The additional provision for impairment made during the six months ended 30 September 2019 was attributable to the increase in significant credit risks of certain Borrowers with their worsening credit ratings.

Notes to the Condensed Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES (continued)

(d) (continued)

The credit risk exposure on the entrusted loan receivables as at 30 September 2019 is as follows:

As at 30 September 2019 — unaudited

Internal credit rating	**Gross carrying amounts RMB'000**	**Expected loss rate %**	**ECL**	**Provision for impairment RMB'000**
Performing	**152,325**	**2%–4%**	**12-month**	**4,706**
Underperforming	**231,337**	**40%–70%**	**12-month**	**92,535**
	383,662			**97,241**

As at 31 March 2019 — audited

Internal credit rating	Gross carrying amounts RMB'000	Expected loss rate %	ECL	Provision for impairment RMB'000
Performing	410,075	1.5%–3%	12-month	11,200
Underperforming	16,000	30%–60%	12-month	4,800
	426,075			16,000

14. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	**30 September 2019 (unaudited) RMB'000**	31 March 2019 (audited) RMB'000
Cash and bank balances		**271,394**	219,119
Less: Restricted bank deposits under pre-sale of properties	(a)	**(25,427)**	(22,693)
Restricted bank deposits under provision of financing guarantee services	(b)	**(202,396)**	(166,362)
Cash and cash equivalents		**43,571**	30,064

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

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

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB271,035,000 (31 March 2019 (audited): RMB212,104,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to the Condensed Consolidated Financial Statements

15. TRADE AND OTHER PAYABLES

	Notes	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Trade payables	(a)	**75,564**	79,700
Accrued construction costs		**383,019**	440,112
Interest payable		**31,073**	29,534
Deposits received from the government	(b)	**19,978**	19,978
Provision for guarantee losses	(c)	**29,753**	15,315
Other creditors and accruals		**162,830**	58,197
Other deposits received		**30,014**	40,735
		732,231	683,571

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

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Within 30 days	**19,615**	54,092
31 days–180 days	**38,960**	22,672
Over 180 days	**16,989**	2,936
	75,564	79,700

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

(c) The Group provides financing guarantees to certain banks in order for its customers to secure bank financing. At the end of the reporting period, a provision for guarantee losses of RMB29,753,000 (31 March 2019 (audited): RMB15,315,000) has been made. The carrying amounts approximate their fair values.

16. CONTRACT LIABILITIES

	Notes	**30 September 2019 (unaudited) RMB'000**	31 March 2019 (audited) RMB'000
Deposits from sales of properties	(a)	**321,596**	253,529
Receipt in advance from management services	(b)	**10,064**	8,655
Deferred income	(c)	**21,603**	11,706
		353,263	273,890

(a) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

(b) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

(c) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued.

17. LOANS FROM A CONTROLLING SHAREHOLDER

Loans from a controlling shareholder is unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

18. BANK AND OTHER BORROWINGS

	Notes	**30 September 2019 (unaudited) RMB'000**	31 March 2019 (audited) RMB'000
Current			
Bank loans — unsecured	(i)	**–**	29,000
Bank loans — secured	(ii)	**605,220**	311,891
Other loans — unsecured	(iii)	**22,000**	23,190
Entrusted loan	(iv)	**100,000**	100,000
		727,220	464,081
Non-current			
Bank loans — secured	(ii)	**199,138**	477,586
		199,138	477,586
		926,358	941,667

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	**705,220**	440,891
In the second year	**56,898**	306,896
In the third to fifth years, inclusive	**142,240**	170,690
	904,358	918,477
Other loans repayable:		
Within one year	**22,000**	23,190
	926,358	941,667

18. BANK AND OTHER BORROWINGS (continued)

Notes:

(i) Included in the balance as at 31 March 2019 (audited) was the unsecured bank loan of RMB29,000,000 which bore interests at fixed rates of 9.57% per annum. During the six months ended 30 September 2019, this loan was renewed and became a secured bank loan (note ii).

(ii) Included in the secured bank loans as at 30 September 2019 are loan balances of RMB29,000,000 (note i), RMB4,800,000 (31 March 2019 (audited): Nil), RMB70,000,000 (31 March 2019 (audited): RMB70,000,000), HK$273,000,000 (equivalent to approximately RMB248,748,000) (31 March 2019 (audited): HK$290,000,000 (equivalent to approximately RMB248,443,000)), RMB241,810,000 (31 March 2019 (audited): RMB256,034,000) and RMB210,000,000 (31 March 2019 (audited): RMB215,000,000) bearing interests at benchmark interest rate plus margin of 120%, at a fixed rate of 8% per annum, at a fixed rate of 7.6% per annum, at HIBOR plus margin of 2.4%–2.75% per annum, at a fixed interest rate of 5.39% per annum and a fixed rate of 7.125% per annum respectively.

The bank loan of RMB70,000,000 is secured by the 20% equity interests of 吉林省廣澤地產有限公司; and the bank loans of RMB29,000,000, RMB4,800,000, RMB241,810,000, HK$273,000,000 and RMB210,000,000 are secured by pledges of the completed properties held for sales with carrying values of RMB27,448,000 (31 March 2019 (audited): Nil), the completed properties held for sales with carrying values of RMB9,193,000 (31 March 2019 (audited): Nil), the properties under development with carrying values of RMB1,145,883,000 (31 March 2019 (audited): RMB1,410,139,000) and investment properties with fair value of RMB328,018,000 (31 March 2019 (audited): RMB337,531,000) and RMB660,000,000 (31 March 2019 (audited): RMB660,000,000) respectively.

(iii) As at 30 September 2019, the unsecured other loans of RMB22,000,000 (31 March 2019 (audited): RMB23,190,000) of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"), a wholly-owned subsidiary of the Group, are in relation to original borrowing arrangements with twenty nine individual third parties in prior years. All the borrowings were unsecured, bore fixed interest rates ranging from 15% to 42% per annum and were repayable within one year or on demand. Pursuant to the supplemental agreements entered into with these individual third parties on the outstanding loan balance in 2014, these borrowing arrangements became interest free effective from 30 September 2014 and repayable on demand.

(iv) In December 2018, the Group entered into an entrusted loan agreement with a third party and a bank in the PRC, whereby the third party has agreed to provide a loan of RMB100,000,000 through the bank to the Group. The loan is secured by properties under development held by the Group with a carrying amount of RMB210,046,000 (31 March 2019 (audited): RMB258,486,000); and bears interest at a fixed rate of 8% per annum. The entrusted loan is repayable within one year.

(v) Bank loans of RMB194,916,000 (31 March 2019 (audited): RMB187,549,000) with a clause in their terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion are classified as current liabilities even though the directors do not expect that the lender would exercise the rights to demand repayment.

Notes to the Condensed Consolidated Financial Statements

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

CBs due in 2021

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

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

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

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

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

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

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

As at 30 September 2019, the CBs due in 2021 in the principal amount of HK$87,962,612 has not yet been converted.

CBs due in 2018

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Accounting treatment

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

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

On the basis that the conversion options of the Convertible Bonds will be settled by the exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments according to HKAS 32 Financial Instruments: Presentation. The deemed proceeds, after the fair value of the early redemption right features are bifurcated, have been split into between a liability component and an equity component. The residual amount, representing the value of the equity component, is credited to "Equity component of the Convertible Bonds" in the Group's equity attributable to the Company's shareholders.

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

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

Early redemption right features of the Convertible Bonds

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

	RMB'000
At 1 April 2019 and 31 March 2019 (audited)	4,837
Fair value change of derivative financial instruments	(3,045)
Exchange realignment	254
At 30 September 2019 (unaudited)	2,046

Notes to the Condensed Consolidated Financial Statements

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Liability component of the Convertible Bonds

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

	RMB'000
At 1 April 2019 and 31 March 2019 (audited)	62,962
Accrued effective interest	3,536
Accrued coupon interest transferred to interest payable	(804)
Exchange realignment	4,068
At 30 September 2019 (unaudited)	69,762

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

Equity component of the Convertible Bonds

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

	RMB'000
At 1 April 2019 and 31 March 2019 (audited) and 30 September 2019 (unaudited)	40,368

As at 30 September 2019, the remaining principal amounts of the CBs due in 2021 was approximately HK$87,962,612 (equivalent to RMB80,152,000) (31 March 2019 (audited): HK$87,962,612 (equivalent to RMB70,370,090). Should the conversion rights attaching to the CBs due in 2021 be exercised in full, an additional 103,485,427 ordinary shares would have been allotted and issued, which represent approximately 2% of the issued share capital of the Company at 30 September 2019.

20. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	’000	HK$’000	RMB’000
Authorised:			
Ordinary shares of HK$0.05 each	15,600,000	780,000	684,000
Issued:			
Ordinary shares of HK$0.05 each			
At 31 March 2019 (audited)	5,273,401	263,670	228,370
At 30 September 2019 (unaudited)	**5,273,401**	**263,670**	**228,370**

21. CONVERTIBLE PREFERENCE SHARES

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

Key terms of the CPS are as follows:

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

21. CONVERTIBLE PREFERENCE SHARES (continued)

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

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

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

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

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

As at 30 September 2019, 1,639,352,941 CPSs remained outstanding. Should the conversion rights attaching to the remaining 1,639,352,941 CPSs be exercised in full, an additional 1,639,352,941 ordinary shares would have been allotted and issued, which represented approximately 31.1% of the issued share capital of the Company as at 30 September 2019.

22. CONTINGENT LIABILITIES

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

(i) The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 30 September 2019, guarantees amounting to RMB860.6 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2019 (audited): RMB905.1 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loan by the purchasers of properties.

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

(ii) The Group has provided financing guarantee services to certain borrowers to secure obligation of such borrowers for repayments. As at 30 September 2019, an aggregated guarantee amount of RMB2,068.3 million (31 March 2019 (audited): RMB1,433.5 million) was given to financial institutions with respect to these borrowers. Such guarantees will terminate upon the full repayment of loan by the borrowers to the financial institutions, and two years after the obligation under the loan agreement has been fulfilled.

Pursuant to the terms of the guarantees, upon default in loan repayments by these borrowers, the Group is responsible to repay the outstanding loans together with accrued interest to the financial institutions. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the borrowers is remote. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB29.8 million (31 March 2019 (audited): RMB15.3 million) have been made in connection with the guarantees in addition to the deferred income recognised as contract liabilities. Therefore, the Directors expect further losses arising from the guarantees issued to be insignificant.

Notes to the Condensed Consolidated Financial Statements

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
(i) Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
– a motor vehicle	**93**	91
– office premises	**393**	523
Building management fees paid:		
– office premises	**23**	30
	509	644
Guarantee fee income	**481**	215
Guarantees provided	**48,000**	108,000

The related party transactions in respect of rental expenses, building management fees, guarantee fees income and guarantees provided above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The rental expenses and building management fees were exempted from the reporting announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. For the guarantee fees received and guarantees provided, they were subject to the reporting, disclosure the circular and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Further details are set out in the Company's announcement and circular dated 17 July 2019 and 19 August 2019 respectively.

(ii) A controlling shareholder of the Company:		
Coupon interest on CBs due in 2021	**804**	741

(iii) On 17 July 2019, the Company entered into a corporate guarantee in favour of a commercial bank in the PRC as a security for the provision of a loan by the bank to an entity controlled by a close family member of the controlling shareholder of the Company for the purpose of the entity's operation with a total guaranteed amount of not more than RMB110 million. The above transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Further details are set out in the Company's announcement and circular dated 17 July 2019 and 19 August 2019 respectively.

23. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 September 2019 (unaudited) RMB'000	Six months ended 30 September 2018 (unaudited) RMB'000
(b) Key management personnel		
Compensation for key management personnel, including the amounts paid to the Company's directors and certain of the highest paid employees		
Fees	**430**	340
Other emoluments:		
Salaries, allowances and benefits in kind	**3,266**	3,495
Pension scheme contributions	**234**	123
	3,500	3,618
Total compensation paid to key management personnel	**3,930**	3,958

24. COMMITMENTS

(a) Operating lease arrangements

As lessor

The Group leases its investment properties (note 11 to the condensed consolidated financial statements) under operating lease arrangements, with the average lease term of three years and with options to renew the leases upon expiry at new terms. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Within one year	**22,413**	19,170
In the second to fifth years, inclusive	**29,632**	28,528
After fifth years	**55,254**	56,077
	107,299	103,775

Notes to the Condensed Consolidated Financial Statements

24. COMMITMENTS (continued)

(b) Commitments for development expenditure

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

	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000
Contracted, but not provided for:		
– Properties under development	**–**	23,557

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	30 September 2019 (unaudited) RMB'000	31 March 2019 (audited) RMB'000	**30 September 2019 (unaudited) RMB'000**	31 March 2019 (audited) RMB'000
Financial assets				
Derivative financial instruments	**2,046**	4,837	**2,046**	4,837
Financial liabilities				
Loans from a controlling shareholder	**162,214**	149,065	**162,214**	149,065
Bank and other borrowings	**926,358**	941,667	**998,218**	948,028
Liability component of the Convertible Bonds	**69,762**	62,962	**72,702**	65,225
Lease liabilities	**41,951**	–	**41,951**	–
	1,200,285	1,153,694	**1,275,085**	1,162,318

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy

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

	Fair value measurement as at 30 September 2019 (unaudited) using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**–**	**2,046**	**2,046**
	–	**–**	**2,046**	**2,046**

	Fair value measurement as at 31 March 2019 (audited) using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	–	4,837	4,837
	–	–	4,837	4,837

The movements in fair value measurements within Level 3 during the period are set out in note 19 to the condensed consolidated financial statements.

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

Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 September 2019 and 31 March 2019:

	Valuation techniques	**Significant unobservable inputs**	**Range**
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	110.80% (31 March 2019 (audited): 76.39%)

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

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2019 (audited): Nil).

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the six months ended 30 September 2019 were authorised for issue by the board of directors of the Company on 27 November 2019.

Other Information

CORPORATE GOVERNANCE CODE

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2019, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

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

Name of Directors/ Chief Executive	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Cui Xintong ("Ms. Cui")	Interest in a controlled corporation	Long	3,723,240,694 *(Note 2)*	70.60%
Ms. Liu Hongjian ("Ms. Liu")	Beneficial Owner	Long	89,000	0.002%

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

(b) Interest in the underlying shares of the Company

Name of Directors/ Chief Executive	Nature of Interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Cui	Interest in a controlled corporation	Long	1,742,838,368 *(Note 4)*	33.05%

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 30 September 2019.

2. These 3,723,240,694 Shares consist of (i) 484,320,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 3,238,920,000 Shares held by Ka Yik Investments Limited ("Ka Yik"). Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited ("Deep Wealth"), which is in turn held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

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

4. As set out in note 2 above, Ka Yik is a company held under the Ground Trust where Ms. Cui is the settlor and protector. Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO and such interest duplicated Ms. Cui's partial interest for the purpose of SFO. Those 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. All of such underlying shares are unlisted and physically settled under SFO. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO.

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

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2019, the interests or short positions of the parties other than Director and chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Interest in Shares

Name of shareholder	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Charm Success	Registered owner	Long	484,320,694 *(Note 2)*	9.18%
Ka Yik	Registered owner	Long	3,238,920,000 *(Note 2)*	61.42%
TMF (Cayman) Ltd.	Trustee	Long	3,723,240,694 *(Note 2)*	70.60%
Deep Wealth	Interest in controlled corporation	Long	3,723,240,694 *(Note 2)*	70.60%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	486,584,427 *(Note 4)*	9.23%
Yam Tak Cheung	Beneficial owner	Long	486,584,427 *(Note 4)*	9.23%
Lee Ken-yi Terence	Interest of spouse	Long	3,723,240,694 *(Note 5)*	70.60%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in underlying shares of the Company

Name of shareholder	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ka Yik	Registered owner	Long	1,742,838,368 *(Note 3)*	33.05%
TMF (Cayman) Ltd.	Trustee	Long	1,742,838,368 *(Note 3)*	33.05%
Deep Wealth	Interest in controlled corporation	Long	1,742,838,368 *(Note 3)*	33.05%
Lee Ken-yi Terence	Interest of spouse	Long	1,742,838,368 *(Note 5)*	33.05%

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 30 September 2019.

2. These 3,723,240,694 Shares consist of (i) 484,320,694 Shares held by Charm Success and (ii) 3,238,920,000 Shares held by Ka Yik. Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik, Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. As set out in note 2 above, Ka Yik is a company wholly-owned by Deep Wealth, which is in term held by TMF (Cayman) Ltd. as trustee of the Ground Trust where Ms. Cui is the settlor and protector. Each of the TMF (Cayman) Ltd., Deep Wealth and Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO. Those 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. All of such underlying shares are unlisted and physically settled under SFO.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

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

Notes: (continued)

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

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

Save as disclosed above, as at 30 September 2019, none of the parties other than Directors and chief executives of the Company had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

Grantees	Number of share options: As at 1 April 2019	Cancelled/ lapsed during the period	As at 30 September 2019	Date of grant	Exercise period *(Note 1)*	Exercise price per share option *HK$*
Employees	30,000,000	–	30,000,000	19/06/2014	19/06/2014–18/06/2024	0.98
	2,840,000	–	2,840,000	18/04/2016	18/04/2016–17/04/2026	0.98
Others	6,000,000	–	6,000,000	19/06/2014	19/06/2014–18/06/2024	0.98
	20,400,000	–	20,400,000	24/10/2014	24/10/2015–23/10/2024	1.20
	11,200,000	–	11,200,000	18/04/2016	18/04/2016–17/04/2026	0.98
Total	70,440,000	–	70,440,000			

Other Information

SHARE OPTION SCHEME (continued)

Notes:

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

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

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

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

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

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

REVIEW OF THE INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 September 2019 has been reviewed by the auditor of the Company, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Group's interim financial information for the six months ended 30 September 2019 has been also reviewed by the Audit Committee.

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

Hong Kong, 27 November 2019

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

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