MASTER GLORY GROUP LIMITED
凱華集團有限公司

(Carrying on business in Hong Kong as "275凱華集團")
(Incorporated in Bermuda with limited liability)

(Stock Code: 275)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the "Board") of Master Glory Group Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2018 together with comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
	NOTES	**2018**	2017
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**82,207**	90,294
Cost of sales		**(14,665)**	(13,259)
Gross profit		**67,542**	77,035
Other income		**2,267**	11,993
Other gains and losses, other expenses		**(504,955)**	106,858
Distribution and selling expenses		**(2,422)**	(9,076)
Administrative expenses		**(73,989)**	(74,093)
Finance costs	*4*	**(224,335)**	(214,724)
Share of results of associates		**(8,054)**	(13,076)
Share of result of a joint venture		**–**	(8,463)
Loss before income tax		**(743,946)**	(123,546)
Income tax credit (expense)	*5*	**58,952**	(16,669)
Loss for the period	*6*	**(684,994)**	(140,215)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(250,947)**	188,033
Share of other comprehensive income of associates		**529**	560
Net other comprehensive (expense) income for the period		**(250,418)**	188,593
Total net comprehensive (expense) income for the period		**(935,412)**	48,378

	NOTE	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(686,842)**	(143,375)
Non-controlling interests		**1,848**	3,160
		(684,994)	(140,215)
Total net comprehensive (expense) income attributable to:			
Owners of the Company		**(933,334)**	43,460
Non-controlling interests		**(2,078)**	4,918
		(935,412)	48,378
Loss per share	*8*	**HK(6.7) cents**	HK(1.4) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTE	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**41,535**	48,425
Prepaid lease payments		**29,069**	33,785
Investment properties		**9,328,474**	10,360,347
Intangible assets		**13,801**	14,879
Goodwill		**13,274**	14,152
Interests in associates		**524,182**	550,197
Financial assets at fair value through profit or loss		**160,625**	–
Available-for-sale investments		**–**	169,705
Club debentures		**5,320**	5,320
Deposits for acquisition of investment properties		**26,808**	88,973
Deposits for acquisition of interests in investments		**–**	37,175
Deferred tax assets		**32**	32
		10,143,120	11,322,990
CURRENT ASSETS			
Prepaid lease payments		**3,944**	4,392
Inventories		**601**	309
Financial assets at fair value through profit or loss		**110,096**	–
Available-for-sale investments		**–**	75,780
Properties held for sale		**96,761**	96,761
Trade and other receivables and prepayments	9	**29,968**	65,696
Refundable deposits for proposed acquisitions		**847,267**	–
Deposits for acquisition of interests in investments		**–**	260,616
Short-term loans receivable		**–**	57,000
Investments held for trading		**–**	81,000
Restricted bank deposit		**29,328**	31,708
Bank balances and cash		**88,140**	430,655
		1,206,105	1,103,917
Assets classified as held for sale		**–**	196,142
		1,206,105	1,300,059
CURRENT LIABILITIES			
Other payables and accruals		**335,359**	304,157
Tax payable		**85,491**	91,086
Borrowings – due within one year		**1,013,762**	728,672
		1,434,612	1,123,915
Liabilities classified as held for sale		**–**	121,036
		1,434,612	1,244,951
NET CURRENT (LIABILITIES) ASSETS		**(228,507)**	55,108
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,914,613**	11,378,098

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
CAPITAL AND RESERVES		
Share capital	**2,059,638**	2,059,638
Share premium and reserves	**1,833,786**	2,767,120
Equity attributable to owners of the Company	**3,893,424**	4,826,758
Non-controlling interests	**45,635**	51,983
TOTAL EQUITY	**3,939,059**	4,878,741
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**4,651,808**	4,995,225
Deferred tax liabilities	**1,323,746**	1,504,132
	5,975,554	6,499,357
	9,914,613	11,378,098

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2018.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that the Group incurred a net current liabilities of HK$228,507,000 as at 30 September 2018 and as at the same date the Group's borrowings of HK$1,013,762,000 were due for renewal or repayments within next twelve months. The condensed consolidated financial statements have been prepared on a going concern basis because:

(i) as announced by the Company on 4 September 2018, the directors of the Company have proposed the rights issue on the basis of three rights shares for every one adjusted share. The estimated net proceeds to be raised from the rights issue shall be up to approximately HK$1,058 million, if the rights shares are fully subscribed. On the same date, Dr. Yap Allan ("Dr. Yap"), the director of the Company, has entered into the deed of undertakings whereupon Dr. Yap has irrevocably undertaken to the Company that, among other things, subject to having obtained the whitewash waiver, he will accept in full the rights shares proposed to be provisionally allotted to him pursuant to the rights issue by lodging the provisional allotment letter accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such rights shares, which shall amount to not less than approximately HK$312 million in aggregate;

(ii) as at 30 September 2018, the Group has unutilised borrowing facilities of HK$280 million from financial institutions available for immediate draw down; and

(iii) the directors of the Company will negotiate for extension on certain borrowings due for repayment within twelve months from 30 September 2018 with the respective lenders. The directors of the Company are in the opinion that the negotiation for extension is highly probable in view of the past history of renewal and the good relationships of the Group with the lenders.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to 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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations 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 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments 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 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 retained profits and other components of equity, 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.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss include any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under HKFRS 9 (including trade receivables, short-term loans receivable and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises 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.

Significant increase in credit risk

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 reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2.1.2 Summary of effects arising from initial application of HKFRS 9

(a) AFS investments

From AFS equity investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investment of HK$44,538,000 was reclassified from AFS investments to financial assets at FVTPL. In the opinion of the management of the Group, the fair value changes relating to the equity investment previously carried at cost less impairment was insignificant.

From AFS debt investments to FVTPL

Distressed debt assets with a fair value of HK$200,947,000 were reclassified from AFS investments to financial assets at FVTPL because the distressed debt assets represent an investment in particular assets or cash flows and hence the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at FVTPL

Remaining investments are equity securities held for trading which are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprise of short-term loan receivables and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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 recognises revenue from the following major sources:

- Provision of water supply services

- Rental income

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising 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
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, 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 obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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 and enhances an asset that the customer controls as the Group performs; 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.

The revenue of the Group from water supply services is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

The following is an analysis of the Group's revenue from the major service lines:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rental income	**62,323**	64,899
Water supply services	**19,884**	25,395
	82,207	90,294

The performance obligation of water supply services are satisfied at a point in time.

Segment information

Information reported to the chief operating decision maker (i.e. executive directors) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services provided.

The Group's reportable and operating segment are as follows:

Trading of securities	–	Trading of investments held for trading
Property development, investment and trading	–	Development, investment and sale of properties and provision of property management services
Water supply	–	Provision of water supply

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 September 2018 (Unaudited)

	Trading of securities *HK$'000*	Property development, investment and trading *HK$'000*	Water supply *HK$'000*	Consolidated *HK$'000*
Segment revenue	**–**	**62,323**	**19,884**	**82,207**
Segment (loss) profit	**(13,439)**	**(196,748)**	**4,277**	**(205,910)**
Interest income				**16,715**
Unallocated corporate expenses				**(74,860)**
Finance costs *(note)*				**(224,335)**
Exchange loss				**(247,502)**
Share of results of associates				**(8,054)**
Loss before income tax				**(743,946)**

Six months ended 30 September 2017 (Unaudited)

	Trading of securities *HK$'000*	Property development, investment and trading *HK$'000*	Water supply *HK$'000*	Consolidated *HK$'000*
Segment revenue	–	64,899	25,395	90,294
Segment profit	12,230	49,786	10,083	72,099
Interest income				11,365
Unallocated corporate expenses				(75,338)
Finance costs *(note)*				(214,724)
Exchange gain				107,373
Gain on disposal of a joint venture				43,944
Gain on disposal of property, plant and equipment *(note)*				41
Impairment loss on interests in an associate				(46,767)
Share of results of associates				(13,076)
Share of result of a joint venture				(8,463)
Loss before income tax				(123,546)

Note: The Group allocated certain property, plant and equipment and certain borrowings to the segment assets and liabilities without allocating the gain on disposal of property, plant and equipment and finance costs to segment result as the chief operating decision maker (i.e. executive directors) did not take into account of the gain on disposal of property, plant and equipment and finance costs in the measurement of segment result.

Segment (loss) profit represents (loss) profit incurred by each segment without allocation of interest income, unallocated corporate expenses, finance costs, exchange (loss) gain, gain on disposal of a joint venture, gain on disposal of property, plant and equipment, impairment loss on interests in an associate, share of results of associates and share of result of a joint venture. This is the measure reported to the chief operating decision maker (i.e. executive directors) for the purposes of resource allocation and assessment of segment performance.

No segment information of assets and liabilities is provided to the chief operating decision maker for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

4. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**224,335**	214,724

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income tax (credit) expense comprises:		
Profits tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**2,524**	5,190
	2,524	5,190
Deferred tax charge arising from		
– (Loss) gain on fair value changes on investment properties	**(64,824)**	10,080
– Others	**3,348**	1,399
	(61,476)	11,479
	(58,952)	16,669

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

6. **LOSS FOR THE PERIOD**

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,078**	1,078
Depreciation of property, plant and equipment	**4,342**	4,111
Interest income on bank deposits	**(591)**	(210)
Interest income on short-term loans receivable	**(1,595)**	(3,434)
Interest income on available-for-sale investments	**–**	(7,596)
Interest income on amount due from an associate	**–**	(125)

7. **DIVIDEND**

No dividend was paid or proposed during the six months ended 30 September 2018 nor has dividend been proposed since the end of the reporting period.

8. **LOSS PER SHARE**

The calculation of the loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	**(686,842)**	(143,375)

	Six months ended 30 September	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares	**10,298,189**	10,298,189

No diluted loss per share has been presented as there were no potential ordinary shares outstanding for both periods.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Included in trade and other receivables and prepayments is trade receivables of HK$2,842,000 (31 March 2018: HK$4,014,000) from the Group's water supply business. The Group allows an average credit period of one to two months to its trade customers.

All the trade receivables analysed by age, presented based on invoice date, net of allowance for doubtful debts as at the end of the reporting period are within 30 days.

10. EVENT AFTER THE REPORTING PERIOD

On 26 October 2018, the Group entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group conditionally agreed to sell and the purchaser conditionally agreed to purchase the entire issued share capital of the Company's indirect non-wholly owned subsidiary principally engaged in water supply business, together with the shareholder loan, if any, at a cash consideration of approximately RMB50 million (or equivalent to approximately HK$56.5 million). For details, please refer to the Company's announcement dated 30 October 2018 and 20 November 2018.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Financial Review

Results

Revenue of the Group for the six months ended 30 September 2018 was HK$82.2 million against the HK$90.3 million for the six months ended 30 September 2017. The Group's total net comprehensive expense for the current reporting period was HK$935.4 million (for the six months ended 30 September 2017: comprehensive income of HK$48.4 million). Unaudited loss for the six months ended 30 September 2018 was HK$685.0 million (for the six months ended 30 September 2017: HK$140.2 million), which comprised gross profit of HK$67.5 million (for the six months ended 30 September 2017: HK$77.0 million), other income of HK$2.3 million (for the six months ended 30 September 2017: HK$12.0 million), a loss on other gains and losses, other expenses of HK$505.0 million (for the six months ended 30 September 2017: a gain of HK$106.9 million), distribution and selling expenses of HK$2.4 million (for the six months ended 30 September 2017: HK$9.1 million), administrative expenses of HK$74.0 million (for the six months ended 30 September 2017: HK$74.1 million), finance costs of HK$224.3 million (for the six months ended 30 September 2017: HK$214.7 million), share of losses of associates of HK$8.1 million (for the six months ended 30 September 2017: HK$13.1 million), share of loss of a joint venture of HK$nil (for the six months ended 30 September 2017: HK$8.5 million) and income tax credit of HK$59.0 million (for the six months ended 30 September 2017: income tax expense of HK$16.7 million).

The increase in loss on other gains and losses, other expenses was mainly attributable to (i) a loss of HK$259.3 million on fair value changes on investment properties (for the six months ended 30 September 2017: a gain of HK$39.0 million) and (ii) an exchange loss of HK$247.5 million (for the six months ended 30 September 2017: an exchange gain of HK$107.4 million).

Segment Results

Property development, investment and trading

The Group did not derive any revenue from the sale of any serviced apartments of 捷登都會大廈 (also known as A-Mall) in Guangzhou during current period (for the year ended 31 March 2018: HK$974.3 million). Instead, the Group continued to lease out the serviced apartments and units of the shopping arcade of A-Mall and received rental income from tenants, including certain international and prestige local brands.

Other developed commercial properties such as 黃金廣場 (also known as Golden Plaza), 珀東廣場 (also known as Podong Plaza) and 泰峰大廈, all located at prime locations in Guangzhou, contributed to secure recurring stable rental income during the reporting period.

There was no revenue from property trading activity recorded during both six months ended 30 September 2018 and 30 September 2017. The segment revenue from property investment for the six months ended 30 September 2018 was HK$62.3 million (for the six months ended 30 September 2017: HK$64.9 million). The segment recorded a loss of HK$196.7 million for the six months ended 30 September 2018 (for the six months ended 30 September 2017: profit of HK$49.8 million).

Trading of Securities

For the six months ended 30 September 2018, the segment recorded a loss of HK$13.4 million (for the six months ended 30 September 2017: a gain of HK$12.2 million). It was mainly attributable to loss on disposal of listed securities held for trading and fair value loss recognised on its listed securities which were marked up to the market price as at 30 September 2018.

Water Supply

For water supply segment, the revenue was HK$19.9 million for the current reporting period (for the six months ended 30 September 2017: HK$25.4 million), and gave rise to a profit of HK$4.3 million (for the six months ended 30 September 2017: HK$10.1 million).

Liquidity

Bank balances and cash as at 30 September 2018 were HK$88.1 million (31 March 2018: HK$430.7 million). The gearing ratio (borrowings/shareholders' funds) at 30 September 2018 increased to 145.5% (31 March 2018: 118.6%). As at 30 September 2018, total borrowings consisting of bank and other borrowings of the Group amounted to HK$5,665.6 million (31 March 2018: HK$5,723.9 million). The Group's borrowings bore fixed rates and floating interest rates as at both 30 September 2018 and 31 March 2018.

Pledge of assets

As at 30 September 2018, certain assets of the Group amounting to HK$9,394.6 million (31 March 2018: HK$10,694.6 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and Renminbi. The Group will consider entering into hedging contracts to mitigate its exposure to currencies fluctuations whenever the Group and the concerned foreign subsidiaries think fit. At the reporting date, the Group did not enter into any interest rate speculative and hedging contracts.

Contingent liabilities

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

Fund raising exercise

On 4 September 2018, the Board announced to implement the issue by way of rights on the basis of three (3) rights shares for every one (1) adjusted share(s) of HK$0.10 each (adjusted upon the capital reorganisation have become effect as announced on 4 September 2018) in the issued and unissued share capital of the Company upon the capital reorganisation having become effective (the "Rights Issue") at the subscription price of HK$0.688 per rights share, to raise up to approximately HK$1,063 million before expenses by way of issuing up to 1,544,728,296 Rights Shares.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted rights shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. For details, please refer to the Company's announcements dated 4 September 2018, 18 September 2018, 24 September 2018, 16 October 2018 and 2 November 2018.

Event after the reporting period

On 26 October 2018, the Group entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group conditionally agreed to sell and the purchaser conditionally agreed to purchase the entire issued share capital of the Company's indirect non-wholly owned subsidiary principally engaged in water supply business, together with the shareholder loan, if any, at a cash consideration of approximately RMB50 million (or equivalent to approximately HK$56.5 million). For details, please refer to the Company's announcement dated 30 October 2018 and 20 November 2018.

The licence to operate the water supply will expire in 2034. The Directors consider that the government policies on granting of licences to foreign-owned enterprises on operation of resources-supply business may change so that extension of the licence may not be guaranteed. Moreover, since the customers of the water supply business are peripheral factories for cooling-down effect, its turnover depends to a large extent on demand from regional factories, meaning that its income source is passive and uncertain. Taking these factors into consideration, the Directors believe that the business prospect of the water supply business is subject to uncertainties. The Board considers the disposal represents a good opportunity to enhance the Group's working capital position and liquidity by disposing of its non-core business, while this will have no material effect on the business and operations of the Group.

Employees and remuneration policies

At 30 September 2018, there were 93 staff members (31 March 2018: 87) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provides employee training programs, a mandatory provident fund scheme, medical insurance and discretionary bonuses.

Outlook

Currently, effects of the US-China trade war poses threat to China's economy and raises the risk of slowdown in the global economic growth. The macro-economic control imposed by the People's Republic of China government has impacted the availability of financing in the market. This is further exacerbated by the increase in base rate by the Hong Kong Monetary Authority. Coupled with the volatile stock market, these factors pose uncertainties as to how and when sufficient financing/re-financing can be obtained.

In view of the current working capital position and the debt level of the Group, we have re-prioritised our attention to exploring possible measures to mitigate the group's liquidity pressure. The company announced on 4 September 2018 to issue by way of rights on the basis of three rights shares for every one adjusted share in issue and held on the record date, and announced on 30 October 2018 to dispose the investment in our non-core water supply business. These are measures to ease the group's debt level with an aim to improve its financial healthiness. We will continue to explore other ways to obtain additional funding with prudent assessment on the potential financial benefits and impact.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2018, except with deviations from code provisions A.2.1, A.4.1 and E.1.2.

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Prior to the appointment of Mr. Ho Tat Wang as the chief executive officer on 3 September 2018, the role of the chief executive of the Company was performed by the executive director and the chairman of the Company, Dr. Yap Allan.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at the Company's annual general meetings in accordance with the Bye-Laws of the Company. As at each annual general meeting, one-third of the directors of the Company (or such number as nearest to but not less than one-third) must retire by rotation, each of the directors of the Company is effectively appointed for a term of approximately two to three years.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Company, Dr. Yap Allan, was unable to attend the annual general meeting of the Company held on 27 September 2018 due to his other business engagement. Mr. Heung Pik Lun, Edmond, the executive director of the Company, attended and chaired the meeting and answered questions from the shareholders of the Company.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2018 are not audited, but reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and also reviewed by the audit committee of the Company (the "Audit Committee").

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Poon Kwok Hing, Albert (chairman of the Audit Committee), Mr. Kwok Ka Lap, Alva and Mr. Sin Chi Fai. The Audit Committee has reviewed the interim results of the Company for the six months ended 30 September 2018 before submission to the Board for approval.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry by the Company, all directors of the Company have confirmed the compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

By order of the Board
MASTER GLORY GROUP LIMITED
Dr. Yap Allan
Chairman

Hong Kong, 30 November 2018

As at the date of this announcement, the Board comprises of:

Executive Directors:
Dr. Yap Allan
Mr. Heung Pik Lun, Edmond
Dr. Wu Guangsheng

Independent Non-executive Directors:
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai
Dr. Wu Chun Wah