RICHLY FIELD

# RICHLY FIELD CHINA DEVELOPMENT LIMITED
# 裕田中國發展有限公司

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(stock code: 313)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "Board") of directors (the "Directors") of Richly Field China Development Limited (the "Company") presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018 (the "Reporting Period") together with comparative unaudited figures for the six months ended 30 September 2017 (the "Corresponding Period") and selected explanatory notes as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2018*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited and restated) |
| Revenue | *6* | **91,621** | 99,839 |
| Cost of sales | | **(74,503)** | (76,519) |
| Gross profit | | **17,118** | 23,320 |
| Gain on revaluation of investment properties | | **29,987** | 17,348 |
| Other income and gain | *6* | **362** | 278 |
| Selling expenses | | **(6,183)** | (2,048) |
| Administrative expenses | | **(45,013)** | (37,101) |
| Finance costs | *7* | **(122,412)** | (114,126) |
| Loss before tax | *8* | **(126,141)** | (112,329) |
| Income tax expense | *9* | **(9,739)** | (8,259) |
| **Loss for the period** | | **(135,880)** | (120,588) |

| | Notes | Six months ended 30 September | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited and restated) |
| **Other comprehensive (expenses) income** | | | |
| ***Items that may be reclassified to profit or loss in subsequent periods:*** | | | |
| Exchange differences on translation of foreign operations | | **(45,255)** | 14,593 |
| **Total comprehensive expenses for the period** | | **(181,135)** | (105,995) |
| | | ***HK$*** | *HK$* |
| Loss per share | *10* | | |
| Basic | | **(0.58) cents** | (0.91) cents |
| Diluted | | **(0.58) cents** | (0.91) cents |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2018*

| | Notes | **30 September 2018** | 31 March 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| **Non-current assets** | | | |
| Property, plant and equipment | | **31,872** | 34,996 |
| Investment properties | | **1,296,202** | 1,391,525 |
| Prepaid land lease payments | | **637,105** | 709,186 |
| Interests in associates | | **30,583** | 39,976 |
| Available-for-sales investment | | **–** | 2,724 |
| Financial assets designated at fair value through other comprehensive income ("FVTOCI") | | **2,724** | – |
| Prepaid construction costs | | **–** | 37,343 |
| Goodwill | | **113,708** | 124,878 |
| | | **2,112,194** | 2,340,628 |
| **Current assets** | | | |
| Properties under development | | **1,354,029** | 1,407,476 |
| Completed properties held for sale | | **343,509** | 441,433 |
| Inventories | | **–** | – |
| Trade receivables | *12* | **16,177** | 13,216 |
| Prepayments, deposits and other receivables | | **556,898** | 839,643 |
| Cash and cash equivalents | | **22,893** | 14,848 |
| | | **2,293,506** | 2,716,616 |
| **Current liabilities** | | | |
| Trade payables | *13* | **494,215** | 472,914 |
| Receipts in advance, other payables and accruals | | **613,136** | 983,888 |
| Contract liabilities | | **334,837** | – |
| Amounts due to related parties | | **450,216** | 203,334 |
| Interest-bearing bank and other borrowings | | **156,596** | 174,470 |
| Notes payable | | **91,305** | 88,114 |
| Provision | | **6,575** | 7,221 |
| Tax payable | | **113,587** | 140,318 |
| | | **2,260,467** | 2,070,259 |
| **Net current assets** | | **33,039** | 646,357 |
| **Total assets less current liabilities** | | **2,145,233** | 2,986,985 |

| | Notes | 30 September 2018 HK$'000 (Unaudited) | 31 March 2018 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | | **63,365** | 69,588 |
| Amounts due to related parties | | **238,644** | 772,598 |
| Interest-bearing bank and other borrowings | | **1,244,358** | 1,366,560 |
| Deferred tax liabilities | | **101,178** | 99,416 |
| | | **1,647,545** | 2,308,162 |
| **Net assets** | | **497,688** | 678,823 |
| **Equity** | | | |
| Share capital | *14* | **1,166,834** | 1,166,834 |
| Reserves | | **(669,146)** | (488,011) |
| **Total equity** | | **497,688** | 678,823 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## 1. BASIS OF PREPARATION

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

During the period ended 30 September 2018, the Group reported net loss of approximately HK$135,880,000. As at 30 September 2018, the Group had current liabilities of approximately HK$2,260,467,000 and total borrowings, including interest-bearing bank and other borrowings, amounts due to related parties and notes payable of approximately HK$2,181,119,000 of which approximately HK$698,117,000 will be due in the coming twelve months from the end of the reporting period. As at the same date, the Group also had capital commitment of approximately HK$673,106,000, while its net current assets and cash and cash equivalents amounted to approximately HK$33,039,000 and HK$22,893,000, respectively.

In view of the above, the directors of the Company have reviewed the Group's cash flow projections covering a period of twelve months from 30 September 2018 which have taken into account the followings:

(i) the continuous financial support from related parties;

(ii) the unutilised loan facility from a related company beneficially owned by a controlling shareholder of RMB998,862,000 that will not be expiring before 30 September 2019;

(iii) the extension of the repayment terms of amounts due to related parties as at 30 September 2018 in aggregate of HK$450,216,000 beyond 30 September 2019; and

(iv) the forecasted operating cash flows for the twelve months ending 30 September 2019.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2018. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis. These condensed consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated interim financial statements of the financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The operating cycle of the Group's property development business is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of such business, the normal operating cycle is longer than twelve months. The Group's current assets include properties under development which will be sold, consumed or realised as part of the normal operating cycle for the property development business even when they are not expected to be realised within twelve months after the end of the reporting period.

## 2. PRIOR PERIOD ADJUSTMENTS

### (i) Change in accounting policy

During the year ended 31 March 2018, the Group changed its accounting policy with respect to the measurement of investment properties. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Prepaid lease payments, to which the Group's investment properties are erected or pending to be developed into investment properties, are previously presented separately from investment properties on the consolidated statement of financial position. The Group now applies the fair value model, under which investment properties are stated at fair value and recognises the fair value changes to profit or loss, including the relevant prepaid land lease payments. Accordingly, certain prepaid land lease payments were grouped as investment properties for presentation purposes.

The change in the accounting policy was applied retrospectively. The effects of the change in the Group's accounting policy described above on the results for the comparative interim period by line items presented in the consolidated statement of profit or loss and other comprehensive income are as follows:

| | **Six months ended 30 September 2017** |
|---|---|
| | *HK$'000* |
| Decrease in cost of sales | 13,922 |
| Decrease in administrative expenses | 1,919 |
| Increase in gain on revaluation of investment properties | 17,348 |
| Increase in income tax expense | (8,259) |
| Decrease in loss for the period attributable to owners of the Company | 24,930 |
| Increase in other comprehensive income | 2,701 |
| Decrease in total comprehensive expense for the period attributable to owners of the Company | 27,631 |

**(ii) Presentation of condensed consolidated financial statements**

During the year ended 31 March 2018, the management of the Group reassessed the Group's principal activities and concluded that sales of fashion wears and accessories was no longer a principal activity of the Group and the income from the sales of fashion wears and accessories was presented in other income instead of revenue. As such, the relevant income for the six months ended 30 September 2017 of approximately HK$148,000 was also reclassified to conform with the current interim period's presentation.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements has been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2018.

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKAS 28 | As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 40 | Transfers of Investment Property |

The adoption of HKFRS 9 and 15 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

### *3.1.1 Classification and measurements*

At the date of initial application of HKFRS 9, the Group has reviewed and assessed its financial assets on the basis of the business model for managing these financial assets and their contractual cash flow characteristics, and has classified the financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below.

*Trade receivables, deposits and other receivables and cash and cash equivalents carried at amortised cost:*

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

*Equity investment*

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

The Group's equity investment amounting to HK$2,724,000 was previously classified as an available-for-sale investment. It qualified for designation as measure at FVTOCI under HKFRS 9 and thus, the Group has elected this option. It follows that the fair value gains or losses in respect of the equity investment will no longer be subsequently reclassified to profit or loss upon derecognition. Upon initial application of HKFRS 9, the directors of the Company assessed that the fair values of these unlisted equity investments approximated the carrying amounts and therefore no adjustment was made to the carrying amounts and opening retained earnings at 1 April 2018.

All other financial assets and financial liabilities continue to be measured on the same bases as are currently measured under HKAS 39.

### *3.1.2 Impairment of financial assets*

Under the new impairment requirements under HKFRS 9, the Group measured a 12-month expected credit loss (the "ECL") in respect of the deposits and other receivables and cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

### 3.2 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group recognises revenue mainly from the following major sources:

- Sales of properties; and

- Rental income (not within the scope of HKFRS 15)

The directors of the Company concluded that the revenue from sales of properties in the PRC should be recognised at a point in time when control of the properties is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The current accounting policy on revenue recognition is consistent with the previous accounting policy and therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition.

Rental income will continue to be accounted for in accordance with HKAS 17 Leases.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods in the contract, the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration before the Group recognises the related revenue. To reflect these changes in presentation, the Group reclassified receipts in advance of HK$230,718,000 and deposits received from the pre-sale of properties of HK$95,543,000 to contract liabilities at 1 April 2018. The Group applies the practical expedient not to adjust the transaction price for any significant financing component as the period between payment and transfer of the associated services is generally less than one year. Other than the above, there is no material impact to the Group's presentation in the condensed consolidated financial statements.

Based on the assessment by the directors, the application of the HKFRS 15 also have not resulted in any material impact on the timing and amounts of revenue in the current interim period and retained profits at 1 April 2018.

**3.3** The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 9 and HKFRS 15:

| | At 31 March 2018 *HK$'000* | Effect from application of HKFRS 9 *HK$'000* | Effect from application of HKFRS 15 *HK$'000* | At 1 April 2018 *HK$'000* |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale investment | 2,724 | (2,724) | – | – |
| Financial assets at FVTOCI | – | 2,724 | – | 2,724 |
| **Liabilities** | | | | |
| Receipts in advance, other payables and accruals | (1,053,476) | – | 326,261 | (727,215) |
| Contract liabilities | – | – | (326,261) | (326,261) |

## 4. CHANGE IN ACCOUNTING POLICIES

### HKFRS 9 Financial Instruments

***Classification and measurement***

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

The Group classifies its debt instruments as financial assets at amortised cost as follows:

***Financial assets at amortised cost***

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains", together with foreign exchange gains and losses.

### *Impairment of financial assets*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (representing deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For the Group's financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of each reporting period. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

### HKFRS 15 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue of the Group is recognised at a point in time when the customer obtains control of the distinct goods.

## 5. OPERATING SEGMENT INFORMATION

Over 90% of the Group's revenue, expenses, assets and liabilities are generated from the Group's property development and investment projects in Changsha, Hunan Province (the "Changsha Project"), Qinhuangdao of Hebei Province (the "Qinhuangdao Project") and Ningxia, Yinchuan City (the "Ningxia Project") in the People's Republic of China (the "PRC"). The chief executive officer (the chief operating decision maker) makes decisions about resources allocation and assesses performance of the Group based on the operating results and financial position of the Group as a whole, as the Group's resources are integrated and no other discrete operating segment information is provided to the chief operation decision maker. As much, no segment information is presented.

Accordingly, the chief executive officer is of the opinion that the Changsha Project, Qinhuangdao Project and Ningxia Project in the PRC is a single reportable operating segment of the Group.

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 6.

The Group's revenue from external customers is derived solely from its operations in the PRC, and all non-current assets (other than financial assets) of the Group are located in the PRC.

For the six months ended 30 September 2018 and 2017, the Group had no transaction with external customer which individually contributed over 10% of the Group's total revenue.

## 6. REVENUE, OTHER INCOME AND GAIN

An analysis of the Group's revenue, other income and gain is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited and restated) |
| Sales of properties | **63,770** | 77,622 |
| Rental income | **17,747** | 9,517 |
| Management fee income | **10,104** | 12,700 |
| | **91,621** | 99,839 |

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited and restated) |
| **Other income and gain** | | |
| Bank interest income | **52** | 126 |
| Net exchange gain (loss) | **76** | (25) |
| Sales of fashion wears and accessories | **41** | 148 |
| Others | **193** | 29 |
| | **362** | 278 |

## 7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank and other borrowings | **135,714** | 121,803 |
| Interest on notes payable | **6,618** | 3,793 |
| | **142,332** | 125,596 |
| *Less:* Amount capitalised in the cost of qualifying assets | **(19,920)** | (11,470) |
| | **122,412** | 114,126 |

## 8. LOSS BEFORE TAX

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

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited and restated) |
| (a) | Staff costs: | | |
| | Salaries, wages and other benefits | **12,880** | 9,534 |
| | Contributions to defined contribution retirement plans | **1,032** | 626 |
| | | **13,912** | 10,160 |
| (b) | Other items: | | |
| | Cost of inventories recognised as expenses | **64,344** | 72,323 |
| | Depreciation of property, plant and equipment | **384** | 486 |
| | Amortisation of prepaid land lease payments | **9,090** | 12,426 |
| | Direct operating expenses incurred for investment properties that generated rental income during the period | **3,812** | 3,425 |
| | Minimum lease payments under operating leases in respect of land and buildings | **6,243** | 932 |

## 9. INCOME TAX EXPENSE

No provision for PRC Enterprise Income Tax and Hong Kong profits tax has been made for the six months ended 30 September 2018 as the Group did not generate any assessable profits arising in PRC and Hong Kong respectively during the period (six months ended 30 September 2017: Nil).

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited and restated) |
| Deferred tax | **9,739** | 8,259 |

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period, calculated as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited and restated) |
| Loss attributable to equity holders of the Company, used in the basic loss per share calculation | **(135,880)** | (120,588) |
| Weighted average number of ordinary shares in issue during the period, used in the basic loss per share calculation | **23,336,687,255** | 13,186,619,070 |

### (b) Diluted loss per share

For the six months ended 30 September 2018, diluted loss per share is same as basic loss per share as the Company has no potential ordinary shares outstanding during the period.

For the six months ended 30 September 2017, diluted loss per share do not include the effect of the convertible notes since their assumed conversion had an anti-dilutive effect on the basic loss per share.

## 11. INTERIM DIVIDEND

No payment of interim dividend was recommended for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## 12. TRADE RECEIVABLES

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Rental receivables | **4,001** | 1,288 |
| Rental recognised using the straight-line method | **12,176** | 11,928 |
| | **16,177** | 13,216 |

The Group does not hold any collateral over its trade receivables.

An aged analysis of the rental receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **4,001** | 352 |
| More than one year | **–** | 936 |
| | **4,001** | 1,288 |

The trade receivables are non-interest-bearing and repayable within the normal operating cycle.

## 13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **429,134** | 415,192 |
| One to two years | **2,748** | 875 |
| Over two years | **62,333** | 56,847 |
| | **494,215** | 472,914 |

The trade payables are non-interest-bearing and repayable within the normal operating cycle.

## 14. SHARE CAPITAL

| | | **30 September 2018** | | 31 March 2018 | |
|---|---|---|---|---|---|
| | | **No. of shares** | **Amount** | No. of shares | Amount |
| | *Notes* | | ***HK$'000*** | | *HK$'000* |
| *Authorised:* | | | | | |
| Ordinary shares of HK$0.05 each | | | | | |
| At the beginning of the period (audited) | | **40,000,000,000** | **2,000,000** | 20,000,000,000 | 1,000,000 |
| Increase in authorised share capital | *(a)* | **–** | **–** | 20,000,000,000 | 1,000,000 |
| At 30 September 2018 (unaudited)/ 31 March 2018 (audited) | | **40,000,000,000** | **2,000,000** | 40,000,000,000 | 2,000,000 |
| *Issued and fully paid:* | | | | | |
| Ordinary shares of HK$0.05 each | | | | | |
| At the beginning of the period (audited) | | **23,336,687,255** | **1,166,834** | 13,186,619,070 | 659,331 |
| Issue of new shares | *(b)* | **–** | **–** | 3,139,534,884 | 156,977 |
| Issue of new shares | *(c)* | **–** | **–** | 7,010,533,301 | 350,526 |
| At 30 September 2018 (unaudited)/ 31 March 2018 (audited) | | **23,336,687,255** | **1,166,834** | 23,336,687,255 | 1,166,834 |

*Notes:*

(a) During the year ended 31 March 2018, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$2,000,000,000 by the creation of an additional 20,000,000,000 new shares of HK$0.05 each.

(b) During the year ended 31 March 2018, the Company allotted and issued 3,139,534,884 ordinary shares to Stimulate High Investment Limited as the consideration for acquisition of 寧夏金冠投資置業有限公司 ("Ningxia Jinguan"). The market price of the Company's share at the date of completion was HK$0.078 each.

(c) During the year ended 31 March 2018, the Company allotted and issued 7,010,533,301 ordinary shares to Stimulate High Investment Limited for settlement of certain indebtedness in aggregate of HK$631,876,000 due by the Group to JeShing. The market price of the Company's shares at the date of completion was HK$0.078 each.

Details are set out in the Company's announcement dated 28 February 2018.

All the shares issued rank pari passu with the existing shares in all respects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in outlets commercial operation and development and operation of featured commercial properties (such as tourism property, senior care property and wine chateaus), development of high-end residential properties as well as property management.

During the Reporting Period, the Group recorded revenue from sales of properties of approximately HK$63,770,000, mainly attributable to the Changsha Outlets Project, which is a comprehensive project comprising the "Globe Outlets" (commercial) and "Outlets Town" (residential) developed by the Group in Changsha, Hunan Province, the People's Republic of China (the "PRC"), as well as Yinchuan Project, which is acquired in Yinchuan City, Ningxia Hui Autonomous Region, and recorded gross rental income and management fee income of approximately HK$17,747,000 and HK$10,104,000, respectively.

As for financing aspect, in November 2016, the Group entered into a loan agreement with a related party, 南京金盛國際家居市場經營管理有限公司 in relation to a loan facility in the total principal amount of RMB300,000,000 (approximately HK$340,920,000) for a term of 3 years at an interest rate range of 8.5%-9.5% per annum which was secured by the pledge of certain of the Group's assets (the "Other Loan 1"), had been utilized as at 30 September 2018. In March 2018, the Group entered into a renewal loan agreement with related parties, 金盛置業投資集團有限公司, 南京第一建築工程集團有限公司 and 江蘇裝飾材料有限公司 in relation to a loan facility in the total principal amount of RMB301,800,000 (approximately HK$342,966,000) for a term of 15-months at an interest rate range of 5.7%-6.19% per annum which was secured by the pledge of certain of the Group's assets (the "Other Loan 2") had been utilised as at 30 September 2018. In April 2017, the Group entered a loan agreement with a bank, 華融(中國)投資管理有限公司 in relation to a loan facility in the total principal amount of RMB950,000,000 (approximately HK$1,079,580,000) for a term of 3 years at an interest rate range of 8%-10% per annum which was secured by the pledge of certain of the Group's assets (the "Other Loan 3"), had been utilised as at 30 September 2018. During the Reporting Period, the Group entered into a supplemental revolving loan facility agreement with 金盛置業投資集團有限公司, a related party of the Group, in relation to an unsecured loan facility in the total principal amount of RMB300,000,000 extending to RMB1,000,000,000 at an interest rate of 5% per annum which is expired on 31 December 2019 (the "Other Loan 4"), and RMB1,138,000 (approximately HK$1,293,000) had been utilised as at 30 September 2018. In April 2016, The Group entered a loan agreement with a financial institution, 中國華融資產管理股份有限公司湖南省分公司 in relation to a loan facility in the total principal amount of RMB300,000,000 (approximately HK$340,920,000) for a term of 4 years at an interest rate range of 10-11.5% per annum which was secured by the pledge of certain of the Group's assets (the "Other Loan 5"), had been utilized as at 30 September 2018. During the Reporting Period, the Group entered a loan agreement with a bank, 長沙銀行 in relation to a loan facility of RMB10,000,000 (approximately HK$11,364,000) for a term of a year at an interest rate of 6.53% per annum, had been utilised as at 30 September 2018 (the "Other Loan 6"). These helped the Group to replenish cash flow.

## PROJECTS OVERVIEW

### Changsha Outlets Project

#### *Changsha Residential*

As the first grand project of the Company, the Changsha Outlets Project pioneered in launching the special "residential + commercial" product mix. The establishment of the commercial supporting system corresponding to the residential capacity has enhanced the value added and the strengths of the project, which demonstrated the Group's great competence as a featured real estate developer. The project covers an area of 1,500 mu, which is to be developed into 500 mu of commercial space and 1,000 mu of residential space respectively. For the residential portion "Outlets Town", the Company makes a brilliant move by capitalising on the indigenous ecology of the wetland park where the project locates. Specially designed as a high-class low-density residential community in Spanish style, the project is surrounded with flowing water designed to nourish residents' minds with quality lifestyle.

Properties of the project primarily include high-quality detached and semi-detached houses, townhouses, bungalows and high-rise buildings surrounded by verdant plants along with well designed streams and bridges, with a super-low plot ratio. After years of accumulation, Outlets Town has taken shape and is ready to rise as a grant community. It outperforms other nearby property projects in terms of appearance, quality, unit layout, comfort and living environment, and are suitable for middle-to-high income consumers who pursue high quality of life.

During the Reporting Period, as the developed properties were delivered in stages, the Company greatly promoted a new round of development and construction of the stock lands to seize market sales opportunities and accelerate the collection of funds. As mentioned in the annual report of the Company for the year ended 31 March 2018, the adjustment of the master plan of the Outlets Town project was approved by the Planning and Construction Bureau of Wangcheng Economic and Technological Development Zone on 27 April 2018. Pursuant to the new plan, the villa products under the previous plan were replaced with high-rise buildings and bungalows which were easier to realize, and a complete set of education resources covering noted kindergarten, primary and middle school would be positioned according to relevant government policy, which will enhance our products' value and popularity to a great extent.

During the Reporting Period, the Group commenced new round of development of Outlets Town under the brand-new promotion name of "Outlets City". The planned gross floor area of the new development is approximately 240,000 sq.m., planned to be developed into 37 high-quality 10/11-storey slab-type bungalows and one separate building for a branded bilingual kindergarten. With north and south dual balconies which bring natural ventilation and 270-degree bay windows, the new products will refresh customers with pleasant views, spacious rooms and comfortable living experience. The Group successfully obtained the planning permit for the new development on 30 May 2018, and obtained the construction work commencement permit on 13 September 2018. While handling the pre-construction procedures, the Group also propelled construction progress in its best efforts. As at the end of the Reporting Period, several buildings have met the conditions to obtain the pre-sale permit, and the Group is expected to obtain the relevant pre-sale permits and launch the official sale in December. Meanwhile, the construction progress of other buildings is being pushed forward at a greet speed to achieve rolling development. Further, Nanya Education Group (南雅教育集團), a nine-year compulsory education school that will settle in the project, is now experiencing dredging and flattening works aiming to realise official enrollment in September 2019. Currently, the marketing team is sparing no effort in securing potential customers and sales, and maintaining constant and sound cooperation with major media partners to push information about the Company's products on print media, outdoor media, radio stations and We-Media platforms from time to time to ensure that customers stay up-to-date with the Company's latest marketing activities.

Customer securing is surprising for our new development with a continuous flow of customers calling in to inquire or visiting in person. The excellent market performance is attributable to a number of factors, including but not limited to the Company's intensive efforts in building market reputation by planning and designing low-density Spanish-style bungalows for the new development in a water-front ecological environment; the project is adjacent to the Maqiaohe Wetland Park（馬橋河濕地公園）which takes a site area of 150,000 sq.m. creating abundant oxygen by plenty of plants, targeting consumers with increasing care for environmental protection; leveraging on the commercial facilities of Globe Outlets, Changsha Nanya Education Group which is about to settle in the project, a convenient and well-connected network of roads, and foreseeable subway traffic (the Tongxin Road station of the extension line of Changsha Subway Line 4 will be adjacent to the north side of the project according to the latest governmental planning), Outlets Town has an unique competitive advantage in the region by virtue of its outstanding comprehensive strengths; Changsha, which has been ranked the top 10 of new first-tier cities for three consecutive years with tremendous potential for economic development, attracted plentiful rigid demands, property investors and home buyers wishing to settle down back to their hometowns; the long-term mechanism imposed by the national and local governments to regulate the steady and healthy development of the real estate market, which offers long-term support to the property market on the government level. It is foreseeable that Outlets Town will seize the opportunities in market sales in 2018 and timely finance working capital for the Group with sales proceeds.

### ***Changsha Property***

As a real estate developer with a strong sense of social responsibility, and to further diversify and integrate the Group's businesses, on 20 April 2011, the Company established Changsha Richly Field Outlets Property Management Limited* (長沙裕田奧萊物業管理有限公司) as a wholly-owned subsidiary to provide professional property management services for the Changsha Outlets Project which has been put in operation. In order to ensure service quality and enhance service awareness of staff, the Group organised professional training on manners and etiquette, fire safety, operational safety, and engineering repair from time to time. As a result, employees are able to improve their professional capabilities and service quality and help property owners solve their problems on a timely basis to effectively eliminate the concerns of owners and business partners. In addition, the Group intends to develop professional and duplicable service teams through actual practice, with an aim of applying effective property management models to other project sectors of the Group that are about to be put into operation. In May 2018, the Group established a property branch company in Qinhuangdao to provide mature and reliable property services for Qinhuangdao Project. The well-established community accompanied by excellent property management service has strengthened the reputation of the Group as an integrated property developer.

### ***Changsha Business***

Globe Outlets, which is the block-type commercial complex in the Changsha Outlets Project with an area of over 90,000 sq.m., is located at Wangcheng District, a new district of Changsha. As compared to the downtown area, there are fewer large-scale commercial projects in Wangcheng District, hence the project is destined to be a pioneer of a new business circle. Patience and long-term investment are requisite to make a success in such a market where the business environment is not so well developed. It is evident that the Company is establishing its own brand awareness and attracting numbers of loyal partners and customers. At the same time, new residential projects nearby have become more appealing to buyers due to increase in commercial value, which in turn increased popularity of the Group's projects and secured purchasing power.

During the Reporting Period, the Group continued to focus on business development, marketing and publicity, in an effort to extend the brand influence of Globe Outlets while boosting sales. With respect to business development, the business development team of the Group participated in external learning from time to time to study the success of professional operation teams. Through learning other operators' strengths to enhance our own projects, the team customized business development targets and strategies based on local conditions suitable for our own demands, with the view of offering unique and outstanding products. In addition, through effective market research and systematic analysis on historical sales, the Group combined the spending power analysis of the target customers of the Group to constantly adjust, supplement and optimise the brand portfolio with an aim of maximizing profit with the best brand portfolio. In particular, the Group placed great importance to introducing strategic partners. It sought to attract key brands with cooperative terms that brought mutual benefits, expecting to boost overall sales by contribution of those key brands which was able to secure steady visits. The Group also valued the cooperation after our brand partners settled in. For example, it supported brand owners in staff recruitment, venue leasing and event planning, so that they could launch large-scale promotion campaign during major holidays and festivals or in connection with social hot spots. Through such initiatives, the Group not only established stable and healthy cooperation with brand owners, but also garnered their trust and recommendation for future business solicitation.

Since the commencement of operation in 2014, the Globe Outlets has developed an increasingly strong business atmosphere after several years of incubation. In addition to a mature retail business system, the Company has given priority to the introduction of participation- and experience-based offerings such as chain kindergartens, supermarkets, gymnasium and large indoor and outdoor children's amusement park to diversify the product portfolio of traditional commercial projects which focused greatly on fashion retail segment and increase customers seeking for experience-emphasized visits, so as to boost popularity of the mall. The Globe Outlets, being the business segment that continuously replenishing cash flow of the Group, is expected to drive the sales of commercial and residential properties and Latitude through promotion activities, thereby strengthening the brand feature of "residential + commercial" of the Group. During the Reporting Period, the Group utilized the location and geographical advantages that were incomparable to other commercial projects in a flexible manner. Taking advantages of the unique geographical location, openness and independence of the Globe Outlets, the Group organised a string of large-scale promotional activities highlighting the special features of Globe Outlets such as "All-people Sport Season（全民運動季）", "Celebrating Mother's Day with Globe Outlets（環奧歡樂購，感恩母親節）", "Children's Balance Car Competition（少兒平衡車大賽）", "Large Art Performance Celebrating Safety Production of Globe Outlets（環球奧萊安全生產大型文藝匯演）", "Food Show in Light Garden by Globe Outlets（炫彩環奧燈溢世園美食展）", "Large Art Performance Jointly Hosted by Globe Outlets and Wangcheng Art School（環球奧萊攜手望城藝校大型文藝匯演）", and Fourth Anniversary of Globe Outlets, through which, the Group offered a unique shopping experience only available in Globe Outlets by the comprehensive integration of internal and external marketing resources, thereby greatly increasing the number of visits to and sales volume of the mall.

**Qinhuangdao Project**

Qinhuangdao Outlets Real Estate Company Limited*（秦皇島奧特萊斯置業有限公司） has become an indirect wholly-owned subsidiary of the Group as a result of the acquisition of King Future Limited. Located in the core area of International Healthy City, Beidaihe New District, Qinhuangdao, the Qinhuangdao Outlets Project is positioned to become a large coastal shopping, tourism and healthcare resort complex with outlets commerce as the major operation, integrated with high-end hot spring resort hotels, high-end hospitals, health preservation and elderly care, cultural and entertainment activities, and recreational resorts ("Qinhuangdao Outlets Project").

The conceptual design plan for the Phase 1 of the Qinhuangdao Outlets Project has been adjusted as per the requirements of the local government to comply with the general urban planning as determined for the International Healthy City in which the Project locates. The detailed regulatory plan and the detailed construction plan for Phase 1 have been reviewed and authorised by the planning committee of the municipal government. The construction work planning permit for Phase 1 (ABC sections) has been obtained on 6 February 2018 while the construction work commencement permit for Phase 1 (ABC sections) has been obtained on 22 May 2018. Besides, the Company obtained the construction work commencement permit for the exhibition center on 15 November 2017, pursuant to which, the Company has already commenced the construction of the exhibition center.

Phase 1 of the Qinhuangdao Outlets Project covers an area of approximately 230,000 sq.m., which is planned to be developed into outlets business (including Latitude Space), a health preservation hotel, resort villas and an exhibition center, along with supporting landscape. As at the date of this Announcement, the first floor of the exhibition center has completed decoration and met the requirements for usage. The business solicitation and sales partners have settled in the exhibition center to prepare for attraction of potential business partners and pre-sale of the residential apartment of Phase 1. The outlets business, which covers an area of about 70,000 sq.m., is undergoing main-body construction with several buildings capped. Latitude Space, an indoor play park, is undergoing foundation construction. In relation to the health preservation hotel, the company has entered into a strategic cooperation agreement with Nanjing Jinling Hotel（南京金陵酒店）in 2017, and submitted the development plan in connection therewith in October 2018 pending for adjustment and approval. Construction of the hotel is expected to commence in early 2019. Over 200 resort villas with designed courtyard have been planned in one-storey, two-storey or three-storey duplexes, among which, 120 villas are about to be capped after completion of the main body construction.

**Yinchuan Project**

Ningxia Jinguan Property Investment Co. Ltd.*（寧夏金冠投資置業有限公司）(“Ningxia Jinguan”) is a wholly-owned subsidiary of the Company whose entire equity interest was acquired by the Company from a connected person in February 2018 to further enrich the Company’s property portfolio, expand its geographical coverage, improve the financial position of the Group and enhance shareholders’ return in the long run.

Ningxia Jinguan is principally engaged in property development and management and home furnishing. It owns the property named "JeShing European City（金盛歐洲城）", which is located at West of China National Highway 109, DeSheng Industrial Park*（德勝工業園區）, Yinchuan City, Ningxia Hui Autonomous Region. The JeShing European City comprises five parcels of land with a total site area of approximately 133,300 sq.m. and a residential and commercial complex which is currently being constructed thereon ("Yinchuan Project"). In respect of commercial portion, with several years' development in the industry, Yinchuan Project has built a solid market position where European City runs as the first choice when purchasing building materials in Yinchuan. With an occupation rate of 97%, the high-end building materials stores with an area of 40,000 sq.m. and premium furniture stores with an area of 30,000 sq.m. are principally engaged in trading of building and decoration materials, such as ceramics, sanitary ware, flooring, stairs, doors and windows, cupboard, lamp, wall paper, bedroom, sofas, suites and other furniture. Yinchuan Project has become the new leading commercial landmark of Yinchuan with its cosy environment, convenient public transport access, people-oriented business planning and outstanding business management. In respect of residential portion, "Jin Sheng Yue Jing" project is to be developed in 3 phases with a site area of approximately 120 mu and a planned gross floor area of 221,000 sq.m. The project is connected to Yue Hai Wan Central Business District, Yinchuan through east-west routes, overlooks Yinchuan Lanshang Park and enjoys the view of scarce natural scenery in the city. This project aims at delivering local distinctive scenery and educational resources.

During the Reporting Period, the Group joined hands with brand partners to host a number of large alliance marketing events, such as "Internal Purchasing Fair of Zhujia Alliance（築家聯盟內購會）", "Linghang Alliance Exhibition of Major Materials for Building and Decoration（領航聯盟建材家居主材展）", "Golden Night Dinner Party of Brand Alliance（品牌聯盟黃金夜宴）", "Jin Sheng 630 Massive Discount for Yinchuan（金盛630 • 放價大銀川）", and "Jostle for the C Position among Big Decoration Material Brands（C位爭奪戰 • 大牌家居匯）". These events attracted tremendous attention to the mall, precisely targeted perspective customers, and provided incentive for alliance stores to cooperate. During the Reporting Period, Yinchuan Project capitalized its resource advantages to host a large autumn job fair in collaboration with the government, thereby expanding the peripheral influence of the mall. The job fair provided over 1,000 jobs in total, fulfilling the Company's operating philosophy of "what comes from the people should be used for the people" and making contribution to local poverty alleviation as a responsible corporation.

During the Reporting Period, the residential project also received strong support from the local government during development and construction process and smoothly completed various development formalities for Phase 3 of Jin Sheng Yue Jing. The planned gross floor area of Phase 3 was approximately 140,000 sq.m., which is to be developed into 14 sophisticated 11/18-storey high-rise buildings. As at the date of this Announcement, the Group has obtained government confirmation for development of Phase 3 and obtained the official reply on the environmental impact evaluation and the construction work planning permit. So far, the fencing works and land levelling works of the project have been completed, and the excavation works are underway. For Phase 1 and Phase 2 of Jin Sheng Yue Jing which were previously developed, all of the 4 buildings of Phase 1 have been topped out with installation of entrance doors and elevators completed, and are undergoing indoor and outdoor decoration. The 2 high-rise buildings of Phase 2 have been topped out with installation of window frames and interior wall plastering completed, while external wall insulation works were 80% completed.

## ASSOCIATED COMPANIES

During the Reporting Period, the projects managed by the associated companies of the Company also achieved certain progress.

**Huailai Project**

The master plan, demonstration area design plan, chateau design plan and environmental impact assessment of the characteristic villa residential and winery project in Huailai of Hebei have been completed. The project is developed by Huailai Dayi Winery Company Limited* (懷來大一葡萄酒莊園有限公司), a 50%-owned associated company of the Company. In the demonstration area, access to roads, electricity and water supply has been in place and certain works regarding landscaping, planting and slope wall reconditioning have been completed. In addition, bidding for a parcel of construction land of approximately 480 mu to be listed for sale is under preparation.

**Changchun Project**

Globe Outlet Town (Jilin) Limited (吉林奧特萊斯世界名牌折扣城有限公司) ("Jilin Company"), a 42%-owned associated company of the Company, obtained land use rights for a piece of land with an area of 443 mu for commercial and residential purposes in Shuangyang District, Changchun City, Jilin Province in April 2016. Upon extensive careful and detailed market research, it is found that the local commercial complexes are heavily homogeneous in the context of the overall weak economic environment in Northeast China. As such, in order to seek differentiation, Jilin Company plans to develop its project in Shuangyang District, Changchun into an integrated project ("Jilin Project") combining a theme park and a cultural tourism town under the theme of cultural tourism and the objective of building a livable place with elderly care.

Preliminarily, Jilin Company has obtained official written reply on the soil and water conservation proposal, the environmental impact report, and official reply on project approval in relation to pre-construction procedures. All members of Jilin Company worked tremendously hard and obtained the Reply on the Approval of the Flagship Industrial Park Project of the Central Recreational District (Urban Complex) in Changchun (Phase 1) from Changchun Development and Reform Commission on 23 August 2017, representing official project approval for the phase 1 of Jilin Project, and went on to obtain the construction land planning permit for phase 1 of the project in September 2017. Phase 1 of Jilin Project covers an area of approximately 443 mu. Jilin Company intends to initially develop the C3 lot of the land, which covers an area of approximately 74 mu with plot ratio of 1.49 and a green rate of 30.81%, by planning and building it into a multi-storey high-end residential community with planned gross floor area of approximately 105,000 sq.m. with hot spring directly accessible to individual unit. For this purpose, Jilin Company actively completed various development formalities, and obtained construction work planning permit in April 2018 and construction work commencement permit in October 2018.

As at the date of this Announcement, the groundbreaking ceremony of the initial construction of Jilin Project has been completed, and the excavation and piling test works are underway. Due to the special geographic condition of Changchun, the effective working period ends in early November every year. To ensure the project progress is advanced in an efficient manner, Jilin Project is planned to complete the excavation work for the basement (with 1.5 meters of frozen soil layer reserved) and 50% of 719 piles construction by the end of the year, so as to ensure that the project progress can be better advanced once construction resumes in 2019.

## FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total revenue of approximately HK$91,621,000 as compared to approximately HK$99,839,000 for the Corresponding Period. As set out in the financial statements, the revenue of the Reporting Period was mainly attributable to the sales of the properties of the Changsha Outlets Project in the amount of approximately HK$63,770,000 compared to approximately HK$77,622,000 for the Corresponding Period. As well as Yinchuan Project, gross rental income of approximately HK$17,747,000 for the Reporting Period compared to approximately HK$9,517,000 for the Corresponding Period. Management fee income received of approximately HK$10,104,000 for the Reporting Period compared to approximately HK$12,700,000 for the Corresponding Period.

The loss attributable to equity holders amounted to approximately HK$135,880,000 as compared to approximately HK$120,588,000 (restated) for the Corresponding Period. The loss per share for the Reporting Period was HK0.58 cents as compared to HK0.91 cents (restated) for the Corresponding Period.

## SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Reporting Period.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

## CAPITAL STRUCTURE

As at and for the period ended of 30 September 2018, the total number of issued shares of the Company were remained unchange at 23,336,687,255.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly finances its business operations with its internal resources and loan facilities from banks and financial institutions. As at 30 September 2018, the Group had cash and bank balances of approximately HK$22,893,000 (31 March 2018: approximately HK$14,848,000). The Group's current ratio (measured as total current assets to total current liabilities) was 1.01 times (31 March 2018: 1.31 times). The decrease in the current ratio was mainly due to the decrease in prepayment, deposits and other receivables and the increase in amounts due to related parties in current portion. As at 30 September 2018, the secured and unsecured interest-bearing bank and other borrowings and notes payable of the Group amounted approximately HK$1,386,408,000 (31 March 2018: approximately HK$1,522,560,000) and HK$14,546,000 (31 March 2018: approximately HK$18,470,000) and approximately HK$91,305,000 (31 March 2018: approximately HK$88,114,000), respectively. The gearing ratio, which is calculated as a percentage of net debt to total equity, was 300% (31 March 2018: 240%). The increase was mainly due to the decrease of prepayment, deposits and other receivables and completed properties held for sale.

## PLEDGE OF ASSETS

As at 30 September 2018, property interest held by the Group with net carrying amount of approximately HK$1,752,408,000 (31 March 2018: approximately HK$1,922,292,000) were pledged to banks for the Group's borrowings.

## FOREIGN EXCHANGE EXPOSURES

As the Group's bank and other borrowings, cash and cash equivalents, trade receivables, prepayments, deposits, other receivables, trade payables, accruals, other payables, receipts in advance, deferred income and amounts due to related parties were mainly denominated in RMB, the Group had not experienced significant exposure to foreign currency fluctuation.

## CAPITAL COMMITMENT

As at 30 September 2018, the Group had capital commitments contracted, but not provided for of approximately HK$673,106,000 (31 March 2018: approximately HK$760,698,000).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 287 employees (excluding Directors), as compared to 266 employees (excluding Directors) as at 31 March 2018. The Group remunerates its employees based on their performance, working experience and prevailing market parameters. Employee benefits include pension insurance fund, medical insurance coverage, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund, housing provident fund and mandatory provident fund (for Hong Kong employees).

## PROSPECT AND OUTLOOK

In terms of policies, the main tone of the central government's regulatory policies for the real estate market was upgraded in the middle of the year from "curbing the excessive rise in housing prices" to "resolutely containing the rise in housing prices", which unequivocally indicated the policy-making level's resolution to fully implement housing market regulation, to restore the purpose that housing is for people to live in and to curb the growth in real estate investment without restraint. To this end, the central government continued to implement powerful, differentiated regulation in the first half of 2018 by embarking on establishing a sound, long-term mechanism to facilitate the stable and healthy development of the real estate market. In response to the policies of the central government, local governments refined their concerted local policies, continued to adhere to the objectives for regulating the real estate market unwaveringly and consistently, fulfilled the main responsibilities for local regulation and formulated precise policies in line with the local conditions to make sure the real estate market was growing steadily and healthily.

With respect to the market, the regulatory policies were remarkably effective. Data from the National Bureau of Statistics indicated that as at September this year, overall housing prices cooled down in the first-tier cities while housing prices continued to show a rising trend in the second and third-tier cities but the rises slowed down significantly. Among these cities, there was a decrease in the number of cities (15 hotspot cities, e.g. Nanjing, Wuxi, Hangzhou, and Hefei) seeing a rise in the selling prices for newly built commodity housing, along with a decline in the rise. According to the data for January to September 2018 published by the National Bureau of Statistics, both the rate of growth in the sales volume and the area sold fell for commodity housing across China, with average selling price declining by 1.54% month-on-month. The inventories of the 100 selected cities increased substantially in September this year, representing the first significant increase since the continuous decline in January 2015. This suggests that the inventory trend is making a turning point and will return to the upward path in the fourth quarter.

All of these policies indicate that the central government's resolution to curb the rising housing prices will remain unchanged. These regulatory measures are not a faint show, and the position that "housing is for people to live in but is not for speculation" is being further implemented in all aspects. Against the backdrop of overall tightened regulation, the measures tailored to different cities under the general real estate policies become more precise. From the perspective of policy orientation, differentiated regulation and assurance of the needs for reasonable house purchases remain the essence of the real estate regulation in future. The policy tools of local governments are expected to be more diverse and integrated, shifting towards integrated policy implementation from administrative measures currently in effect as the main component to a package of policy tools comprising financing, land, finance and taxation, housing security and market management, with the aim of stabilizing the land prices, housing prices and expectations to maintain the smooth operation of the real estate market.

While keeping the housing prices stabilized, the government will accelerate the establishment of a sound housing security system across cities and towns, provide support for the first- and second-tier cities as well as other special cities with large population inflows, increase the effective supply of housing for public tenancy or under common property rights, and step up the housing security for qualified new residents. On the other hand, the Ministry of Housing and Urban-Rural Development will accelerate the establishment of a monitoring system for the real estate market, improve the appraisal and assessment mechanism for the works done by local governments in relation to real estate regulation, intensify the supervision and hold accountable local governments that are not effective at work, fail to prevent substantial market volatility and fail to achieve regulatory objectives.

In terms of market performance, although the market comes under severe pressure in the short term, some property developers will continue to launch price reduction promotions successively, step up destocking and accelerate the recovery of funds. However, the overall real estate sales will remain promising in the future primarily attributable to the following factors: firstly, the offer of cash compensation to the residents affected by the renovation of shanty towns in the third– and fourth-tier cities will increase the purchase power of these residents; secondly, house purchases for panic concerns or investment purposes will increase as a result of rising housing prices; thirdly, the implementation of plans for clusters of city will increase the location value of central cities and peripheral cities, which will enhance the effect of population agglomeration. It is expected that as more policies will be introduced by the local governments in the second half of the year to keep housing prices stabilized, rise of housing prices is expected to fall to a certain extent, and the progress in offer of cash compensation for the residents affected by the renovation of shanty towns will slow down. Hit by various factors, the real estate market is expected to cool down as a whole and market sales will return to a rational level in the second half of the year.

The stringent policies for the housing market are more professionally challenging to developers because it is impossible to establish a foothold with a single product model. Unlike traditional real estate developers, uniqueness is our most prominent feature. Whether "commercial + residential", "tourist + commercial", "real estate + healthcare" or "wineries + residential" models, they have all indicated that the Group is transforming its business aggressively and proceeding with a new diversified industrial complex in a flexible way, vowing to create its own brand features in the competitive housing market, to replace single product supply with auxiliary services complex and to stick to the development of high-end products to make sure its products are superior and competitive.

Leveraging the geographical resources advantages in the places where the projects are located and corresponding policy support, the Group has devoted itself to making the above featured product portfolio and increased product competitiveness and bargaining power by diversifying complementary resources for the major products, making its products distinguishable from many others. The diversified product portfolio presents both a challenge and an opportunity to the professional operating capability of the Group. The management believes that, by capitalizing on the Group's extensive industry experience accumulated over the years, the industrial background and resources support of the controlling group and the fit of products to market demand, the Group's featured residential products will definitely create a world of their own.

2018 marks a year of significant development for the Company. Blessed by the substantial land resources acquired in early stage, the Group is able to create unique project products catering to the needs of market in a flexible way. During the Reporting Period, the Group proceeded with the development agenda intensively and carried out an array of tasks that focused on sales and financing in order to accelerate asset realization. In particular, regarding Changsha Outlets Project, Qinhuangdao Outlets Project, Yinchuan Project and Changchun Project, appropriate government approvals for project establishment, planning permits or construction work commencement permits were already obtained for a new round of development plans for marketable products. While managing to obtain pre-sale permits proactively, the Group is also handling other preliminary development formalities and project construction for these projects simultaneously, striving to recover significant sales revenue during the year to assure cash flow for its business operations.

During the Reporting Period, the Group derived its operating income mainly from the Changsha Outlets Project and Yinchuan Project. In particular, the Changsha Outlets Project is situated in the core area of Xiangjiang New District, Changsha, Hunan, which has enormous potential and which is 8 kilometers away from the planned Changsha West High-Speed Railway Station, a comprehensive transportation hub integrating high-speed railway, subway, urban railway, tramcars, magnetically supported trains and urban public transportation. The high-speed railway station is expected to be completed and operate in 2022, which will then definitely expand the effective population coverage of the project. The project is surrounded by a host of large enterprises, with over 500 domestic and foreign companies already running businesses in this area, including China Minmetals, Suntown Technology, Zoomlion Heavy Industry Science and Technology, Umicore from Belgium, Liebherr from Germany, Want-Want Group from Taiwan and Biostime Group. Supportive industry policies and well-established business environment provide unlimited possibilities for cross-sector alliance for the future development of the project as well as a stable and large consumer base. In addition, in Changsha as an emerging first-tier city, rapid growth draws a continuous inflow of people, and accordingly the demand for housing increases steadily. However, the housing prices remain relatively low amongst other provincial capital cities, suggesting that residents in the city have enormous potential purchase power, which provides assurance on the demand side for the Group's future development plans in the city.

Meanwhile, the Yinchuan Project, which was acquired at the end of February 2018 as a well-developed "commercial + residential" complex, has created its own brand appeal and has an extraordinary influence in the local area. Unlike the principal products under the Changsha Outlets Project, the Yinchuan Project features the combination of retail home decoration materials and high-quality residential properties, thus having diversified the Group's sources of revenue. During the Reporting Period, the project is diversifying brand partners and optimising brand portfolio for the commercial portion thereof. Leveraging the integrated and diversified business model of the commercial portion, it boosted the sales in the residential sector and actively pushed forward the progress in the development of Residential Phase 3, so as to seize the opportunities arising from the current sales growth in second- and third-tier cities.

As for the commercial sectors of Changsha Commercial South Portion, Qinhuangdao and Changchun Projects which are to be developed subsequently, the Group is confident that it can replicate the standardised business models and business resources of Changsha Globe Outlets according to the local conditions and accelerate its strategic planning on a national scale. For the residential sector, the Group intends to capitalize on the instant popularity of Changsha Outlets Town to build up Richly Field's superior reputation as a high-end brand developer, thereby facilitating the development process for other projects with brand influence as well as attracting potential consumers for the project.

Moreover, the Australia-originated trampoline park business, in which the Group has made an equity investment, has opened for operations in Beijing, Changsha, Nanjing and Shanghai, with a second branch store opened in Beijing as well. In Yinchuan and Qinhuangdao, property construction for the trampoline park is underway in full swing, followed by the location selection of new stores and business negotiations in Hangzhou and Nanjing. The market responded enthusiastically, with sales revenues surging repeatedly, which has diversified the Group's sources of revenue through multiple channels and improved the Group's cash flow. In the future, the Group is confident that this business will become bigger and stronger, and make itself different from similar products in the market in terms of quality services and experience.

In addition, there is an increasing demand of residents for healthcare consumption as China currently has a rapidly aging population while the healthcare real estate sector is still in the early stage of development. The community healthcare market is taking shape gradually and the integration of healthcare services with the provision for the aged is becoming the future development trend. Healthcare service premises will extend from traditional large general hospitals to grassroots and residential communities, providing a broad platform as well as strong support and momentum for the cross-industry development of the real estate-based grand healthcare industry. The Company has a number of high-quality residential projects as well as property projects for the care of elderly people, which lay a solid foundation for the future model of "real estate + grand healthcare". Therefore, the Group will work out a plan for the healthcare business by combining its own competitive advantages so as to both cater for customers' needs and enhance the brand value of the Group.

Meanwhile, the Group will monitor the latest market updates closely so as to make the first strike to seize any feasible opportunities for the acquisition of potential favourable projects. It will proactively adjust its business model as well to diversify its streams of income for maximising returns for shareholders.

## INTERIM DIVIDEND

The Board did not recommend any interim dividend for the Reporting Period (30 September 2017: Nil).

## CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance in the best interest of the shareholders of the Company (the "Shareholders"). The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the Reporting Period, the Company has applied and complied with all the code provisions set out in the CG Code, except for the following deviation:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Reporting Period, Mr. Ma Jun assumed the roles of both chairman and chief executive of the Company. The Board believes that at the Group's development stage, this structure helps to make planning and execution more efficient. The Board will review this situation periodically and will consider steps to separate dual roles of chairman and chief executive as and when appropriate.

## INTERNAL CONTROL

The Board is well aware of its responsibility to maintain high standards of internal control systems and to review the effectiveness of such systems during the process of implementation. The systems are intended to provide a reasonable but not absolute assurance regarding operational effectiveness and efficiency, reliability of financial reports and compliance with laws and regulations, with the aim of managing rather than eliminating risks associated with failure to meet business objectives.

The Board is fully responsible for assessing and determining the nature and extent of the risks to which the Company is willing to assume in achieving its strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

The Audit Committee assists the Board in leading the management and supervising the design, implementation and monitoring of the internal control systems. Subject to the authority of the Board, the Audit Committee may seek external legal, financial or other independent professional advice at the expense of the Company if necessary (subject to prior discussion with the Board on the relevant expenses).

## DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Reporting Period.

The Board comprises two executive Directors, namely Mr. Ma Jun (Chairman) and Mr. Chen Wei (Vice President); one non-executive Director, namely Mr. Li Yi Feng; and three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, Mr. Wong Tak Chun and Mr. Xu Jinghong.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY ’S LISTED SECURITIES

During the Reporting Period, the Company and any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities.

## AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed reviewing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2018.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.richlyfieldchinagroup.com and the Stock Exchange's website at www.hkexnews.hk. The 2018/2019 Interim Report will also be available on both websites and despatched to the shareholders of the Company in due course.

By Order of the Board
**Richly Field China Development Limited**
**Ma Jun**
*Chairman and Chief Executive Officer*

Hong Kong, 29 November 2018

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ma Jun (Chairman) and Mr. Chen Wei (Vice President); one non-executive Director, namely Mr. Li Yi Feng; and three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, Mr. Wong Tak Chun and Mr. Xu Jinghong.*

* *For identification purpose only*