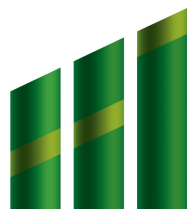


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昊天發展集團有限公司

Hao Tian Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the “**Board**”) of Hao Tian Development Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
		2019	2018
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	130,390	168,270
Cost of revenue		(54,708)	(88,743)
Gross profit		75,682	79,527
Other income	4	12,581	10,789
Other gains and losses	4	18,502	(382,327)
Administrative expenses		(84,552)	(101,330)
Expected credit loss on financial assets		(27,505)	–
Share of result of associates		6,318	(6)
Share of result of joint ventures		(579)	–
Finance costs	5	(76,318)	(59,022)

		Six months ended	
		30 September	
		2019	2018
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss before taxation		(75,871)	(452,369)
Taxation credit	6	11,907	30,247
Loss for the period	7	(63,964)	(422,122)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(1,003)	(4,549)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(33,098)	(40,137)
Other comprehensive expense for the period (net of tax)		(34,101)	(44,686)
Total comprehensive expense for the period		(98,065)	(466,808)
Loss for the period attributable to:			
Owners of the Company		(47,278)	(387,684)
Non-controlling interests		(16,686)	(34,438)
		(63,964)	(422,122)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(82,334)	(429,679)
Non-controlling interests		(15,731)	(37,129)
		(98,065)	(466,808)
Loss per share	8		
Basic (HK cents)		(0.87)	(7.92)
Diluted (HK cents)		(0.87)	(7.92)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

	<i>NOTES</i>	30.9.2019 HK\$'000 (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		391,860	449,684
Investment properties		1,396,785	1,381,320
Prepaid lease payment		–	11,239
Financial assets designated at fair value through other comprehensive income	9	113,741	117,525
Financial assets at fair value through profit or loss	10	243,760	239,752
Goodwill		98,914	98,914
Intangible assets		174,107	174,857
Loan receivables	11	120,633	114,689
Investment in an associates		84,720	78,402
Investments in joint ventures		164,712	165,387
Finance lease receivables		3,305	6,901
Right-of-use assets	12	2,365	–
Deferred tax assets		72,162	52,856
Pledged bank deposits		5,000	4,654
Deposits for acquisition of property, plant and equipment		407	3,657
		2,872,471	2,899,837
Current assets			
Inventories		92,380	5,513
Trade receivables	13	96,466	83,623
Other receivables, deposits and prepayments		32,520	18,715
Loan receivables	11	450,492	440,583
Finance lease receivables		8,484	7,104
Corporate note		264,729	254,474
Tax recoverable		–	2,740
Consideration receivable		–	95,183
Financial assets at fair value through profit or loss	10	1,675,924	1,404,065
Prepaid lease payment		–	276
Bank balances, trust and segregated accounts		6,847	7,266
Bank balances and cash		262,590	267,040
		2,890,432	2,586,582
Non-current assets classified as a held for sale		–	68,086
		2,890,432	2,654,668

	<i>NOTES</i>	30.9.2019 <i>HK\$'000</i> (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Current liabilities			
Trade payables	14	13,880	14,869
Other payables, deposits received and accruals		50,200	56,407
Contract liabilities		1,438	628
Borrowings	15	516,380	622,645
Obligations under finance leases		4,564	4,153
Financial liabilities at fair value through profit or loss	10	596,371	185,249
Lease liabilities	12	1,459	–
Tax payables		16,321	8,043
		1,200,613	891,994
Liabilities directly associated with assets classified as held for sale		–	40
		1,200,613	892,034
Net current assets		1,689,819	1,762,634
Total assets less current liabilities		4,562,290	4,662,471
Non-current liabilities			
Borrowings	15	1,374,970	1,458,258
Secured notes		350,000	350,000
Obligations under finance leases		5,750	5,704
Lease liabilities	12	979	–
Deferred tax liabilities		62,816	64,542
		1,794,515	1,878,504
Net assets		2,767,775	2,783,967
Capital and reserves			
Share capital	17	60,919	52,848
Reserves		2,672,861	2,577,956
Equity attributable to owners of the Company		2,733,780	2,630,804
Non-controlling interests		33,995	153,163
Total equity		2,767,775	2,783,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Hao Tian Development Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries include: (i) money lending; (ii) securities investment; (iii) provision of commodities, futures, securities brokerage and financial services; (iv) asset management; (v) property leasing and (vi) rental and trading of construction machinery.

The Group’s condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (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 should be read in conjunction with the Group’s annual financial statements as at 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current period, the Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group financial statements and amounts reported for the current period and prior years, except for the changes in accounting policies due to the revised HKFRSs and HKASs as described below.

The Group has adopted the following revised HKFRSs and HKASs for the first time for the current period’s financial information:

HKFRS 16	Leases
HKFRIC–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

HKFRS 16, “Leases” replaces the previous standards HKAS 17 “Leases” and effective for annual periods beginning on or after 1 January 2019. The Group has applied HKFRS 16 for the first time in the current period.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to perform an impairment review.

- (a) The following table reconciles the operating lease commitments as lessee as disclosed applying HKAS 17 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments at 31 March 2019	11,806
Less: Commitments relating to leases exempt from capitalisation:	
— Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(9,274)
	2,532
Less: Total future interest expenses	(165)
Total lease liabilities recognised at 1 April 2019	<u>2,367</u>

The weighted average of the lessees' incremental borrowing rates applied to lease liabilities by the relevant group entities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 5.13% per annum.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

- (b) The following table summarised the impact of transition to HKFRS 16 on the unaudited condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019:

	Increase in <i>HK\$'000</i>
Condensed consolidated statement of financial position as at 1 April 2019	
Right-of-use assets	<u>2,324</u>
Lease liabilities (non-current)	<u>1,499</u>
Lease liabilities (current)	<u>868</u>

- (c) The remaining contractual maturities of the Group's lease liabilities at the date of transition of HKFRS 16 are as follows:

	1 April 2019	
	Present value of the minimum lease payments HK\$'000 (unaudited)	Total minimum lease payments HK\$'000 (unaudited)
Within 1 year	868	968
After 1 year but within 2 years	898	952
After 2 year but within 5 years	601	612
	2,367	2,532
Less: Total future interest expenses		(165)
Present value of lease liabilities		2,367

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's condensed consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the condensed consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the condensed consolidated statement of cash flows.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers:		
Commission income generated from commodities, futures and securities brokerage	3,110	13,439
Other service income generated from construction machinery and sales of construction materials business	3,505	4,019
Revenue generated from retailing of men's and women's apparels	–	1,813
Trading income generated from construction machinery and sales of construction materials business (<i>Note a</i>)	2,427	29,148
	<u>9,042</u>	<u>48,419</u>
Revenue from other sources:		
Interest income generated from money lending	39,204	36,720
Rental income generated from construction machinery (<i>Note b</i>)	50,443	46,158
Rental income generated from leasing of investment properties	31,701	36,973
	<u>121,348</u>	<u>119,851</u>
	<u>130,390</u>	<u>168,270</u>

Notes:

- (a) Amount represents revenue generated from sales of machinery, spare parts and construction materials.
- (b) Amount represents revenue generated from leasing and sub-leasing of machinery and other service income.

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Geographical market:		
Hong Kong	92,438	126,669
Macau	1,845	2,815
PRC	4,406	1,813
United Kingdom	31,701	36,973
	<u>130,390</u>	<u>168,270</u>

Six months ended 30 September 2019		2018
HK\$'000		HK\$'000
(unaudited)		(unaudited)

Timing of revenue recognition:

A point of time

9,042	48,419
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Summary of revenue and gross proceeds from the sales of financial assets at fair value through profit or loss (“FVTPL”) and investments held for trading.

Six months ended 30 September 2019		2018
HK\$'000		HK\$'000
(unaudited)		(unaudited)

Revenue	130,390	168,270
Gross proceeds from the sale of financial assets at FVTPL	327,632	282,082
Total	458,022	450,352

The Group is currently organised into the following operating divisions and mainly carried out by the following subsidiaries:

- (a) Money lending division is carried out by Hao Tian Finance Company Limited (“**Hao Tian Finance**”), Hao Tian Credit Company Limited, Hao Tian International Finance Company Limited and KB Leasing Limited
- (b) Securities investment division is mainly carried out by Hao Tian Management (Hong Kong) Limited (“**Hao Tian Management**”), Fortune Jumbo Limited and Esteem Ocean Limited
- (c) Commodities, futures and securities brokerage division is carried out by Hao Tian International Bullion Limited, Hao Tian International Futures Limited, Hao Tian International Wealth Management Limited and Hao Tian International Securities Limited
- (d) Asset management division is carried out by Hao Tian Asset Management Limited
- (e) Leasing of investment properties carried out by 55 Mark Lane S.A.R.L (“**55 Mark Lane**”)
- (f) Construction machinery and sales of construction materials division is carried out by Crawler Crane Business Limited and its subsidiaries.

These operating divisions are the basis of internal reports about components of the Group that are regularly reviewed by the board of directors of the Company, being the chief operating decision maker, in order to allocate resources to segments and to assess their performance.

No segment assets and liabilities are presented as the chief operating decision maker does not regularly review segment assets and liabilities.

Information regarding the above segments from is reported below:

For the six months ended 30 September 2019

	Money lending HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Provision of commodities, futures and securities brokerage services HK\$'000 (unaudited)	Construction machinery and sales of construction materials HK\$'000 (unaudited)	Property leasing HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Gross proceeds from sale of financial assets at FVTPL	<u>–</u>	<u>327,632</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>327,632</u>
Segment revenue	<u>39,204</u>	<u>–</u>	<u>3,110</u>	<u>56,375</u>	<u>31,701</u>	<u>130,390</u>
Segment results	<u>(20,452)</u>	<u>(91,554)</u>	<u>(5,503)</u>	<u>396</u>	<u>129,760</u>	<u>12,647</u>
Other income						10,852
Other gains and losses						10,725
Central administration costs						(39,516)
Finance costs						(76,318)
Share of result of associates						6,318
Share of result of joint ventures						<u>(579)</u>
Loss before taxation						<u>(75,871)</u>

For the six months ended 30 September 2018

	Money lending <i>HK\$'000</i> (unaudited)	Securities investment <i>HK\$'000</i> (unaudited)	Provision of commodities, futures and securities brokerage services <i>HK\$'000</i> (unaudited)	Construction machinery and sales of construction materials <i>HK\$'000</i> (unaudited)	Retailing of men's and women's apparels <i>HK\$'000</i> (unaudited)	Property leasing <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Gross proceeds from sale of financial assets at FVTPL	<u>–</u>	<u>282,082</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>282,082</u>
Segment revenue	<u>36,720</u>	<u>–</u>	<u>13,439</u>	<u>79,325</u>	<u>1,813</u>	<u>36,973</u>	<u>168,270</u>
Segment results	<u>23,254</u>	<u>(413,363)</u>	<u>(2,764)</u>	<u>(7,761)</u>	<u>(7,031)</u>	<u>48,596</u>	<u>(359,069)</u>
Other income							2,900
Other gains and losses							17,170
Central administration costs							(54,342)
Finance costs							(59,022)
Share of result of associates							<u>(6)</u>
Loss before taxation							<u>(452,369)</u>

Segment results represent the profit earned or loss incurred by each segment without allocation of certain of other income, certain of other gains and losses, central administration costs, finance costs, share of result of associates and share of result of joint ventures. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

All of the segment revenue reported for both periods were from external customers.

4. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Dividend income from financial assets designated at fair value through other comprehensive income ("FVTOCI")	60	1,220
Interest earned on corporate note	10,036	–
Interest earned on bank deposits	527	394
Rental income from leasing a warehouse property and a motor vehicle	–	180
Interest income from finance leases	729	754
Others	1,229	8,241
	<u>12,581</u>	<u>10,789</u>
Other gains and losses		
Fair value gain (loss) on financial assets at FVTPL (Note a)	314,646	(413,363)
Fair value loss on a forward contract (Note 10)	(406,200)	–
Gain on disposal of a subsidiary	32,168	–
Lapse of share options	800	–
Fair value (loss) gain on financial liabilities at FVTPL	(4,923)	25,076
Loss on disposal of property, plant and equipment	(16,116)	(21)
Fair value gain on investment properties	99,330	13,867
Net foreign exchange loss	(1,203)	(7,886)
	<u>18,502</u>	<u>(382,327)</u>

Notes:

- (a) During the six months ended 30 September 2019, realised gain of HK\$14,979,000 (2018: loss of HK\$2,729,000) was recognised for the Group's financial assets at FVTPL.

5. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on borrowings	73,240	56,203
Interest expenses on other liabilities	–	580
Interest expenses of obligations under finance leases	2,981	2,239
Interest expenses on lease liabilities	97	–
	<u>76,318</u>	<u>59,022</u>

6. TAXATION CREDIT

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong	3,115	3,813
Overseas	6,011	–
	<u>9,126</u>	<u>3,813</u>
Deferred tax credit	<u>(21,033)</u>	<u>(34,060)</u>
Income tax credit	<u>(11,907)</u>	<u>(30,247)</u>

Hong Kong Profits Tax is calculated at the rate of 8.25% on the estimated assessable profit up to HK\$2,000,000 and 16.5% on any part of estimated assessable profit over HK\$2,000,000 for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of prepaid lease payment	–	324
Amortisation of premium over prepaid lease payment	–	1,360
Amortisation of intangible assets	750	–
Cost of inventories recognised as expenses	3,821	25,971
Depreciation of property, plant and equipment	27,861	27,878
Depreciation of right-of-use assets	973	–
Staff costs (including directors' emoluments)		
Fees, salaries, bonus and other allowances	36,701	58,863
Retirement benefit scheme contributions	1,039	1,722
Share-based payments	2,500	2,500
	<u>40,240</u>	<u>63,085</u>

8. LOSS PER SHARE

The calculation of basic and diluted loss per share for the current and prior periods attributable to the owners of the Company is based on the following:

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share		
(loss for the period attributable to the owners of the Company)	<u>(47,278)</u>	<u>(387,684)</u>

The basis of denominators used is the same as those detailed in the calculation of basic and diluted loss per share both periods below.

	Six months ended	
	30 September	
	2019	2018
	'000	'000
	(unaudited)	(unaudited)

Number of shares

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>5,465,174</u>	<u>4,898,038</u>
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For the six months ended 30 September 2019 and 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and emolument shares since the assumed exercise would result in a decrease in loss per share.

9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.9.2019	31.3.2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Unlisted equity securities	<u>113,741</u>	<u>117,525</u>

Unlisted equity securities represent investments in unlisted equity securities issued by three private entities. The business of these companies is investment holding.

10. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Financial assets at FVTPL		
Non-current:		
Equity securities listed in Hong Kong, at fair value	243,760	239,752
Current:		
Equity securities listed in Hong Kong, at fair value	1,490,873	1,253,025
Unlisted fund, at fair value	185,051	151,040
	1,675,924	1,404,065
	1,919,684	1,643,817
Financial liabilities at FVTPL		
Option arising from HTM subscription (<i>Note i</i>)	190,171	185,249
Forward contract (<i>Note ii</i>)	406,200	–
	596,371	185,249

Fair values of listed investments were based on quoted market bid price in the active market.

As at 30 September 2019, the Group has pledged certain financial assets at FVTPL of HK\$1,507,295,000 (31 March 2019: HK\$1,216,292,000) to secured notes and borrowings advanced to the Group.

Notes:

- (i) During the year ended 31 March 2017, the Group issued an option to Vandí Investments Limited (“**Vandí**”) (the “**HTD Option**”), an independent third party while Vandí subscribed shares in Hao Tian Management in previous years (“**HTM Subscription**”). Pursuant to which, Vandí has the right to subscribe up to 454,930,000 shares of the Company at an exercise price of HK\$0.69 per share (the “**HTD Option Price**”). Upon the exercise of the HTD Option, the HTD Option Price will be settled by: (i) cash; (ii) transfer of Hao Tian Management’s shares owned by Vandí at a fixed price of US\$48,721 per Hao Tian Management share (“**HTM Put Option**”); or (iii) a combination of payment of (i) and (ii). The option arising from HTM Subscription carried in the condensed consolidated statement of financial position as financial liabilities at FVTPL.

The fair value of the HTD Option was calculated using the Monte-Carlo Simulation Model.

The inputs into the valuations were as follows:

	At 30 September 2019	At 31 March 2019
Equity value of Hao Tian Management (<i>note a</i>)	HK\$111,530,000	HK\$188,901,000
Stock price of the Company	HK\$0.218	HK\$0.22
HTD Option price	HK\$0.690	HK\$0.690
Risk free rate (<i>note b</i>)	1.63%	1.42%
Expected life (<i>note c</i>)	1.9 years	2.4 years
Expected volatility of the Company (<i>note d</i>)	41.02%	51.19%

Note:

- (a) Being equity value of Hao Tian Management determined by reference to the net asset value of Hao Tian Management as at 30 September 2019 and 31 March 2019 respectively.
 - (b) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the option.
 - (c) Expected life is the expected remaining life of the option.
 - (d) Expected volatility is estimated by calculating the historical weekly share price volatility of the stock price of the Company.
- (ii) On 3 April 2019, the Group entered into a forward contract with an independent third party to sell certain financial assets included in financial assets at FVTPL. Pursuant to the forward contract, the transaction shall be completed within 12 months upon signing of the forward contract.

11. LOAN RECEIVABLES

	30.9.2019 <i>HK\$'000</i> (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Non-current:		
Secured, fixed-rate loan receivables	124,926	116,497
Unsecured, fixed-rate loan receivables	–	4,000
Less: Allowance for impairment	(4,293)	(5,808)
	120,633	114,689
Current:		
Secured, fixed-rate loan receivables (Note)	244,399	219,612
Unsecured, fixed-rate loan receivables	311,385	298,032
Less: Allowance for impairment	(105,292)	(77,061)
	450,492	440,583
	571,125	555,272

Note: The secured loan receivables are secured by properties and equity securities held by the borrowers.

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group leases certain office and warehouse in Hong Kong. Following the adoption of HKFRS 16 by the Company on 1 April 2019, the right-of-use assets and the lease liabilities in respect of the leases were recognised at the date of initial application of HKFRS 16. The movements in right-of-use assets and lease liabilities during the period/year are as follows:

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Right-of-use assets		
At 1 April	2,324	–
Additions	1,014	–
Depreciation charged	(973)	–
	<u>2,365</u>	<u>–</u>
Net carrying amount	<u>2,365</u>	<u>–</u>
By class:		
Office	1,802	–
Warehouse	563	–
	<u>2,365</u>	<u>–</u>
Lease liabilities		
At 1 April	2,367	–
Additions	1,127	–
Interests charged	79	–
Rental paid	(1,135)	–
	<u>2,438</u>	<u>–</u>
Net carrying amount	<u>2,438</u>	<u>–</u>
Lease liabilities		
— Current portion	1,459	–
— Non-current portion	979	–
	<u>2,438</u>	<u>–</u>
Net carrying amount	<u>2,438</u>	<u>–</u>

13. TRADE RECEIVABLES

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Trade receivables from clients arising from		
— construction machinery and sales of construction materials business	45,950	46,585
— rental income from investment properties	3,085	1,621
Margin and other trade related deposits with brokers and financial institutions arising from		
— securities brokerage	51,836	51,126
— futures brokerage	3,010	3,005
Less: Allowance for impairment	(7,415)	(18,714)
	96,466	83,623

For those cash commodities, futures and securities trading clients, it normally takes two to three days to settle after trade date of those transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

The margin clients of the commodities, futures and securities brokerage business are required to pledge their shares to the Group for credit facilities for securities trading.

The settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

The Group allows an average credit period of 0–90 days to its trade customers arising from construction machinery business. The credit period provided to customers can be longer based on a number of factors including the customer's credit profile and relationship with the customers.

The following is an aged analysis of trade receivables from client arising from construction machinery business, net of allowance for bad and doubtful debts, presented based on invoice dates at the end of the reporting period:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
0–30 days	15,350	8,712
31–90 days	9,205	13,680
91–180 days	7,042	2,403
181–365 days	2,315	3,135
Over 365 days	4,780	5,981
	38,692	33,911

Trade receivables from cash and margin clients arising from the commodities, futures and securities brokerage business are repayable on demand subsequent to settlement date. No aging analysis is disclosed as in the opinion of directors, the aging analysis does not provide additional value in view of the nature of commodities, futures and securities dealing business.

Credits are extended to brokerage clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in commodities, futures and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level.

Interest in relation to money lending business is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable. Settlement of interest receivables is in accordance with the terms stated in agreement entered with its customers ranging from 1 month to 6 months (31 March 2019: 1 month to 6 months).

The Group applies simplified approach to provide for expected credit loss ("ECL") prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics. The ECL of trade receivables as at 30 September 2019 was approximately HK\$7,415,000 (31 March 2019: HK\$18,714,000) based on the counterparties' past repayment history. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

14. TRADE PAYABLES

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Margin and other deposits payable to clients arising from commodities, futures and securities brokerage	8,025	7,971
Trade payables to brokers and clearing houses arising from commodities, futures and securities brokerage	–	116
Trade payables arising from construction machinery and sales of construction materials business	5,053	5,922
Trade payables arising from men's and women's apparels	802	860
	<u>13,880</u>	<u>14,869</u>

The settlement terms of payable to brokers, clearing houses and securities trading clients from the ordinary course of business of brokerage in securities range from two to three days after the trade date of those transactions. Margin and other deposits received from clients for their trading of commodities and futures contracts were payable on demand.

Trade payables arising from construction machinery and sales of construction materials business and men's and women's apparels principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 0–45 days.

An ageing analysis of the Group's trade payables arising from construction machinery and sales of construction materials business at the end of the reporting period presented based on the invoice dates is as follows:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
0–30 days	2,065	1,581
31–60 days	1,414	1,724
61–180 days	772	2,058
181–365 days	691	151
Over 365 days	913	1,268
	5,855	6,782

15. BORROWINGS

During the current interim period, the Group obtained new borrowings of HK\$47,445,000 and repaid borrowings of HK\$236,998,000 (2018: new borrowings of HK\$1,405,260,000 and repaid borrowings of HK\$497,503,000).

The Group's other borrowings of HK\$30,000,000 (31 March 2019: HK\$70,000,000) from a director of Hao Tian International Construction Investment Group Limited (“**HTICI**”) are unsecured and carried fixed rates of 2% per annum.

16. CHANGE OF GROUP'S INTERESTS IN SUBSIDIARIES

- (A) On 20 August 2019, the Group completed the acquisition of 200,000,000 ordinary shares in Hao Tian Finance Company Limited (“**Hao Tian Finance**”), a company incorporated in Hong Kong with limited liability and a 83.47% owned subsidiary of the Group (“**Share Acquisition**”). The Share Acquisition was satisfied in full by the allotment and issue of 800,000,000 consideration shares by the Company. The shares so acquired represents approximately 16.53% of the total issued share capital of Hao Tian Finance. Upon the completion of the Share Acquisition, Hao Tian Finance has become a wholly-owned subsidiary of the Group.
- (B) On 30 August 2019, HTICI, the Group's listed subsidiary, completed the acquisition of assets with appraised value of approximately HK\$86,800,000, which was satisfied in full by the allotment and issue of the 275,862,069 consideration shares of HTICI. Upon the completion of the transaction, the Group's shareholding in HTICI reduced from 70.18% to 65.81% which constituted a deemed disposal transaction of the Company. For details, please refer to the joint announcements of the Company and HTICI dated 12 July 2019 and 30 August 2019.
- (C) On 29 April 2019, the Group completed a disposal of Chim Kee Crane Company Limited (“**CKC**”), a wholly owned subsidiary of HTICI. CKC ceased to be a subsidiary of the Group and the Group ceased to have any interest in CKC. The Group recorded a net book gain of approximately HK\$32,168,000 from the disposal of CKC. For details, please refer to the announcement of HTICI dated 1 March 2019 and 29 April 2019.

17. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Share capital HK\$'000
Ordinary shares			
Authorised:			
At 1 April 2019, 31 March 2019 and 30 September 2019	0.01	50,000,000,000	500,000
At 1 April 2019 (audited)	0.01	5,284,798,915	52,848
Issue of consideration shares (<i>note a</i>)	0.01	800,000,000	8,000
Issue of emolument shares (<i>note b</i>)	0.01	7,087,890	71
At 30 September 2019 (unaudited)	0.01	6,091,886,805	60,919

Notes:

- (a) On 20 August 2019, the Group completed the acquisition of 200,000,000 ordinary shares in Hao Tian Finance, a company incorporated in Hong Kong with limited liability and a 83.47% owned subsidiary of the Group by the allotment and issue of 800,000,000 consideration shares by the Company. Upon the completion of the Share Acquisition, Hao Tian Finance has become a wholly-owned subsidiary of the Group.
- (b) On 26 September 2016, the Company entered into a director's services agreement with Mr. Fok Chi Tak ("Mr. Fok"), an executive director of the Company, covering period from 27 September 2016 to 26 September 2019. Pursuant to the services agreement, 41,514,782 shares of the Company (as adjusted for the bonus issue of the Company in July 2017) will be allotted and issued to Mr. Fok during his service period. The aggregate value of these shares is HK\$15,000,000 which was determined by reference to the Company's average share price of the last ten consecutive trading dates immediately prior to 27 September 2016, i.e. HK\$0.4115. Details of which are set out in the Company's circular issued on 25 January 2017. The services agreement was approved by the shareholders on 17 February 2017. On 26 September 2019, 7,087,890 shares of the Company have been allotted and issued to Mr. Fok.

18. DIVIDENDS

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2019 and 2018.

19. CONTINGENT LIABILITY

As at 30 September 2019, the Group provided performance guarantee amounting to approximately HK\$11,200,000 (31 March 2019: HK\$10,170,000) to banks in respect of obligations under finance leases and the Group's obligations under contracts with certain third party customers. Under the guarantees, the Group would be liable to make payments to the banks if the bank is unable to recover the amounts under these finance leases from these customers or the Group failed to perform the relevant obligations to these customers. As at 30 September 2019 and 31 March 2019, no provision for the Group's obligation under the guarantee contracts has been made as the directors of the Company considered that it was not probable that the repayment of the finance lease obligations would be in default and it was not probable that a claim will be made against the Group.

BUSINESS REVIEW

Money lending business

During the six months ended 30 September 2019 (the “**period under review**”), the money lending business of the Group generated an interest income of approximately HK\$39.2 million (2018: approximately HK\$36.7 million), representing an increase of 6.8%. The main services of this segment include money lending in respect of property mortgaged loans and personal loans to customers in Hong Kong. The increase in interest income was mainly attributable to an increase of personal loans during the period under review. As at 30 September 2019, the outstanding loan receivables of the money lending business of the Group was approximately HK\$571.1 million (31 March 2019: approximately HK\$555.3 million).

Securities investment business (financial assets at fair value through profit or loss)

During the period under review, the net realised gain from disposal of financial assets at fair value through profit or loss was approximately HK\$15.0 million (2018: realised loss on investments held for trading of approximately HK\$2.7 million) and the unrealised fair value gain from financial assets at fair value through profit or loss, comprising listed equity securities in Hong Kong and unlisted funds, was approximately HK\$299.6 million (2018: unrealised fair value loss of approximately HK\$410.7 million).

As of 30 September 2019, the value of listed equity securities in Hong Kong and unlisted funds held by the Group which were reclassified as financial assets at fair value through profit or loss amounted to approximately HK\$1,919.7 million (31 March 2019: approximately HK\$1,643.8 million). Such amount mainly comprised of the following: (1) China Shandong Hi-Speed Financial Group Limited; (2) Imperial Pacific International Holdings Limited; and (3) an unlisted fund comprising the participating shares in Riverwood China Growth Fund. The details of the Group's equity securities investments classified as financial assets at fair value through profit or loss are set out as follows:

Company Name/(Stock Code)	Number of shares held at 30 September 2019	Percentage of shareholdings at 30 September 2019	Carrying amount at 31 March 2019 HK\$'000	Unrealised fair value (loss)/ gain for the period ended 30 September 2019 HK\$'000	Fair value at 30 September 2019 HK\$'000	Percentage of total financial assets at fair value through profit or loss at 30 September 2019	Percentage of total assets of the Group at 30 September 2019
China Shandong Hi-Speed Financial Group Limited (412)	3,838,429,650	15.70%	1,093,226	(134,255)	959,607	49.99%	16.65%
Carnival Group International Holdings Limited (996)	90,610,000	0.38%	4,259	(1,178)	3,081	0.16%	0.05%
Imperial Pacific International Holdings Limited (1076)	4,062,000,000	2.84%	235,596	450,771	649,960	33.86%	11.28%
Far East Holdings International Limited (36)	4,983,000	0.46%	2,018	(867)	1,151	0.06%	0.02%
Beijing Properties (Holdings) Limited (925)	8,140,000	0.12%	1,986	49	2,035	0.11%	0.04%
Up Energy Development Group Ltd (307)	371,500,000	8.19%	-	-	-	-	-
Great Harvest Maeta Group Holdings Limited (3683)	22,985,000	2.41%	40,683	(6,435)	34,248	1.78%	0.59%
Kingston Financial Group Limited (1031)	3,374,000	0.02%	6,546	(2,700)	3,846	0.2%	0.07%
C C Land Holdings Limited (1224)	3,331,000	0.09%	6,062	67	6,129	0.32%	0.11%
China Animation Characters Company Limited (1566)	35,890,000	3.90%	78,568	2,687	69,986	3.65%	1.21%
Miricor Enterprises Holdings Limited (1827)	3,965,000	0.99%	6,384	(1,983)	4,401	0.23%	0.08%
Riverwood China Growth Fund	N/A	N/A	-	(3,744)	122,045	6.36%	2.12%
Atlantis China Fund	N/A	N/A	-	(786)	38,464	2%	0.67%
Riverwood Umbrella Fund	N/A	N/A	-	(1,959)	24,731	1.28%	0.42%
Disposal securities	N/A	N/A	168,489	-	-	-	-
			<u>1,643,817</u>	<u>299,667</u>	<u>1,919,684</u>	<u>100%</u>	<u>33.31%</u>

Securities investment business (financial assets designated at fair value through other comprehensive income)

During the period under review, no financial assets designated at fair value through other comprehensive income were realised (2018: nil). As of 30 September 2019, the aggregate value of unlisted equity investments held by the Group which were classified as financial assets designated at fair value through other comprehensive income amounted to approximately HK\$113.7 million (31 March 2019: approximately HK\$117.5 million). Such value comprised of unlisted securities investment set out as follows:

Company Name	Percentage of shareholdings at 30 September 2019	Carrying amount at 1 April 2019 HK\$'000	Unrealised fair value (loss)/gain and (impairment loss) for the period ended 30 September 2019 HK\$'000	Carrying amount at 30 September 2019 HK\$'000	Percentage of total financial assets at fair value through other comprehensive income at 30 September 2019	Percentage of total assets of the Group at 30 September 2019
Goodwill International (Holdings) Limited	7.54%	36,946	(1,056)	35,891	31.56%	0.62%
Co-lead Holdings Limited	1.44%	41,500	(7,400)	34,100	29.98%	0.59%
Others — unlisted (<i>Note</i>)	N/A	39,079	7,453	43,750	38.46%	0.76%
		<u>117,525</u>	<u>(1,003)</u>	<u>113,741</u>	<u>100%</u>	<u>1.97%</u>

Note: Being investment in a private entity, which is indirectly holding 0.15% of electronic bank in the People's Republic of China ("PRC").

Rental income from a mixed-use property in the United Kingdom

During the period under review, the rental income derived from 55 Mark Lane contributed revenue of approximately HK\$31.7 million (2018: approximately HK\$37.0 million) and there was a fair value gain on investment property of approximately HK\$99.3 million (2018: approximately HK\$13.9 million), contributing to a net gain of approximately HK\$129.8 million (2018: approximately HK\$48.6 million). Our investment returns came from both changes in asset value based on valuation and the cash flow generated from the rental income. The rental income has been relatively stable, and the fluctuation was caused by depreciation of GBP during the period under review.

Construction machinery business

During the period under review, HTICI contributed a revenue of HK\$56.4 million (2018: approximately HK\$79.3 million) and a segment profit of approximately HK\$0.4 million (2018: a segment loss of approximately HK\$7.8 million). The decrease of segment revenue was mainly attributable to the decrease in revenue generated from the trading of construction machinery, spare parts and construction materials.

Commodities, futures and securities brokerage business

During the period under review, commodities, futures and securities brokerage segment contributed a revenue of approximately HK\$3.1 million (2018: approximately HK\$13.4 million) and a segment loss of approximately HK\$5.5 million (2018: approximately HK\$2.8 million). The decrease in segment revenue was mainly attributable to decrease in the brokerage service provided during period under review.

FINANCIAL REVIEW

The Group had incurred a loss of approximately HK\$64.0 million for the period under review (2018: approximately HK\$422.1 million). Such loss was mainly attributable to allowance on expected credit loss on financial assets, administrative expenses and finance costs incurred during the period under review. The loss incurred in prior period was mainly attributable to fair value loss on financial assets at FVTPL of approximately HK\$413.4 million.

Administrative Expenses

For the period under review, administrative expenses were approximately HK\$84.6 million (2018: approximately HK\$101.3 million), representing a decrease of approximately HK\$16.7 million or 16.5% as compared with the corresponding period last year. The decrease was mainly attributable to the decrease in staff costs and legal and professional fees during the period under review.

Finance Costs

For the period under review, the finance costs were approximately HK\$76.3 million (2018: approximately HK\$59.0 million), representing an increase of approximately HK\$17.3 million or 29.3% as compared with the corresponding period last year. The increase was mainly attributable to an increase in borrowings to finance the acquisitions during the year ended 31 March 2019.

Taxation

For the period under review, the net income tax credit was approximately HK\$11.9 million (2018: approximately HK\$30.2 million). The net income tax credit was generally in line with the existence of the fair value loss on certain investments for the period under review.

Loss Attributable to Owners of the Company

For the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK\$47.3 million (2018: approximately HK\$387.7 million) which was attributable to the factors as mentioned in preceding paragraphs.

Liquidity, Capital Structure and Financial Resources

The Group mainly funds its operations from a combination of operating cash flows, borrowings and equity. As at 30 September 2019, the Group had cash and cash equivalents (including pledged bank deposits) of approximately HK\$267.6 million (31 March 2019: approximately HK\$271.7 million). The Group's working capital was approximately HK\$1,689.8 million (31 March 2019: approximately HK\$1,762.6 million).

As at 30 September 2019, the Group had outstanding borrowings (including secured notes and obligations under finance lease) of approximately HK\$2,251.7 million (31 March 2019: approximately HK\$2,440.8 million). The Group had various banking facilities from financial institutions in Hong Kong which were secured by certain assets of the Group, including (i) the Group's financial assets at fair value through profit or loss of HK\$1,383.9 million; (ii) certain bank deposits held by the Group; (iii) certain leasehold lands and buildings; (iv) machinery and motor vehicles; and (v) certain loan receivables.

Gearing ratio (being the ratio of total borrowings including secured notes and obligation under finance lease to total assets) as at 30 September 2019 was 39.1% (31 March 2019: 43.9%). The decrease in gearing ratio was mainly attributable to repayment of certain borrowings during the period under review.

Capital Commitment

The capital commitments consist primarily of purchase of construction machinery for rental purpose. As at 30 September 2019, the capital commitments contracted but not provided for amounted to approximately HK\$11.7 million (31 March 2019: approximately HK\$19.3 million).

Contingent Liabilities

As at 30 September 2019, the Group provided performance guarantee amounting to approximately HK\$11.2 million (31 March 2019: approximately HK\$10.2 million respectively) to the banks in respect of obligations under finance leases and the Group's obligation under contracts with certain third party customers. Under the guarantees, the Group would be liable to make payments to the banks if the banks were unable to recover the amounts under these finance leases from these customers or the Group failed to perform the relevant obligations to these customers. As at 30 September 2019 and 31 March 2019, no provision for the Group's obligations under the guarantee contracts has been made as the directors of the Company considered that it was not probable that the repayment of the finance lease obligations would be in default and it was not probable that a claim will be made against the Group.

Exposure to Fluctuations in Exchange Rates

The Group's revenues and other incomes are denominated mainly in Hong Kong dollars ("HK\$"), United States dollars ("US\$"), pounds sterling ("GBP") and Renminbi ("RMB"). The Group's purchases and expenses are mostly denominated in HK\$, US\$, GBP and RMB. The Group has certain foreign currency bank balances and investments in foreign operations such as trade and interest receivables; other receivables, deposits and prepayments; bank balances and cash; other payables, deposits received and accruals and borrowings, which are exposed to foreign currency exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group from time to time and will consider hedging significant foreign currency exposure should the need arise.

Employee Information

As at 30 September 2019, the Group had a total of approximately 240 employees (31 March 2019: 227 employees) in Hong Kong and the PRC. The Group maintains a mandatory provident fund scheme for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in the PRC. The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and are reviewed every year.

The Group has also adopted a share option scheme and a share award scheme. A summary of the share option scheme of the Group will be set out in the notes to the condensed consolidated financial statements in the interim report of the Company.

EQUITY FUND RAISING ACTIVITIES

The Group carried out a rights issue in the previous period. The details of equity fund raising activities and the actual use of proceeds are as follows:

Date of announcement	Events	Approximate net proceeds	Intended use of net proceeds	Actual use of proceeds as at the date of this announcement
25 June 2018	Hao Tian International Construction proposed a 1-for-2 rights issue (the “Rights Issue”) to raise proceeds of approximately HK\$180 million.	Approximately HK\$178 million	The net proceeds from the Rights Issue was intended to be used in the following manner: (i) approximately HK\$142.4 million (representing 80% of the estimated net proceeds from the Rights Issue) will be applied for money lending business or relevant acquisition(s); (ii) approximately HK\$17.8 million (representing 10% of the estimated net proceeds from the Rights Issue) will be applied for financial services and securities business; and (iii) the remaining proceeds (representing 10% of the estimated net proceeds from the Rights Issue) will be applied for general working capital.	Of the net proceeds of approximately HK\$178 million, approximately HK\$160.2 million has been utilised. Of this, approximately HK\$17.8 million was utilised as intended for general working capital purposes and approximately HK\$142.4 million was utilised for money lending business. As of the date of this announcement, it is intended that approximately HK\$17.8 million of the unutilized proceeds will be utilised within this financial year ending 31 March 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed below, no material acquisition and disposal of subsidiaries were conducted by the Group during the period under review.

Disposal of Hao Tian Credit Company Limited

On 10 September 2019, Hao Tian Finance Company Limited (“**Hao Tian Finance**”), a wholly-owned subsidiary of the Company, as seller, Hao Tian International Financial Holdings Limited (“**HTIFH**”, being a wholly-owned subsidiary of Hao Tian International Construction Investment Group Limited), as purchaser, and HTICI, entered into a sale and purchase agreement pursuant to which HTIFH conditionally agreed to buy and Hao Tian Finance conditionally agreed to sell the entire issued share capital of Hao Tian Credit Company Limited (“**Hao Tian Credit**”) at a consideration of HK\$213,000,000, which shall be satisfied in full by the issue of the convertible notes in the principal amount of HK\$213,000,000 by HTICI to the Company upon completion. Hao Tian Credit is a licensed money lender under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and is principally engaged in money lending business in Hong Kong. The sale and purchase of Hao Tian Credit constitutes a major and connected transaction of HTICI and a discloseable transaction of the Company respectively under the Listing Rules. Upon completion, Hao Tian Credit will be 100% owned by HTIFH and become an indirect wholly-owned subsidiary of HTICI. The financial results, assets and liabilities of Hao Tian Credit will still be consolidated into the consolidated financial statements of the Group.

For details of the disposal of Hao Tian Credit, please refer to the announcement of the Company dated 10 September 2019.

Completion of this transaction is conditional on certain conditions precedent, including the approval by the independent shareholders of HTICI. As at the date of this announcement, the disposal of Hao Tian Credit was yet to be completed.

Acquisition of fine arts for our new fund

On 12 July 2019, HTICI as purchaser, Opulent Elite Investments Limited (“**Opulent Elite**”) as seller and Chen Tingjia as warrantor, entered into a sale and purchase agreement pursuant to which HTICI agreed to buy and Opulent Elite agreed to sell a collection of six (6) sets of canvas and paper painting art pieces (the “**Fine Arts**”) at a total consideration of HK\$80,000,000, which was satisfied in full by the allotment and issue of 275,862,069 ordinary shares by HTICI to Opulent Elite or its nominee at the HK\$0.29 per share upon completion. The completion of the acquisition of the Fine Arts took place on 30 August 2019. Immediately after completion, HTICI transferred the ownership in the Fine Arts by subscription in kind to a fund in the form of a limited partnership registered in the Cayman Islands, whose general partner and limited partner are indirect wholly-owned subsidiaries of HTICI. The Group intends to attract professional and/or institutional investors to invest in the said fund, while continuing to provide investment advisory services to the fund.

For details of the acquisition of the Fine Arts, please refer to the announcements of the Company dated 12 July 2019 and 30 August 2019.

Disposal of a property holding company

On 1 March 2019, Crawler Krane Business Limited (a non-wholly owned subsidiary of the Company) entered into a sale and purchase agreement with Bravo Rich Limited in relation to the disposal of all issued shares in Chim Kee Crane Company Limited at the cash consideration of HK\$100,000,000. The disposal constitutes a discloseable transaction of the Company under the Listing Rules and completion of the disposal took place on 29 April 2019.

For details, please refer to the announcements of the Company dated 1 March 2019 and 29 April 2019.

Subscription of participating redeemable shares in Riverwood China Growth Fund

On 10 May 2019, Fortune Jumbo Limited (“**Fortune Jumbo**”) (an indirect wholly-owned subsidiary of the Company) placed an order with Haitong International Securities Company Limited (“**Haitong Securities**”), pursuant to which Haitong Securities shall subscribe for the participating redeemable shares in the Riverwood China Growth Fund on behalf of the Fortune Jumbo Limited at the aggregate subscription price in the sum of US\$16,000,000 (approximately HK\$124.8 million) which was satisfied by way of cash. The transaction constitutes a discloseable transaction of the Company under the Listing Rules. Completion of the subscription took place on 10 May 2019.

For details of the transaction, please refer to the announcement of the Company dated 10 May 2019.

Redemption of an interest in Haitong Global Investment SPC III

On 10 May 2019, Fortune Jumbo redeemed 300,000 participating, redeemable, non-voting shares designated as class R share in the capital of the Haitong Global Investment SPC III at an aggregate redemption price of US\$24,434,100 (equivalent to HK\$190,585,980) as at 9 May 2019 in accordance with the terms of its private placement memorandum.

For details of the redemption, please refer to the announcement of the Company dated 10 May 2019.

Acquisition of minority interest in a subsidiary

On 8 July 2019, Century Golden Resources Investment Co., Ltd (“**Century Golden**”) as vendor, Guo Guang Limited (a direct wholly-owned subsidiary of the Company) as purchaser and the Company, entered into a sale and purchase agreement, pursuant to which the Century Golden agreed to sell, and Guo Guang Limited agreed to purchase, 200,000,000 ordinary shares in Hao Tian Finance at a consideration of HK\$200,000,000, which was satisfied by way of issue and allotment of 800,000,000 ordinary shares by the Company to Century Golden at an issue price of HK\$0.25 per share under specific mandate of the Company. Upon completion, Hao Tian Finance became an indirect wholly-owned subsidiary of the Company. Completion of the acquisition of minority interest of Hao Tian Finance took place on 20 August 2019.

For details, please refer to the announcements of the Company dated 8 July 2019 and 20 August 2019 and circular of the Company dated 8 August 2019, respectively.

Acquisition of 15% equity interests in an investment holding company with property projects under development

On 18 July 2019, Grace Dragon Holdings Limited (“**Grace Dragon**”), a wholly-owned subsidiary of the Company, as purchaser entered into an agreement with Mr. Chen Ping as vendor in relation to the acquisition of 15% equity interests in Quan Yu Tai Investments Company Limited (“**Quan Yu Tai**”), pursuant to which the Mr. Chen Ping agreed to sell, and the Grace Dragon agreed to purchase, the 150 issued shares of Quan Yu Tai, for an aggregate consideration of HK\$320,000,000 (equivalent to approximately RMB281,600,000), which was settled by the issue of the promissory note by the Grace Dragon upon completion. Quan Yu Tai has 90% equity interest in He Ying Tung Investments Company Limited (“**He Ying Tung**”). He Ying Tung, through its various indirect wholly-owned or non wholly-owned subsidiaries, is principally engaged in property development in the PRC. He Ying Tung principally has 3 property projects under development located in the municipalities of Changsha, Chenzhou and Hengyang of Hunan Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, cinemas and other supporting facilities. Completion of the acquisition of 15% equity interests in Quan Yu Tai took place on 16 October 2019.

For details, please refer to the announcements of the Company dated 18 July 2019 and 16 October 2019.

Proposed Nuoqi Transaction

On 6 November 2017, Fujian Nuoqi Co., Ltd (“**Fujian Nuoqi**”), Zhong Hong Holdings Group Limited, a company incorporated in the Cayman Islands (“**Zhong Hong**”) and Mr. Hu Yulin entered into a sale and purchase agreement, pursuant to which Fujian Nuoqi has conditionally agreed to acquire, and Zhong Hong has conditionally agreed to sell, the entire issued share capital in Zhong Hong International Limited (the “**Target Company**”), a company incorporated in the British Virgin Islands (the “**Proposed Nuoqi Transaction**”). The consideration payable by Fujian Nuoqi shall be HK\$1,053,024,128 and shall be satisfied by Fujian Nuoqi by allotment and issue to Zhong Hong of 1,541,878,659 new H Shares (the “**Consideration Shares**”), credited as fully paid, at an issue price of HK\$0.6829 per Consideration Share.

Assuming the Consideration Shares are fully issued, the shareholding interest of the Company in Fujian Nuoqi will be diluted from 59.93% to 17.00% and the Proposed Nuoqi Transaction will constitute a deemed disposal of the Company under the Listing Rules.

The Proposed Nuoqi Transaction is also subject to a number of conditions precedent, including, in particular:

- (a) the grant of approval by the Stock Exchange to the resumption proposal and the resumption of trading in the H Shares of Fujian Nuoqi;
- (b) the Chinese Securities Regulatory Commission granting the approval(s) necessary for the issue and allotment of the Consideration Shares; and

- (c) the Executive of the Securities and Futures Commission granting a waiver to Zhong Hong to the effect that neither Zhong Hong nor any party acting in concert (as defined in the Code on Takeovers and Mergers) (the “**Takeovers Code**”) with it will be obliged to make a general offer for the shares of Fujian Nuoqi under the Takeovers Code as a result of the allotment and issue of the Consideration Shares to Zhong Hong.

The Proposed Nuoqi Transaction was yet to be completed up to the date of this announcement.

SIGNIFICANT LITIGATIONS

Claim against Up Energy Development Group Limited

The Group has made claims against Up Energy Development Group Limited (in Provisional Liquidation (For Restructuring Purposes)) (“**Up Energy**”) and its shareholder pursuant to the sale and purchase agreement dated 12 October 2012. Please refer announcements of the Company dated 29 June 2016 and 12 August 2016 and the Company’s annual report dated 22 June 2018 for details. The Group has also commenced proceedings in the Supreme Court of Bermuda seeking, among other things, declaration that the resolutions passed at the special general meeting of Up Energy on 25 April 2017 to replace the original directors by the directors nominated by the Company were effective. There is no significant development for the above actions.

Based on the announcements of Up Energy, a scheme of arrangement proposed to be made between creditors and Up Energy was approved by the meeting of creditors (including the Group as a creditor under certain bond instrument) on 1 November 2019 and the scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda.

Claim to recovery outstanding debts

In connection with the legal action taken out by Hao Tian Investment (China) Co., Ltd, an indirect wholly-owned subsidiary of the Company, against Liu Jincheng and Xia Heting at the Beijing Fourth Intermediate People’s Court for repayment of the principal amount together with interest and expense in an aggregate amount of approximately RMB40 million, the Beijing Fourth Intermediate People’s Court granted a judgement in favour of the Group. The defendants submitted an appeal to the court on the calculation of amount repayable.

EVENTS AFTER THE PERIOD UNDER REVIEW

Save as disclosed under the paragraph headed “SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS”, there are no significant event subsequent to the period under review which would materially affect the Group’s operating and financial performance as at the date of this announcement.

BUSINESS PROSPECTS

Clouded with the unresolved trade frictions, alongside with the deadlock of civil unrest in Hong Kong, the overall economic condition and the financial market remain uncertain. The negative impact of the ongoing protests in Hong Kong has begun affecting the economy of the city. Tourism and local consumptions were impacted seriously. Overall visitors to Hong Kong drastically dropped by 34% in September 2019, compared to the corresponding period in 2018. Nevertheless, according to the price index of private property provided by Rating and Valuation Department, the price index of Q3 2019 was more or less the same when comparing with the corresponding period in 2018. The Group expects a stable property market alongside with volatile economy would in turn drives the property lending business in Hong Kong. The Group will focus on its money lending business to enjoy this organic growth, with a cautious approach when granting loans.

As a provider of professional and quality comprehensive financial services for customers, the Group is committed to forge a financial platform with diversified businesses by proactively exploring both Mainland and Southeast Asia markets and redeploying its strategies in line with the Belt and Road Initiative and the economic development trends in Guangdong-Hong Kong-Macau Greater Bay Area.

As envisioning the new opportunities arising from Belt and Road Initiative, the Group is in its full swing of the expansion into Southeast Asia. Capitalizing the expertise in banking of its management teams as well as the prevailing tide of economic boom in Southeast Asia, the Group is envisaging to solidify its presence in the local financial markets through various ways such as equity investment and acquiring the right of operation. Meanwhile, excelling its strength on resources in Hong Kong, the Group is going to expand the scale of overseas financing and accordingly propel the transformation and upgrade of local real economy by assisting domestic enterprises in gaining access to international financial market and diversifying their financing channels internationally. The Group would also like to intensify its tie with enterprises by setting up industry fund, facilitating integration of local innovation industry and offering quality investment services.

Furthermore, the Group would act proactively in asset management business, family office business to strive for the success of our client's investment by designing tailored-made solutions through our investment expertise.

As shown above, the Group has formulated a clear development plan and is aware of its development strategies, and it is expected that the business and revenue will continue to grow steadily in the foreseeable future.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures that are consistent with the "Corporate Governance Code" (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasise on a quality board of directors, sound internal control, transparency and accountability to all shareholders of the Company.

The Company has applied the principles and complied with all relevant code provisions of the CG Code during the period under review, save and except Code Provisions A.2.1 and A.5.1:

- (i) The CG Code recognizes the importance of the management of the Board and the day-to-day management of the business. The Company has not appointed the chairman and the Board provides leadership for the Company. Having considered the business operation of the Group at the material time, it is believed that the Board, which consists of experienced professionals, can function effectively as a whole, while the executive directors along with other members of senior management of the Company are effective in overseeing the day-to-day management of the Group under the strong corporate governance structure in place.
- (ii) The Nomination Committee is chaired by an executive director and comprises a majority of the independent non-executive director. The Board believed that an executive director involved in the daily operations of the Company may be better positioned to review the composition of the Board so as to complement the Group's corporate strategy.

Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code during the period under review and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors' securities transaction. The Company has made specific enquiries to all directors and all directors confirmed that they have fully complied with the Model Code.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

GRANT OF GENERAL MANDATE

On 18 September 2019, an ordinary resolution approving the grant of general mandate to issue new shares was duly passed by way of poll in the annual general meeting of the Company (the “**AGM**”). The general mandate granted the directors of the Company the authority to allot, issue and deal with new shares with an aggregate nominal amount of not exceeding 20% of the issued share capital of the Company as at the date of the AGM.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the internal controls and unaudited condensed consolidated interim results and financial report of the Group for the period under review.

PUBLICATION OF INTERIM RESULTS

This results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.haotianhk.com). The interim report will be despatched to the shareholders and will be published on the websites of the Stock Exchange and that of the Company, respectively in due course.

By Order of the Board of
Hao Tian Development Group Limited
Fok Chi Tak
Executive Director

Hong Kong, 30 November 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Haiying, Dr. Zhiliang Ou, JP (Australia) and Mr. Fok Chi Tak and three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lam Kwan Sing and Mr. Lee Chi Hwa, Joshua.