SANDI

CHINA SANDI HOLDINGS LIMITED
中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of China Sandi Holdings Limited (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 September 2018 together with the comparative figures for the corresponding period in 2017. The unaudited consolidated interim results have been reviewed by the Company's Audit Committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		unaudited	unaudited
Revenue			
Goods and services		**27,757**	448,415
Rental of investment properties		**62,915**	25,380
Total revenue	*4*	**90,672**	473,795
Cost of sales and services		**(13,024)**	(254,021)
Gross profit		**77,648**	219,774
Other income	*4*	**16,230**	28,763
Other gains	*6*	**–**	645
Change in fair value of investment properties		**(1,192)**	(12)
Change in fair value of financial assets at fair value through profit or loss		**(25,524)**	31,634
Other operating expenses		**(94,420)**	(58,737)
Finance costs	*7*	**(50,895)**	(28,424)
Share of loss of an associate		**(478)**	–
(Loss) profit before taxation	*8*	**(78,631)**	193,643
Income tax expense	*9*	**(4,719)**	(64,590)
(Loss) profit for the period		**(83,350)**	129,053
Other comprehensive (expense) income that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(248,469)**	103,055
Other comprehensive (expense) income for the period (net of tax)		**(248,469)**	103,055
Total comprehensive (expense) income for the period		**(331,819)**	232,108

	Notes	For the six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
		unaudited	unaudited
(Loss) profit attributable to:			
Owners of the Company		**(79,634)**	125,882
Non-controlling interests		**(3,716)**	3,171
		(83,350)	129,053
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(328,684)**	228,109
Non-controlling interests		**(3,135)**	3,999
		(331,819)	232,108
(Loss) earnings per share (HK cents)	*11*		
– Basic		**(1.79)**	3.04
– Diluted		**(1.79)**	3.01

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2018 HK$'000	At 31 March 2018 HK$'000
Non-current assets			
Investment properties		**3,604,176**	3,952,998
Property, plant and equipment		**5,005**	5,327
Properties under development		**327,815**	358,190
Interest in an associate		**234,823**	–
Deposit for properties under development		**15,066**	78,978
Deferred tax assets		**18,413**	14,396
Total non-current assets		**4,205,298**	4,409,889
Current assets			
Inventories of properties		**2,238,252**	1,249,179
Trade and other receivables and prepayments	*12*	**472,559**	1,079,929
Loan receivables		**–**	25,000
Financial assets at fair value through profit or loss ("FVTPL")	*13*	**234,078**	133,857
Investments held for trading	*13*	**–**	125,745
Amounts due from related companies	*16(a)*	**130,309**	140
Prepaid income tax		**18,341**	10,369
Restricted bank deposit		**575**	630
Bank balances and cash		**257,109**	201,622
Total current assets		**3,351,223**	2,826,471
Total assets		**7,556,521**	7,236,360

	Notes	At 30 September 2018 HK$'000	At 31 March 2018 HK$'000
Current liabilities			
Trade and other payables and accruals	14	**222,878**	242,781
Deposits received for sale of properties		**–**	1,346,389
Contract liabilities		**2,049,041**	–
Amounts due to related companies		**292,489**	2,016
Amounts due to non-controlling shareholders of subsidiaries		**121,670**	153,885
Bonds payable		**10,579**	–
Bank borrowings		**187,338**	184,623
Income tax payable		**52,096**	57,450
Total current liabilities		**2,936,091**	1,987,144
Net current assets		**415,132**	839,327
Total assets less current liabilities		**4,620,430**	5,249,216
Non-current liabilities			
Bonds payable		**–**	10,339
Deferred tax liabilities		**687,118**	757,337
Bank borrowings		**801,194**	1,045,447
Total non-current liabilities		**1,488,312**	1,813,123
Net assets		**3,132,118**	3,436,093
Capital and reserves attributable to owners of the Company			
Share capital	15	**44,589**	44,589
Reserves		**3,024,458**	3,353,019
Equity attributable to owners of the Company		**3,069,047**	3,397,608
Non-controlling interests		**63,071**	38,485
Total equity		**3,132,118**	3,436,093

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

China Sandi Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3309, 33/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are engaged in property development, holding of property for investment and rental purpose in the People's Republic of China (the "PRC") and money lending business in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The preparation of Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below.

3.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers* ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The following table summarises the impact of transition to HKFRS 15 on accumulated profits at 1 April 2018.

	Notes	**Impact of adopting HKFRS 15 at 1 April 2018** *HK$'000*
Retained profits		
Recognition of significant financing component	*(a)*	10,293
Tax effects	*(a)*	(2,573)
Impact relating to non-controlling interests		(386)
Impact at 1 April 2018		7,334

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

Notes:

	NOTES	**Carrying amounts previously reported at 31 March 2018** *HK$'000*	**Reclassification** *HK$'000*	**Remeasurement** *HK$'000*	**Carrying amounts under HKFRS 15 at 1 April 2018** *HK$'000*
NON-CURRENT ASSETS					
Deferred tax assets	*(a)*	14,396	–	2,573	**16,969**
CURRENT LIABILITIES					
Deposits received for sale of properties	*(b)*	1,346,389	(1,346,389)	–	**–**
Contract liabilities	*(a)/(b)*	–	1,346,389	10,293	**1,356,682**
CAPITAL AND RESERVES					
Reserves	*(b)*	3,353,019	–	(7,334)	**3,345,685**
Non-controlling interests	*(b)*	38,485	–	(386)	**38,099**

(a) At the date of initial application of HKFRS 15, deposits received for sale of properties of HK$1,346,389,000 and the significant financing component effect of HK$10,293,000 as set out in note (a) above, were reclassified or recognised to contract liabilities, as appropriate.

(b) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (deposits received for sale of properties) is recognised in accounting for the contract with the customers and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs not eligible for capitalisation of HK$7,334,000 and HK$386,000 have been debited to the retained profits and the non-controlling interests, respectively, with corresponding adjustment of HK$10,293,000 credited to contract liabilities. The corresponding tax effect has been recognised as deferred tax assets.

(c) The amounts are before the adjustments from the application of HKFRS 9.

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	As reported	**Reclassification**	**Remeasurement**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Deferred tax assets	18,413	–	(8,891)	9,522
CURRENT LIABILITIES				
Deposits received for sale of properties	–	2,013,475	–	2,013,475
Contract liabilities	2,049,041	(2,013,475)	(35,566)	–
CAPITAL AND RESERVES				
Reserves	3,024,458	–	25,341	3,049,799
Non-controlling interests	63,071	–	1,334	64,405

Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018

	As reported *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Revenue from goods and services	90,672	–	–	90,672
Cost of sales and services	(13,024)	–	–	(13,024)
Gross profit	77,648	–	–	77,648
Other income	16,230	–	–	16,230
Change in fair value of investment properties	(1,192)	–	–	(1,192)
Change in fair value of financial assets at fair value through profit or loss	(25,524)	–	–	(25,524)
Other operating expenses	(94,420)	–	–	(94,420)
Finance costs	(50,895)	–	27,380	(23,515)
Share of loss of an associate	(478)	–	–	(478)
Loss before taxation	(78,631)	–	27,380	(51,251)
Income tax expense	(4,719)	–	(6,845)	(11,564)
Loss for the period	(83,350)	–	20,535	(62,815)
Other comprehensive expense	(248,469)	–	174	(248,295)
Total comprehensive expense for the period	(331,819)	–	20,709	(311,110)

The explanations of the above changes affected in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related Interpretations are set out in notes (a) to (c) above for describing the adjustments made to the condensed consolidated statement of financial position at 1 April 2018 upon the adoption of HKFRS 15.

3.2 Impacts and changes in accounting policies of application on HKFRS 9

Financial Instrument ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

3.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39**	**Fair value remeasurement under HKFRS 9**	**Additional loss allowance recognised under HKFRS 9**	**New carrying amount under HKFRS 9**
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments held for trading	Financial assets at FVTPL	Financial assets at FVTPL	125,745	–	–	–
Financial assets at FVTPL	Financial assets at FVTPL	Financial assets at FVTPL	133,857	125,745	–	259,602
Trade and other receivables	Loans and receivables at amortised cost	Financial assets at amortised cost	7,329	–	–	7,329
Amount due from related companies	Loans and receivables at amortised cost	Financial assets at amortised cost	140	–	–	140
Restricted bank deposits	Loans and receivables at amortised cost	Financial assets at amortised cost	630	–	–	630
Bank balances and cash	Loans and receivables at amortised cost	Financial assets at amortised cost	201,622	–	–	201,622
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	159,307	–	–	159,307
Amounts due to related companies	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,016	–	–	2,016
Amounts due to non-controlling shareholders of subsidiaries	Financial liabilities at amortised cost	Financial liabilities at amortised cost	153,885	–	–	153,885
Bonds payable	Financial liabilities at FVTPL	Financial liabilities at FVTPL	10,339	–	–	10,339

Note: The amount of the additional impairment loss allowance upon the initial application of HKFRS 9 was insignificant to the condensed consolidated statement of the Group.

There were no financial assets and financial liabilities which the Group had previously measured at amortised cost under HKAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of HKFRS 9.

3.3 Impact on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be adjusted. The following table shows the adjustments recognised for each individual line item.

	31 March 2018 *HK$'000*	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 April 2018** *HK$'000*
NON-CURRENT ASSETS				
Investment properties	3,952,998	–	–	3,952,998
Property, plant and equipment	5,327	–	–	5,327
Property under development	358,190	–	–	358,190
Deposits for properties under development	78,978	–	–	78,978
Deferred tax assets	14,396	2,573	–	16,969
	4,409,889	2,573	–	4,412,462
CURRENT ASSETS				
Inventory of properties	1,249,179	–	–	1,249,179
Trade receivables, other receivables and prepayments	1,079,929	–	–	1,079,929
Loan receivables	25,000	–	–	25,000
Financial assets at FVTPL	133,857	–	125,745	259,602
Investments held for trading	125,745	–	(125,745)	–
Amounts due from related companies	140	–	–	140
Prepaid income tax	10,369	–	–	10,369
Restricted bank deposits	630	–	–	630
Bank balances and cash	201,622	–	–	201,622
	2,826,471	–	–	2,826,471
CURRENT LIABILITIES				
Trade and other payables and accruals	242,781	–	–	242,781
Deposits received for sale of properties	1,346,389	(1,346,389)	–	–
Contract liabilities	–	1,356,682	–	1,356,682
Amounts due to related companies	2,016	–	–	2,016
Amounts due to non-controlling shareholders of subsidiaries	153,885	–	–	153,885
Bank borrowings – due within one year	184,623	–	–	184,623
Income tax payable	57,450	–	–	57,450
	1,987,144	10,293	–	1,997,437
NET CURRENT ASSETS	839,327	(10,293)	–	829,034
TOTAL ASSETS LESS CURRENT LIABILITIES	5,249,216	(7,720)	–	5,241,496

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES				
Share capital	44,589	–	–	44,589
Reserves	3,353,019	(7,334)	–	3,345,685
Equity attributable to owners of the Company	3,397,608	(7,334)	–	3,390,274
Non-controlling interests	38,485	(386)	–	38,099
TOTAL EQUITY	3,436,093	(7,720)	–	3,428,373
NON-CURRENT LIABILITIES				
Bonds payable	10,339	–	–	10,339
Deferred tax liabilities	757,337	–	–	757,337
Bank borrowings				
– due after one year	1,045,447	–	–	1,045,447
	1,813,123	–	–	1,813,123
TOTAL EQUITY AND NON-CURRENT LIABILITIES	5,249,216	(7,720)	–	5,241,496

Except as described above, the application of other amendments to the HKFRSs and the interpretation in current interim period had no material effect on the amounts reported or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND OTHER INCOME

Revenue represents income generated from the principal activities of the Group. Revenue and other income recognised during the period are as follows:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Rental income, and Property management related fee income	**70,421**	52,890
Sale of properties	**20,251**	420,905
	90,672	473,795
Other income		
Bank interest income	**1,724**	259
Dividend income from listed investments	**639**	816
Exchange gain, net	**–**	9,034
Gain on disposal of property, plant and equipment	**–**	98
Interest income from debts securities	**–**	1,529
Interest income from financial assets at fair value through profit or loss	**13,330**	13,330
Interest income from loan receivables	**395**	3,515
Sundry income	**142**	182
	16,230	28,763

5. SEGMENTAL INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has identified two reportable segments, the business of property development and property investment. The following summary describes the operations in each of the Group's reportable segments:

– Property development business – development and sale of properties

– Property investment business – letting properties and providing property management services

During the six months ended 30 September 2018 and 2017, there are no inter-segment transactions made. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/(loss) that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business Segments

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Property development business For the six months ended 30 September		Property investment business For the six months ended 30 September		Total For the six months ended 30 September	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from:						
External sales	**20,251**	420,905	**70,421**	52,890	**90,672**	473,795
Inter-segment sales	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**20,251**	420,905	**70,421**	52,890	**90,672**	473,795
Reportable segment (loss)/profit	**(58,412)**	123,442	**31,945**	19,558	**(26,467)**	143,000
Interest income	**438**	124	**1,120**	3,649	**1,558**	3,773
Interest expense	**(27,380)**	(3,808)	**(22,889)**	(24,021)	**(50,269)**	(27,829)
Depreciation	**(799)**	(693)	**(134)**	(160)	**(933)**	(853)
Income tax (expense)/credit	**3,258**	(59,066)	**(7,977)**	(5,524)	**(4,719)**	(64,590)
Share of loss of an associate	**(478)**	–	**–**	–	**(478)**	–
Change in fair value of investment properties	**–**	–	**(1,192)**	(12)	**(1,192)**	(12)

Assets and liabilities information

	Property development business		Property investment business		Total	
	At 30 September 2018	At 31 March 2018	**At 30 September 2018**	At 31 March 2018	**At 30 September 2018**	At 31 March 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,449,708**	2,902,495	**3,834,697**	3,976,375	**7,284,405**	6,878,870
Addition to non-current assets	**235,979**	35,582	**–**	12	**235,979**	35,594
Segment liabilities	**(2,795,535)**	(2,175,244)	**(1,444,883)**	(1,608,710)	**(4,240,418)**	(3,783,954)

(b) Reconciliation of reportable segment revenues and profit or loss, assets and liabilities

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**90,672**	473,795
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**90,672**	473,795
(Loss)/profit before taxation		
Reportable segment (loss)/profit	**(26,467)**	143,000
Exchange gain, net	**–**	9,034
Fair value (loss)/gain on financial assets at FVTPL	**(25,524)**	31,634
Interest income from financial assets at FVTPL	**13,330**	13,330
Net realised gain on disposal of investments held for trading	**–**	645
Finance costs	**(626)**	(595)
Unallocated corporate income	**1,200**	2,345
Unallocated corporate expenses	**(40,544)**	(5,750)
Consolidated (loss)/profit before taxation	**(78,631)**	193,643

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**7,284,405**	6,878,870
Bank balances and cash	**11,205**	59,993
Financial assets at FVTPL	**234,078**	259,602
Loan receivables	**–**	25,000
Unallocated corporate assets	**26,833**	12,895
Consolidated total assets	**7,556,521**	7,236,360
Liabilities		
Reportable segment liabilities	**4,240,418**	3,783,954
Amounts due to related companies	**167,784**	20
Bonds payable	**10,579**	10,339
Unallocated corporate liabilities	**5,622**	5,954
Consolidated total liabilities	**4,424,403**	3,800,267

(c) Geographical information

During the six months ended 30 September 2018 and 2017, the Group's major operations and assets are situated in the PRC in which all of its revenue was derived.

(d) Major customers

There are no customer contributing over 10% of the Group's revenue for the six months ended 30 September 2018 and 2017.

6. OTHER GAINS

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Net realised gain on disposal of investments held for trading	**–**	645

7. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**33,915**	43,774
Interest on bonds payable	**626**	595
Interests on contract liabilities	**27,380**	–
	61,921	44,369
Less: Interest capitalised *(note)*	**(11,026)**	(15,945)
	50,895	28,424

Note: Borrowing costs capitalised during the periods arose on the bank borrowings are capitalised fully to expenditure on qualifying assets.

8. (LOSS) PROFIT BEFORE TAXATION

The Group's (loss) profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Exchange loss (gain), net	**26,164**	(9,034)
(Gain) on disposal of property, plant and equipment	**–**	(98)
Depreciation of property, plant and equipment	**1,118**	1,084
Minimum lease payments under operating leases on leasehold properties	**1,020**	1,020
Staff costs (including directors' emoluments):		
Basic salaries and allowances	**16,654**	8,248
Retirement benefits scheme contribution	**582**	141

9. INCOME TAX EXPENSE

	For the six months ended 30 September 2018 HK$'000	2017 HK$'000
PRC enterprise income tax		
– Current period	**7,995**	21,963
– Over provision in prior years	**–**	(288)
	7,995	21,675
PRC land appreciation tax ("LAT")	**3,569**	37,103
Deferred tax (credit)/expense	**(6,845)**	5,812
Income tax expense	**4,719**	64,590

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2018 (for the six months ended 30 September 2017: 16.5%). No provision of Hong Kong profits tax was made as there was no assessable profit derived for both periods.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax. The applicable PRC enterprise income tax is 25% for the six months ended 30 September 2018 (for the six months ended 30 September 2017: 25%) for the PRC subsidiaries.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil), nor has any dividend been proposed since 30 September 2018.

11. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 September 2018 HK$'000	2017 HK$'000
(Loss) profit attributable to owners of the Company		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(79,634)**	125,882
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of Basic (loss) earnings per share	**4,458,901**	4,146,402
Effect of dilutive potential ordinary shares:		
Unlisted warrants	**–**	42,622
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**4,458,901**	4,189,024

The Company issued 800,000,000 ordinary shares as part of the consideration for the acquisition of Fujian Jingdu Land Co., Ltd. ("Fujian Jingdu") which are under common control and accounted for using merger accounting, the ordinary shares issued are included in the calculation of the weighted average number of shares for the six months ended 30 September 2017 as if these ordinary shares are issued and the acquisition of Fujian Jingdu had completed on 1 April 2016.

The calculation of basic (loss) earnings per share attributable to the owners of the Company for the six months ended 30 September 2018 is based on the loss attributable to the owners of the Company of approximately HK$79.6 million (for the six months ended 30 September 2017: profit attributable to owners of the Company of HK$125.9 million) and on the weighted average number of 4,458,901,000 ordinary shares (for the six months ended 30 September 2017: 4,146,402,000 ordinary shares and convertible preference shares).

Share options:

For the six months ended 30 September 2017, the computation of diluted earnings per share does not assume the exercise of share options since the exercise price of those share option is higher than the average market price of the Company's shares for the respective periods.

Unlisted warrants:

For the six months ended 30 September 2017, the computation of diluted earnings per share assume the exercise of the unlisted warrants since the exercise price of those unlisted warrants is lower than the average market price of the Company's shares for the respective period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

A credit period of 30 days (31 March 2018: 30 days) is granted to the tenants, while the Group normally received rental income one month in advance. The Group seeks to maintain strict control over its outstanding receivables to recognised credit risk, with overdue balances regularly reviewed by senior management. Accounts receivable are generally non-interest bearing and their carrying amounts approximate their fair value. The Group did not hold any collateral over these balances.

The ageing analysis of the trade receivable as at the end of reporting period, based on the invoice date, was as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
0-90 days	**4,212**	2,937
91-180 days	**1,190**	635
Over 180 days	**4,095**	3,757
	9,497	7,329

13. INVESTMENTS HELD FOR TRADING/FINANCIAL ASSETS AT FVTPL

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Investment held for trading		
Equity securities listed in Hong Kong at fair value *(note)*	**–**	125,745
Financial assets at FVTPL		
Equity securities listed in Hong Kong at fair value	**76,173**	–
Unlisted bond securities	**157,905**	133,857
	234,078	259,602

Note:

The above equity securities are classified as investments held for trading as they have been acquired principally for the purpose of selling in the near term, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making. Changes in their fair values are recognised in profit or loss.

14. TRADE AND OTHER PAYABLES AND ACCRUALS

(a) Trade payable

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers. An ageing analysis of the trade payables as at the end of reporting period, based on the receipt of goods purchased, was as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Current or less than 1 month	**48,303**	69,708
1 to 3 months	**12,160**	19,585
More than 3 months but less than 12 months	**2,677**	2,465
More than 12 months	**103,444**	67,549
	166,584	159,307

The directors consider that the carrying amounts of the Group's accounts payable at 30 September 2018 and 31 March 2018 approximates their fair values.

(b) Other payables and accruals

As at 30 September 2018 and 31 March 2018, the Group's other payables and accruals primarily comprised receipts in advance from customers and rental deposits received from tenants.

15. SHARE CAPITAL

	At 30 September 2018		At 31 March 2018	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**200,000,000**	**2,000,000**	200,000,000	2,000,000
Convertible preference shares	**602,000**	**6,020**	602,000	6,020
Issued and fully paid:				
Ordinary shares				
At beginning of period/year	**4,458,901**	**44,589**	3,346,401	33,464
Issue of ordinary shares:				
– Acquisition of entities under common control *(note (i))*	**–**	**–**	800,000	8,000
– Exercise of warrant *(note (ii))*	**–**	**–**	312,500	3,125
At end of period/year	**4,458,901**	**44,589**	4,458,901	44,589

Notes:

(i) Pursuant to the sale and purchase agreement dated 15 December 2016 entered into between Fujian Sinco and Fuzhou Gaojia Real Estate Development Co., Ltd. ("Fuzhou Gaojia"), the Group acquired 95% equity interest of Fujian Jingdu for an agreed consideration of RMB196,000,000. The consideration was satisfied by the allotment and issue of 800,000,000 shares of the Company at the issue price of HK$0.2745 each to United Century International Limited on 26 May 2017.

(ii) On 21 December 2017, the Company received written notice issued by the holder of warrant for a full exercise of the warrant to the extent of HK$75,000,000 at exercise price of HK$0.24 per share. On 22 December 2017, the Company issued 312,500,000 new ordinary shares with par value of HK$0.01. Upon the full exercise of warrants, the remaining amount of equity component amounting to approximately HK$9,261,000 was transferred to share premium. Approximately HK$3,125,000 and HK$81,136,000 were recorded in share capital and share premium respectively during the year ended 31 March 2018 after the exercise of warrants.

All the shares issued during the period/year rank pari passu with the existing shares in all respects.

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group has the following balances and transactions with related parties:

(a) As at 30 September 2018 and 31 March 2018, the amounts due from related companies are unsecured, interest-free and repayable on demand. Maximum amounts due from related companies during the period was approximately HK$130,309,000 (31 March 2018: HK$314,070,000).

(b) Mr. Guo Jiadi, being the chairman and an Executive Director of the Company and Ms. Shen Bizhen (the spouse of Mr. Guo Jiadi) have granted guarantees to banks for the bank loans with principal amount of approximately HK$998,532,000 (31 March 2018: HK$1,230,070,000), for due performance of the covenants of bank facilities granted to the subsidiaries of the Company.

(c) A rental agreement for leasing a portion of a floor of the shopping mall in Fuzhou was signed between the Group and a company of which Mr. Guo Jiadi was beneficially interested in. Rental income charged for the period amounted to approximately HK$143,000 (for the six months ended 30 September 2017: HK$138,000).

(d) Fuzhou Gaojia, which is beneficially owned by Mr. Guo Jiadi, director of the Company, has granted guarantees to banks for the bank loans with principal amount of approximately HK$278,236,000 (31 March 2018: HK$415,212,000), for due performance of the covenants of bank facilities granted to the subsidiaries of the Company.

(e) Guo Shi Investment Co. Limited, which is ultimately owned as to approximately 95% by Mr. Guo Jiadi, has granted a guarantee to a bank for the bank loan with principal amount of approximately HK$93,867,000 (31 March 2018: HK$127,903,000), for due performance of the covenants of bank facilities granted to a subsidiary of the Company.

17. EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the six months ended 30 September 2018, the Group has acquired a land use rights of a land parcel in Weinan City, Shaanxi Province, the PRC through public auction for a total consideration of approximately RMB53,600,000 with a total site area of approximately 54,267 sq.m.

(ii) On 27 November 2018, Fujian Sinco entered into a loan agreement with the Shannan Tianyuan Investment Centre and Shannan Shenyuan Investment Centre (collectively, the "Borrowers"), pursuant to which Fujian Sinco has agreed to lend to the Borrowers the loan in the principal amount of up to RMB110,000,000 (the "Loan") at interest of 20% per annum for a term of 18 months (the "Loan Agreement"). On the same date, the Company, Sundo Gas Limited ("Sundo Gas"), the issuer of an exchangeable bonds held by the Company (the "Exchangeable Bonds") and the Mr. Zhong Changming ("Mr. Zhong"), the guarantor entered into a confirmation letter that upon entering into of the Loan Agreement, Sundo Gas and Mr. Zhong shall not have further obligations to repay the outstanding principal amount of the Exchangeable Bonds (to the extent equivalent to the principal amount of the Loan). The Loan is in effect an extension of the principal amount provided to Sundo Gas by the Group under the Exchangeable Bonds since February 2016. The repayment obligations of the Borrowers under the Loan Agreement are secured by the pledge of 98.12% equity interest of Jiangsu Guosheng. In addition, Mr. Zhong agreed to grant an irrevocable joint liability guarantee in favour of the Lender for a term of two years commencing from the expiry date of the term of the Loan Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2018 (the "Interim Period"), the Group recorded a revenue of approximately HK$90.7 million, representing an decrease of 80.9% compared with the corresponding period for the six months ended 30 September 2017 and the Group's loss attributable to shareholders was approximately HK$79.6 million, and its loss per share for the period was HK$1.79 cents (2017: profit of HK$125.9 million, representing a basic earnings per share of HK$3.04 cents).

DIVIDENDS

The board (the "Board") of directors of the Company (the "Directors") does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: HK$Nil).

BUSINESS REVIEW

The Group is principally engaged in property development and holding of property for investment and rental purpose, as well as money lending business.

Property development

Contracted property sales

For the six months ended 30 September 2018, the contracted sales of the Group reached approximately HK$422,239,000 with a total gross floor area ("GFA") of approximately 31,054 square meters ("sq.m") (for the six months ended 30 September 2017: HK$766,164,000). The Group focuses on its projects in respect of peripheral facilities seeking to fulfill needs of the middle to upper class households.

The table below illustrates the contracted sales (stated before the deduction of applicable taxes) achieved by the Group for the six months ended 30 September 2018:

Contracted Sales for the six months ended 30 September 2018

Location	Property projects	Project type	Contracted sales amount *HK$'000*	Contracted sales area (sq.m)	Average price of contracted sales *HK$/sq.m* *(Note)*	Percentage of total contracted sales amount
Fuzhou City, Fujian Province,	Fuzhou Sandi Chuangfu Plaza	Commercial/ office	1,963	390	5,040	0.5
Xian City, Shaanxi Province	Qujiang Xiangsong Fengdan • Xian Sandi					
	– Phase 1	Residential	25,742	1,824	14,113	6.0
	– Phase 2	Residential	282,823	21,232	13,321	67.0
	– Phase 3	Residential	111,711	7,608	14,683	26.5
Total			422,239	31,054	13,597	100.0

Note:

The calculation of average price per sq.m is based on the sales revenue before the deduction of business/value-added tax and other surcharges/taxes.

Portfolio of property development projects

The table below summaries the portfolio of property development projects as at 30 September 2018:

Location	Property projects	Project type	Actual/ expected completion dates	Site area sq.m	Completed: Saleable GFA delivered/ pre-sold sq.m	Completed: GFA available for sale sq.m	Under development/ future development: GFA under development sq.m	Under development/ future development: Planned GFA for future development sq.m	Group's interest%
Fuzhou City, Fujian Province	Fuzhou Sandi Chuangfu Plaza								
	– Zone A	Commercial/office	2017	18,330	21,407	2,406	–	–	95%
		Others *(Note ii)*	2018		1,285	2,253	–	–	95%
	– Zone B	Hotel	2019		–	–	69,998	–	95%
	Sub-total			18,330	22,692	4,659	69,998	–	95%
Wuyishan City, Fujian Province	Wuyishan Sandi New Times Square	Residential and Commercial	Pending	168,669	–	–	48,262	108,915	55%
Xian City, Shaanxi Province	Qujiang Xiangsong Fengdan • Xian Sandi								
	– Zone A of Phase 1	Residential	2017	54,996	66,699	618	–	–	95%
		Commercial	2017		1,615	3,623	–	–	95%
	– Zone B of Phase 1	Residential, Commercial and Others *(Note ii)*	2018/2019		–	–	71,363	–	95%
	Sub-total			54,996	68,314	4,241	71,363	–	95%
	– Phase 2	Residential, Commercial and Others	2021	34,192	–	–	142,595	–	95%
	– Phase 3	Residential, Commercial and Others	2022	35,116	–	–	164,463	–	95%
				69,308	–	–	307,058	–	95%
Total				311,303	91,006	8,900	496,681	108,915	
Total attributable GFA					86,456	8,455	452,542	59,903	

Notes:

(i) The table above includes properties for which the Group has obtained the relevant land use rights certificate(s) but has not obtained the requisite construction permits; The figures for "GFA available for sale", "GFA under development" and "Planned GFA for future development" are based on figures provided in the relevant governmental documents, such as the property ownership certificates, the construction work planning permits, the pre-sale permits, the construction land planning permits or the land use rights certificate. The categories of information are based on our internal records.

(ii) Others mainly comprises car parks and ancillary facilities.

(iii) "GFA available for sale" and "GFA under development" and "Planned GFA for future development" are derived from the Group's internal records and estimates.

The following section provides further details of the development progress and completion of each of the projects.

1) Fuzhou Sandi Chuangfu Plaza

   Fuzhou Sandi Chuangfu Plaza comprises two zones, namely Zone A and Zone B. The construction works of Zone A was completed. For the six months period ended 30 September 2018, a total GFA of 1,697 sq.m has been delivered to buyers, representing a sales of properties of approximately HK$20,251,000.

2) Wuyishan Sandi New Times Square

   The project site is situated at Wuyishan, Fujian Province with a total site area of 168,669 sq.m. It is located 4 kilometers west of Da Hong Pao Scenic Area, a PRC National 4A-level scenic spot. The planning intention of the Wuyishan Sandi New Times Square is primarily for low density properties developments with the provision of open space and excellent ancillary facilities. During the six months period ended 30 September 2018, a construction permit of construction GFA of 48,262 sq.m was granted to the Group.

3) Qujiang Xiangsong Fengdan • Xian Sandi

   The development of the Qujiang Xiangsong Fengdan Xian Sandi is intended to be divided into (i) Zone A of Phase 1; (ii) Zone B of Phase 1; (iii) Phase 2 and (iii) Phase 3. The construction works of Zone A was completed in 2017.

   Zone B consists of 2 block of residential buildings and a kindergarten with a total construction GFA of approximately 71,363 sq.m. The construction works of Zone B is expected to be completed in 2019. During the period ended 30 September 2018, a contract sales amount of approximately HK$25,742,000 was achieved for Phase 1.

   Phase 2 consists of 4 blocks of residential buildings with a construction GFA of approximately 142,595 sq.m. The construction works of phase 2 is expected to be completed in 2021. During the period ended 30 September 2018, a contract sales amount of approximately HK$282,823,000 was achieved for Phase 2.

   Phase 3 mainly consists of residential buildings and ancillary retails with a total construction GFA of approximately 164,463 sq.m. The construction works of phase 3 is expected to be completed in 2022. During the period ended 30 September 2018, a contract sales amount of approximately HK$111,711,000 was achieved for Phase 3.

Land bank replenishment

The Group's strategy is to maintain a land bank portfolio sufficient to support the Group's own development pipeline for the next few years. As at 30 September 2018, the Group had a quality land bank amounting to a total GFA of approximately 614,496 sq.m, comprising (a) a total GFA of approximately 8,900 sq.m completed but remain unsold, (b) a total GFA of approximately 496,681 sq.m under development and construction, and (c) a total planned GFA of approximately 108,915 sq.m. held for future development.

Subsequent to the six months ended 30 September 2018, the Group has acquired a land use rights of a land parcel in Weinan City, Shaanxi Province, the PRC through public auction for a total consideration of approximately RMB53,600,000 with a total site area of approximately 54,267 sq.m.

The property investment business

The current property investment business is mainly operated by Fujian Sinco Industrial Co., Ltd. ("Fujian Sinco") which is engaged in development, operation and management of a home improvement plaza ("Sandi Plaza"). During the period under review, the Group recorded the rental, property management and related fee income of approximately HK$70.4 million (2017: HK$52.9 million). The Sandi Plaza had an occupancy rate of approximately 94.1% which represent an increase in the occupancy rate as compared to corresponding period in 2017 of approximately 89.7%. The increase in occupancy rate is primarily due to success of advertising and promotion efforts. The Board is confident on this property investment business and believes it will continuously bring a positive and stable return to the Group in the future.

Other investments

Our other investments including investing surplus cash from operations in listed equity securities and loan receivables in Hong Kong and the PRC. We have invested in listed high yield stocks with growth potentials. We have also invested in loan receivables for interest incomes. The objectives of these investments are to strike a balance between risk and return in order to maximise return to shareholders.

The equity securities acquired are principally for short term investment purpose. The Group would closely monitor performances of the mentioned and will seek for disposal opportunities for profit if any. Our principal business is still engaged in property development and property investment business and thus we will continue to proactively take up opportunities in real estate market. Therefore, the Group would consider disposing or downsizing the existing listed-equities investment portfolio when the Group has funding needs for expanding the property development business in the future.

Significant events during the Interim Period

(i) Major Transaction in Relation to A Property Development Project in Xi'an

On 9 August 2018, Fujian Sinco and Grand International Development Limited ("the Grand International"), both being wholly-owned subsidiaries of the Company entered the into a cooperation agreement (the "Cooperation Agreement") with Xi'an Chongfeng Real Estate Company Limited, an independent third party of the Group, whereby, among other things, (i) Fujian Sinco and Grand International shall make capital contribution of RMB6,200,000 and US$30,000,000 (equivalent to RMB201,000,000) to the Xi'an Zhichengda Real Estate Company Limited (the "Xi'an Zhichengda" or "Target Company") in cash; (ii) Fujian Sinco and Grand International shall provide the shareholder's loan of RMB360,900,000 to the Target Company; and (iii) Fujian Sinco shall provide the advance of RMB50,000,000 to the representatives, which hold 26% equity interests (the "Representatives") in the through the Target Company. On the same date, Fujina Sinco and Grand International entered into the Memorandum with Zhongnan Jiafeng, Chongfeng Real Estate and the Representatives in relation to certain matters regarding the cooperation for the Land Parcels. Upon completion of the Capital Contribution, the Group will be interested in the Target Company of 37%.

The principal assets of the Target Company are three parcels of land located at the south of Zhenghe Jiu Road, the west of Tai'an Road, the east of Taiping Road and the north of Zhenghe Lu Road, Fengdong New Town, Xixian District, Xi'an with a total site area of approximately 182,646 square metres for residential and commercial uses and the total construction GFA would be approximately 625,630 square metres (the "Land Parcels). The portion of the Land Parcels for residential purpose has a land use rights of 70 years while the portion of the Land Parcels for commercial purpose has a land use rights of 40 years.

According to the latest development proposal of the Land Parcels, the Land Parcels are planned to be developed into a mixed property development project, with a total construction gross floor area of approximately 418,830 square metres for commercial and residential uses, and a total construction gross floor area of approximately 206,800 square metres for ancillary facilities, including carpark. The construction of Nan Mei Commodity Trading Centre Phases 1 and 2 (南美商品貿易中心項目一、二期) is scheduled to commence by the end of 2018 and complete by December 2021. The construction of Nan Mei Commodity Trading Centre Phase 3 (南美商品貿易中心項目三期) is scheduled to commence in the second or third quarter of 2019.

On 28 September 2018, the Group paid up the registered capital in the aggregate amount of RMB207,200,000 in full and, the Group is interested in the Xi'an Zhichengda as to 37%. The interests in Xi'an Zhichengda is accounted for as an associate in the financial statements of the Group.

Further details are set out in the announcement of the Company dated 9 August 2018.

(ii) Very Substantial Acquisition and Connected Transaction – Acquisition of the Entire Issued Share Capital of All Excel Industries Limited ("All Excel") Involving Issue of Consideration Shares and Convertible Bonds Under Specific Mandate

Reference is made to the announcement (the "Announcement") of the Company dated 21 September 2018. Capitalised terms used in this report have the same meanings as defined in the Announcement unless the context requires otherwise.

On 21 September 2018, Grand Supreme Limited ("the Grand Supreme"), a wholly-owned subsidiary of the Company (as purchaser), Primary Partner International Limited (the "Primary Partner"), a company incorporated in the British Virgin Islands with limited liability which is wholly held by Mr. Guo Jiadi ("Mr.Guo"), a director and controlling shareholder of the Company (as vendor) and Mr. Guo (as guarantor) entered into the Agreement, pursuant to which Grand Supreme has conditionally agreed to acquire, and Primary Partner has conditionally agreed to sell the Target Share at the Consideration of HK$1,500 million, which shall be satisfied as to HK$200 million by way of cash, as to HK$600 million by way of the issue of the Promissory Note, as to HK$200 million by the issue of the Consideration Shares and as to HK$500 million by the issue of the Convertible Bonds, and the Guarantor has conditionally agreed to guarantee the performance by Primary Partner of its obligations thereunder.

The Target Share represents the entire issued share capital in All Excel, which indirectly holds the entire equity interest in Fuzhou Gaojia which in turn through its subsidiaries owns the Properties. The substance of the Acquisition is the principal property assets held by the Target Group, comprising (i) the Shanghai Property Project; (ii) the Fujian Property Project; (iii) the Baoji Property Project and (iv) the Jilin Property Project.

The Properties have a total GFA of approximately 1,378,750 sq.m., comprising residential area of approximately 633,431 sq.m., office/hotel area of approximately 236,552 sq.m., retail area of approximately 231,209 sq.m., and carparks and others of approximately 277,558 sq.m., representing approximately 45.9%, 17.2%, 16.8% and 20.1% of the total GFA of the Properties respectively.

Upon Completion, All Excel will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

Further details are set out in the announcement of the Company dated 21 September 2018.

(iii) Investment in coal bed methane project in Sundo Gas Limited

A letter of intent dated 24 August 2015 ("Letter of Intent") was entered into among the Company as purchaser, the Shannan Tianyuan Investment Centre as first vendor and Shannan Shengyuan Investment Centre as second vendor (collectively, the "Vendors") in respect of the proposed acquisition of a part of or the entire equity interests in Jiangsu Guosheng Hengtai Energy Development Co., Ltd ("Jiangsu Guosheng") ("Proposed Acquisition"). Jiangsu Guosheng is principally engaged in the business of exploration and production of coalbed methane and provision of related technical services and consultation services. On 29 December 2015, the Company has paid an earnest deposit in the sum of HK$133,300,000 ("Earnest Deposit"), being the Hong Kong dollars equivalent of RMB110,000,000, to the Vendors pursuant to the Letter of Intent.

On 19 February, 2016 the Company as subscriber, Sundo Gas Limited ("Sundo Gas") as issuer and Mr. Zhong Changming ("Mr. Zhong") entered into a subscription agreement ("Subscription Agreement"), the Company has conditionally agreed to subscribe the redeemable exchangeable bonds in the aggregate principal amount of HK$133,300,000 with 20% interest rate per annum (the "Bonds") from Sundo Gas. The Bonds can exchange for in aggregate up to a maximum of 123,934 shares in UC Energy, which is a subsidiary of Sundo Gas, upon the occurrence of an initial public offering and listing of and permission to deal in shares of UC Energy on the Stock Exchange or such other internationally recognized investment exchange of the same or higher international standing at the exchange price of approximately US$138.76 per share in the capital of UC Energy, representing 18.5% of the issued ordinary Shares of UC Energy at the Subscription Agreement date.

UC Energy is an exempt company incorporated in the Cayman Islands which is the sole shareholder of UC Energy Technology Limited, a company incorporated in Hong Kong which in turn holds 100% equity interests in United Coal Bed Methane (Nanjing) Development Company Limited* (聯合煤層氣(南京)發展有限公司), a wholly-foreign owned enterprise established under the laws of the PRC (collectively referred to as the "UC Group"). The UC Group is principally engaged in investment holding and through the variable interest entity structure established for the purpose of controlling the Dong Bao Neng Investment (Beijing) Ltd. (the "Dong Bao Neng")* (東寶能投資(北京)有限公司) and the subsidiary of Dong Bao Neng (collectively referred to as the "Dong Bao Neng Group"). Dong Bao Neng Group are principally engaged in the business of exploration and production of coalbed methane in the PRC. Dong Bao Neng Group owns the Zhangzhi Block covers an area of 82.1 km2 and is located on the south eastern margin of the Qinshui Basin in Zhangzhi City, Shanxi Province, the PRC (the "Zhangzhi Coalbed Methane Project").

* *For identification purposes only*

In connection with the subscription for the Bonds, the Group has received the following securities (the "bonds securities"):

(a) the share charge created in favour of the Company on 19 February 2016 by Sundo Gas in respect of 200,627 shares in UC Energy;

(b) the pledge of 90% equity interests in Jiangsu Guosheng (Note); and

(c) a personal guarantee given by Mr. Zhong in favour of the Company.

Note:

Pursuant to the Subscription Agreement dated 19 February 2016, a pledge of not less than 36.7% equity interests in Jiangsu Guosheng shall be given by Shannan Tianyuan Investment Centre in favour of Fujian Sinco as security for the Bonds. The Group has received a pledge of 90% equity interests in Jiangsu Guosheng eventually.

The Company has decided not to proceed with the Proposed Acquisition and the Vendors and the Company mutually agreed to terminate the Letter of Intent. As a result of the termination of the Letter of Intent, the Vendors shall refund the Earnest Deposit in full to the Company. The Company applied the refund of the Earnest Deposit to subscribe the Bonds. Pursuant to the Subscription Agreement, the long stop date for fulfilment of the conditions precedent to the Subscription Agreement is 30 April 2016 (the "Long Stop Date") (or such later date as may be agreed by the Company and Sundo Gas in writing). As certain conditions precedent could not be satisfied on or before the Long Stop Date, the Company, Mr. Zhong and Sundo Gas entered into a supplement agreement to extend the Long Stop Date to 31 October 2016. On 13 October 2016, all the conditions of the Subscription Agreement have been fulfilled pursuant to the terms and conditions therein except the condition relating to a legal opinion issued by the Company's PRC counsel which has been waived by the Company as a condition precedent to Completion. The parties to the Subscription Agreement have agreed that Sundo Gas and Mr. Zhong shall continue to procure the satisfaction of the said condition as soon as possible after and notwithstanding Completion. Completion of the Subscription Agreement took place. Accordingly, the Bonds in the aggregate principal amount of HK$133,300,000 have been issued to the Company.

During the year ended 30 September 2018, the Zhangzhi Coalbed Methane Project is still at the development and trial production stage and yet to commence the commercial production. The Bonds had matured on 29 October 2017. As at 30 September 2018, the potential extension is under discussion between the Group and the issuer and no agreement has been reached. After taking into account the latest progress in reaching settlement of the Bond with the Bond issuer and the guarantor, and the Bond securities with supporting information in respect of the estimated value of certain of the bond securities, the directors concluded that there is no recoverability issue of the Bond at end of reporting period.

In November 2018, a balance of approximately HK$37,452,000 was repaid by Sundo Gas, which represented x) a full repayment of the accrued interest as at repayment date of approximately HK$27,902,000 and y) a partial repayment of the outstanding principal amount of approximately HK$9,550,000. After the partial repayment, the outstanding principal amount was HK$123,750,000.

On 27 November 2018, Fujian Sinco entered into the Loan Agreement with the Shannan Tianyuan Investment Centre and Shannan Shenyuan Investment Centre (collectively, the "Borrowers"), pursuant to which the Fujian Sinco has agreed to lend to the Borrowers the loan in the principal amount of up to RMB110,000,000 (the "Loan") at interest of 20% per annum for a term of 18 months (the "Loan Agreement"). On the same date, The Company, Sundo Gas and the Mr. Zhong entered into a confirmation letter that upon entering into of the Loan Agreement, Sundo Gas and Mr. Zhong shall not have further obligations to repay the outstanding principal amount of the Exchangeable Bonds (to the extent equivalent to the principal amount of the Loan). The Loan is in effect an extension of the principal amount provided to Sundo Gas by the Group under the Exchangeable Bonds since February 2016. The repayment obligations of the Borrowers under the Loan Agreement are secured by the pledge of 98.12% equity interest of Jiangsu Guosheng. In addition, Mr. Zhong agreed to grant an irrevocable joint liability guarantee in favour of the Lender for a term of two years commencing from the expiry date of the term of the Loan Agreement.

Further details are set out in the announcements of the Company dated 24 August 2015, 29 December 2015, 19 February 2016, 14 June 2016,13 October 2016 and 27 November 2018.

OUTLOOK

Looking ahead, we predict stable growth for the Chinese economy. The Group would continue to promote the property projects in Fujian and Shaanxi province, and determine the specific launch time of the properties according to the local economic trend, market demand for the properties and investment atmosphere.

The Group is cautiously optimistic about the future economic development in Xi'an and the PRC as a whole and the associated demand for properties in Xi'an. Benefiting from the rapid development of the northwestern part of the PRC, Xi'an as the capital of Shaanxi Province, will play an important part in contributing to the economic growth of the central-northwest region. Xi'an was designated to serve "One Belt One Road" national strategies, and it has re-emerged as an important cultural, industrial and educational centre of the central-northwest region.

The Group will continue the precise position of its property investment business. And we will remain diversified in its land acquisition channels and proactively took up opportunities to expand its operating scale for continuous development and lay the foundation for persisted growth.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property development and property leasing & management services, which contributed approximately 22.3% and 77.7% respectively of the revenue for the six months ended 30 September 2018. The Group's revenue decreased by approximately HK$383.1 million, or 80.9%, to HK$90.7 million for the six months ended 30 September 2018 from approximately HK$473.8 million for the six months ended 30 September 2017. The decrease in revenue was mainly because of no completion of property development projects in the six months ended 30 September 2018. The table below sets forth the breakdown of the Group's revenue by operating segment as indicated:

	For the six months ended 30 September 2018		For the six months ended 30 September 2017	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from sales of properties	**20,251**	**22.3**	420,905	88.8
Rental income, and Property management related fee income	**70,421**	**77.7**	52,890	11.2
	90,672	**100.0**	473,795	100.0

Property development

The Group's revenue from sales of properties decreased to approximately HK$20.6 million for the six months ended 30 September 2018 (for the six months ended 30 September 2017: HK$420.9 million).

The table below summarises the revenue from sales of properties for the six months ended 30 September 2018:

Location	**Project type**	**Sales revenue** ***HK$'000***	**GFA sold (sq.m)**	**Average price per sq.m HK$/sq.m** *(Note)*
Fuzhou City, Fujian Province	Commercial/office	20,251	1,697	11,933

Note

The calculation of average price per sq.m is based on the sales revenue after the deduction of business/value-added tax and other surcharges/taxes.

Rental income and property management and related fee income

The sales for the six months ended 30 September 2018 includes the rental income and property management and related fee income in amount aggregate to approximately HK$70.4 million (2017: approximately HK$52.9 million), representing an increase of approximately 33.1% compared with corresponding period in 2017. Reason for the increase mainly due to the increase in the occupancy rate during the period under review.

Cost of properties sales

The Group's cost of properties sales increased to approximately HK$13.0 million for the six months ended 30 September 2018 (2017: approximately HK$254.0 million). The decrease was primarily attributable to the decrease in the total GFA of properties delivered compared with the corresponding period in 2017, which led to the decrease in the cost of properties sales.

Change in fair value of investment properties

The change in the fair value of investment properties arising from a home improvement plaza situated in Fuzhou, the PRC. A fair value loss of an investment property of approximately HK$1.2 million was recognised during the six months ended 30 September 2018 (2017: loss of approximately HK$12,000).

Change in fair value of financial assets at fair value through profit or loss

Change in fair value of financial assets at fair value through profit or loss for the Interim Period mainly attributable from unrealised fair value losses on equity securities listed in Hong Kong amounted to approximately HK$49.6 million (2017: net gains of approximately HK$41.6 million).

Other operating expenses

The Group's other operating expenses for the six months ended 30 September 2018 in the amount of approximately HK$94.4 million (2017: approximately HK$58.7 million) mainly included various administrative and selling expenses.

Finance costs

Finance costs comprise primarily interest costs on bank borrowings and bonds payable, net of capitalized borrowing costs relating to properties under development to the extent that such costs are directly attributable to the acquisition and construction of a project or project phase. The capitalization of borrowing costs relating to property under development commences when the construction of a property starts and ceases when the construction work is completed.

The finance cost increased by approximately HK$22.5 million or 79.1% from approximately HK$28.4 million for the six months ended 30 September 2017 to approximately HK$50.9 million for corresponding period in 2018. The increase was mainly attributable from the interest on contract liabilities recognised during the interim period.

Income tax expense

Income tax expense mainly comprises the PRC enterprise income tax and land appreciation tax amounted to approximately HK$4.8 million for the six months ended 30 September 2018 (2017: approximately HK$64.6 million). The substantial decrease was mainly attributable to the decrease in sales of properties recognised during the Interim Period.

Investments held for Trading/Financial assets at FVTPL

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Investment held for trading		
Equity securities listed in Hong Kong at fair value *(note a)*	**–**	125,745
Financial assets at FVTPL		
Equity securities listed in Hong Kong at fair value *(note a)*	**76,173**	–
Unlisted bond securities *(note b)*	**157,905**	133,857
	234,078	259,602

Note a)

The above equity securities equity securities as they have been acquired principally for the purpose of selling in the near term.

The carrying amount of the investments held for trading are equal to its fair values, which have been determined by reference to the quoted market bid prices available on the Stock Exchange. During the Interim Period, the Group has recorded net fair value losses on equity securities of approximately HK49.6 million (2017: net gain of approximately HK$$41.6 million).

As at 30 September 2018, the equity securities represented an investment portfolio comprising 4 equity securities (31 March 2018: 4 equity securities) listed in Hong Kong. All of them are securities listed on the Main Board of the Stock Exchange. There were no significant acquisitions or disposals of the equity securities during the Interim Period.

The Group's equity securities were represented as follows:

Company name/(stock code)	Notes	Percentage of shareholdings at 30 September 2018	Realised fair value gain/ (loss) for the period	Dividend i ncome for the period	Fair value at 30 September 2018	Percentage of total investments held for trading	Percentage of total assets of the Group at 30 September 2018
	Notes	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*%*	*%*
Equity Securities							
Kingston Financial Group Limited (1031)	(i)	0.23%	–	639	66,485	87.3%	0.9
Others	(ii)		–	–	9,688	12.7%	0.1
			–	639	76,173	100.0%	1.0

Notes

i. Kingston Financial Group Limited ("Kingston Financial") is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. Kingston Financial also provides gaming and hospitality services in Macau.

ii. None of these investments represented more than 1% of the total assets of the Group as at 30 September 2018.

Note b)

Unlisted bond securities

On 13 October 2016, the Bonds in the aggregate principal amount of HK$133,300,000 have been issued to the Company.

As at 31 March 2018 and 30 September 2018, the Bonds was compound instruments and designated as financial assets at fair value through profit or loss.

The fair value of the Bonds as at 30 September 2018 was determined by an independent professional valuer, Avista Valuation Advisory Limited engaged by the Group which led to a fair value gain of approximately HK$24.0 million recognised in the consolidated statement of profit or loss during the period ended 30 September 2018.

During the six months period ended 30 September 2018, the Group recognised interest income from financial assets at fair value through profit or loss of approximately HK$13.3 million (2017: HK$13.3 million was recognised as interest income from deposit for subscription of exchangeable bond and interest income from financial assets at fair value).

Details of the Bonds are set out in the section headed "Business Review" in this announcement.

Interest in an associate

The Group would account for its investment in associate using the equity method, of which the Group's interest in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. As at 30 September 2018, the investments in associate represented the Group's share of net assets of Xi'an Zhichengda (31 March 2018: Nil).

Details of the interest in an associate are set out in the section headed "Business Review" in this announcement.

Properties under development for sale/Properties held for sale

As at 30 September 2018, properties under development for sale/properties held for sales represented the inventories of properties in aggregated amount of HK$2,238,252,000 (31 March 2018: HK$1,249,179,000). The balances primarily consists of phase 1, phase 2 and phase 3 of Qujiang Xiangsong Fengdan • Xian Sandi and Wuyishan Sandi New Times Square. The significant increase mainly attributable from increase in land costs, construction costs and borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period.

Trade and other receivables and prepayments

As at 31 March 2018 and 30 September 2018, the Group recorded trade and other receivables and prepayments of approximately HK$1,079,929,000 and HK$472,559,000 respectively. The substantial decrease of HK$607,370,000 was mainly because the payment made by the Group for the acquisition of land use rights for Wuyishan Sandi New Times Square of approximately HK$592,892,000 (equivalent to RMB520,400,000) has been reclassified from trade and other receivables and prepayments to inventories of properties upon obtaining the relevant land use right certificates.

Trade and other payables and accruals

The Group's trade and other payables and accruals as at 31 March 2018 and 30 September 2018 primarily comprised (i) receipts in advance from customers and (ii) rental deposits received from tenants.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had bank borrowings of approximately HK$988.5 million denominated in RMB (31 March 2018: approximately HK$1,230.1 million denominated in RMB) and other debts comprising bonds payable in total amount of approximately HK$10.6 million (31 March 2018: approximately HK$10.3 million). As at 30 September 2018 and 31 March 2018, all bank borrowings were secured.

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK$257.1 million (31 March 2018: approximately HK$201.6 million) which were mainly denominated in HK$ and RMB.

As at 30 September 2018, the gearing ratio for the Group was approximately 21.3% (31 March 2018: 26.6%), calculated based on the net debts (comprising bank borrowings and bonds payable less cash and cash equivalent and investments held for trading) of approximately HK$665.8 million (31 March 2018: approximately HK$913.0 million) over the total equity of approximately HK$3,132.1 million (31 March 2018: approximately HK$3,436.1 million). The debt ratio was approximately 58.6% (31 March 2018: approximately 52.4%), calculated as total liabilities over total assets of the Group.

The Group's current available liquidity resources are sufficient to meet its capital commitments. As at 30 September 2018, the Group's net current assets amounted to approximately HK$415.1 million (31 March 2018: HK$839.3 million). The Group's current ratio, being percentage of its current assets and its current liabilities, amounted to 114.1% (31 March 2018: 142.2%).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

SHARE CAPITAL AND CAPITAL STRUCTURE

The share capital and capital structure of the Group during the Interim Period is summarised as follows:

(i) Bank borrowings

As at 30 September 2018, the Group had bank borrowings of approximately HK$988.5 million (31 March 2018: HK$1,230.1 million), of which approximately HK$187.3 million are repayable within one year and the remaining HK$801.2 million are repayable beyond one year. The Group's bank borrowings bears interest rates ranging from approximately 5.88% to 8.46% per annum. All the bank borrowings were denominated in RMB.

At 30 September 2018, the Group's bank borrowings were secured by the Group's investment property with carrying amount of approximately HK$3,604.2 million (31 March 2018: approximately HK$3,953.0 million); rental proceeds over the investment property; Group's properties under development and properties under development for sale with carrying amount of HK$1,921.8 million (31 March 2018: approximately HK$1,607.4 million), entire ordinary shares of a subsidiary of the Company; corporate guarantees for the bank loan with principal amount of approximately HK$710.3 million (31 March 2018: HK$814.9 million) executed by the Company; corporate guarantees for the bank loan with principal amount of approximately HK$278.2 million (31 March 2018: HK$287.3 million) executed by Fuzhou Gaojia, which is beneficially owned by Mr. Guo Jiadi, director of the Company; corporate guarantees for the bank loan with principal amount of approximately HK$93.9 million (31 March 2018: HK$127.9 million) executed by Guo Shi Investment Group Co. Limited, which is ultimately owed by Mr. Guo Jiadi, director of the Company; and personal guarantees for the bank loan with principal amount of approximately HK$988.5 million (31 March 2018: HK$1,230.1 million) executed by Mr. Guo Jiadi, a director of the Company, and Ms. Shen Bizhen, the spouse of Mr. Guo Jiadi.

(ii) Bonds payable

As at 30 September 2018 and 31 March 2018, the Company had a 4-year 7% coupon bonds with principal amount to HK$11 million (the "7% Coupon Bonds") to certain independent third parties. The 7% Coupon Bonds are denominated in HK$. Interest is payable semiannually and the principal will be repaid when the 7% Coupon Bonds fall due on 23 July 2019. There is no early redemption of the 7% Coupon Bonds neither by the Company nor the 7% Coupon Bonds holders during the six months ended 30 September 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as set forth in the section headed "Business Review- Significant events during the Interim Period (i) Major Transaction in relation to a Property Development Project in Xi'an in this announcement and (ii) Very Substantial Acquisition and Connected Transaction-Acquisition of All Excel Industries Limited Involving Issue of Consideration Shares and Convertible Bonds under Specific Mandate, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the period, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

USE OF NET PROCEEDS FROM THE EQUITY FUND RAISING ACTIVITIES

The use of the net proceeds from the equity fund raising activities during the six months ended 30 September 2018 are summarised as follows:

Issue of Warrant Shares of the Company

On 19 December 2017, a total of 312,500,000 shares were allotted and issued to the Beyond Steady Limited, the warrant holder, raising gross proceeds of approximately HK$75,000,000. The Group intends to apply the net proceeds for general working capital, capital expenditures and future investments.

As at 30 September 2018, approximately HK$5.0 million has been utilised as general working capital, and approximately HK$70.0 million had been utilised to satisfy part of the investment costs in an associate. Details of Investments in Associate are set out in the section headed "Business Review" in this announcement.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2018, the Group's investment property with respective fair value of approximately HK$3,604.2 million (31 March 2018: approximately HK$3,953.0 million), the Group's properties under development and properties under development for sale with carrying amount of approximately HK$1,921.8 million (31 March 2018: approximately HK$1,607.4 million) were pledged to secure the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 30 September 2018 and 31 March 2018, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group has capital commitments in respect of investment properties amounted to approximately HK$275.7 million (31 March 2018: HK$299.8 million), properties under development for sales amounted to 79.0 million (31 March 2018: HK$376.4 million) and properties under development amounted to approximately HK$98.8 million (31 March 2018: HK$547.1 million).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and HK$ respectively. The functional currency of the Company and certain of its subsidiaries which operate in Hong Kong as investment holding companies or companies providing corporate services to other group entities is HK$. The functional currency of the Company's principal operating subsidiaries in the PRC is RMB. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 September 2018, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 30 September 2018, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

As at 30 September 2018, the Group employed a total of approximately 119 employees (31 March 2018: approximately 84) of which 116 employees (31 March 2018: 81) were hired in the PRC and 3 (31 March 2018: 3) employees in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. Ongoing training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and all Directors confirmed that they have complied with the Model Code during the six months ended 30 September 2018.

PURCHASE, REDEMPTION OR SALE OF LISTING SECURITIES BY THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities for the six months ended 30 September 2018.

CORPORATE GOVERNANCE

For the six months ended 30 September 2018 and up to date of this announcement, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Listing Rules except for the deviations from the Code Provision A.2.1, A.6.7 and E.1.2 and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company ("Shareholders"). The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets. The Company had complied with the CG Code throughout the period except for the following deviations:

Code Provision A.2.1

The roles of the chairman and the chief executive officer should be segregated and not be exercised by the same individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

Mr. Guo Jiadi ("Mr. Guo") currently serves as the Chairman of the Board (the "Chairman").

Up to date of this announcement, no individual was appointed as the chief executive officer of the Company (the "CEO"). The day-to-day management of the Group's business is monitored by the executive Directors and senior management. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non- executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders of the Company ("Shareholders").

Mr. Yu Pak Yan, Peter and Mr. Zheng Yurui were unable to attend the annual general meeting (the "2018 AGM") of the Company held on 20 August 2018 due to other business engagements. As an action plan to address the aforesaid deviation, the Company will require all the independent non-executive Directors and other non- executive Directors to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

Code Provision E.1.2

The code provision E.1.2 currently in force stipulates, among other things, that the chairman of the issuer should attend the annual general meeting.

Mr. Guo being the Chairman, was unable to attend the 2018 AGM due to another commitment and Mr. Guo appointed Ms. Amika Lan E Guo, an executive Director, to act as his representative at the 2018 AGM and take the chair of the said 2018 AGM and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. This constitutes a deviation of the code provision E.1.2.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee of the Company presently comprises the three independent non- executive Directors, namely, Mr. Chan Yee Ping, Michael, Mr. Zheng Yurui and Mr. Yu Pak Yan, Peter.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the period, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.chinasandi.com.hk). The 2018 interim report of the Company for the six months ended 30 September 2018 will be despatched to shareholders of the Company and will be published on the same websites in due course.

APPRECIATION

The Board wishes to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group. We also thank our shareholders, customers and suppliers for their continuous support.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the six months ended 30 September 2018, the Group has acquired a land use rights of a land parcel in Weinan City, Shaanxi Province, the PRC through public auction for a total consideration of approximately RMB53,600,000 with a total site area of approximately 54,267 sq.m.

(ii) On 27 November 2018, Fujian Sinco entered into a loan ggreement with the Shannan Tianyuan Investment Centre and Shannan Shenyuan Investment Centre (collectively, the "Borrowers"), pursuant to which Fujian Sinco has agreed to lend to the Borrowers the loan in the principal amount of up to RMB110,000,000 (the "Loan") at interest of 20% per annum for a term of 18 months (the "Loan Agreement"). On the same date, the Company, Sundo Gas Limited ("Sundo Gas"), the issuer of an exchangeable bonds held by the Company (the "Exchangeable Bonds") and the Mr. Zhong Changming ("Mr. Zhong"), the guarantor entered into a confirmation letter that upon entering into of the Loan Agreement, Sundo Gas and Mr. Zhong shall not have further obligations to repay the outstanding principal amount of the Exchangeable Bonds (to the extent equivalent to the principal amount of the Loan). The Loan is in effect an extension of the principal amount provided to Sundo Gas by the Group under the Exchangeable Bonds since February 2016. The repayment obligations of the Borrowers under the Loan Agreement are secured by the pledge of 98.12% equity interest of Jiangsu Guosheng. In addition, Mr. Zhong agreed to grant an irrevocable joint liability guarantee in favour of the Lender for a term of two years commencing from the expiry date of the term of the Loan Agreement.

Except as disclosed above, there is no other significant event occurred subsequently after the reporting period.

By order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 29 November 2018

As at the date of this announcement, the Board comprises Mr. Guo Jiadi, Ms. Amika Lan E Guo and Mr. Wang Chao, being the executive Directors; Dr. Wong Yun Kuen, being the non-executive Director; and Mr. Chan Yee Ping, Michael, Mr. Yu Pak Yan, Peter, Ms. Ma Shujuan and Mr. Zheng Yurui, being the independent non-executive Directors.