



RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)



Interim Report

2012

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Condensed Consolidated Statement of Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Financial Statements	20
Corporate Governance and Other Information	46

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN William

(Chairman and Chief Executive Officer)

NG Tak Kwan

YIP Chun Kwok *(Chief Financial Officer)*

LEUNG Kai Ming *(Resigned on 1 July 2012)*

Non-executive Director

WONG Kim Hung, Patrick

(Resigned on 1 July 2012)

Independent Non-executive Directors

TO King Yan, Adam

WONG Hoi Ki

HO Kwok Wah, George

AUDIT COMMITTEE

HO Kwok Wah, George *(Chairman)*

TO King Yan, Adam

WONG Hoi Ki

REMUNERATION COMMITTEE

HO Kwok Wah, George *(Chairman)*

TO King Yan, Adam

WONG Hoi Ki

NOMINATION COMMITTEE

CHAN William *(Chairman)*

HO Kwok Wah, George

WONG Hoi Ki

COMPANY SECRETARY

YEUNG Man Yan, Megan

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

China Guangfa Bank Co., Ltd.

Standard Chartered Bank

(Hong Kong) Limited

Oversea-Chinese Banking

Corporation Limited

The Bank of Tokyo-Mitsubishi

UFJ, Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1305, 13/F,

Shun Tak Centre West Tower,

200 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group

(Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 609

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

STOCK CODE

2288

COMPANY'S WEBSITE

www.rykadan.com

INVESTOR RELATIONS CONTACT

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66 Gloucester Road

Wan Chai

Hong Kong

Chairman's Statement

Dear shareholders,

I am delighted to present you the interim report for Rykadan Capital Limited ("Rykadan Capital" or "the Company", formerly known as "Sundart International Holdings Limited") and its subsidiaries (collectively the "Group") for the six-month period ended 30 September 2012.

The period under review has been one of uncertainty for the global economy. Sluggish recovery in the United States has been met with a deepening European debt crisis, both of which have had a significant effect on investor sentiment and the Group's share price.

However, uncertain times often prove a good time for change – and this period has certainly been one of great transformation for the Group.

In May 2012, we made a decision to partially exit the fitting-out business in order to redeploy our resources to more promising business streams. This decision was reached in light of rising challenges in the fitting-out industry, including intensifying competition in Hong Kong, excessive operational and funding risk for fitting-out projects in the People's Republic of China (the "PRC"), and government policy changes, such as the cap on gambling tables in Macau.

Following a series of acquisitions this year, the Group has emerged as an investment holding company, specializing in commercial real estate and other high potential investment opportunities in Greater China. Our investment strategy is to grow asset values, achieve stable yields and exit within a three to five year horizon. By focusing on the commercial sector, our real estate investments have been relatively unaffected by the cooling measures introduced to the Hong Kong and Mainland Chinese residential property markets.

We have also adopted a new company name, symbolizing our new business outlook and commitment to uncover unique opportunities for investors.

In addition to commercial real estate, we also see solid potential in selected service industries, particularly those geared towards the PRC's increasingly wealthy middle class such as education. We aim to further grow our presence in these industries by expanding our team and leveraging on well experienced business partners, while also remaining on the lookout for other growth opportunities as they arise.

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I would like to express my sincere gratitude to our shareholders for your ongoing support throughout our transformation. I would also like to thank our staff for their continued commitment to the Group over these busy months.

Finally, I would like to ask for your future support as we work hard to create value for shareholders in the second half of the financial year and beyond.

Chan William

Chairman and Chief Executive Officer

28 November 2012

Management Discussion and Analysis

OVERVIEW

During the six-month period ended 30 September 2012, the Group disposed of a majority stake in its fitting-out business and transformed itself into an investment holding company. The transaction was completed on 26 June 2012. Throughout the period, the Group had continuing operations in the areas of property development, asset, investment and fund management and manufacturing, sourcing and distribution of interior decorative materials.

OVERALL PERFORMANCE

The Group recorded consolidated revenue from segments under continuing operation of HK\$55.56 million during the six months under review, with a gross profit of HK\$10.03 million and gross profit margin of 18.05%.

Profits from the Group's discontinued operations were HK\$168.96 million, including the provision of fitting-out works in Hong Kong, Macau and the PRC of HK\$24.78 million and a gain on disposal of fitting-out works operation of HK\$132 million during the period.

Net profit for the period was HK\$146.60 million. Basic earnings per share for continuing and discontinued operations were HK31 cents. The Board declared an interim dividend per share of HK5 cents and a special dividend per share of HK35 cents.

As at 30 September 2012, the Group's total assets was valued at HK\$1,885.31 million, of which current assets were HK\$1,563.91 million, approximately 14.11 times current liabilities. Equity attributable to the owners of the Company was HK\$1,050.57 million.

MATERIAL ACQUISITIONS AND DISPOSALS

In May 2012, the Group sold 85% of its fitting-out business to Beijing Jangho Curtain Wall Ltd. ("Beijing Jangho") for a total consideration of HK\$493 million (for details, please refer to note 21 to the condensed consolidated financial statements).

Utilising the proceeds from the above disposal, along with unused proceeds from its IPO in 2009, the Group made a number of key investments in the six-month period ended 30 September 2012.

- In July 2012, the Group increased its interest in Kailong REI Project Investment Consulting (Hong Kong) Co., Limited to 41.07% for a total consideration of HK\$69.15 million, making it a subsidiary of the Group. The Group previously held an approximate 15.86% interest in the business (see 'Kailong Rei' in Summary of Investments and note 23 to the condensed consolidated financial statement).

Management Discussion and Analysis

- In August 2012, the Group entered into a joint-venture to take a 70% stake in Power City Investments Limited, which owns commercial buildings in a business park in Shanghai (equal to an effective 46.6% stake in the property), for a total consideration of HK\$71.33 million (see 'Kailong Nanhui Business Park' in Summary of Investments and note 24 to the condensed consolidated financial statements).
- In September 2012, the Group took a 51% stake in Wing Lok Innovative Education Organization Corporation (see 'Wing Lok Innovative Education' in Summary of Investments).

INVESTMENT PORTFOLIO

As of 30 September 2012, the Group's cash in hand was HK\$521.19 million, representing 27.64% of the Group's total assets.

The following table shows the Group's investments as at 30 September 2012.

Real estate investments

Investment	Location	Type	Group interests	Status as at 30/9/2012	Total gross floor area	Attributable gross floor area
Rykadan Capital Tower Hong Kong	Kwun Tong, property	Commercial	65%	Under construction	252,820 square feet	164,333 square feet
Kailong Nanhui Business Park	Shanghai, the PRC	Commercial property	46.6%	Under refurbishment	52,304 square metre	24,374 square metre

Venture capital investments

Investment	Business/type	Group interests
Wing Lok Innovative Education	Educational software developer, educational publication content provider and pre-school learning centres service provider	51%

Management Discussion and Analysis

Other investments

Investment	Business/type	Group interests
Kailong Rei	Asset, investment and fund management	41.07%
Q-Stone Buildings Materials	Distribution of stone composite surfaces products	100%
Sundart Holdings	Fitting-out contractor	15%

SUMMARY OF INVESTMENTS

Rykadan Capital Tower

Located in the heart of Kwun Tong, Hong Kong's emerging second CBD, Rykadan Capital Tower is the Group's first real estate development project. It is also the Group's first investment entered into under a co-investment model, with Secured Capital co-investing in the project in 2011.

Rykadan Capital Tower is a 25-storey with a gross floor area of 252,820 square feet, overlooking Victoria Harbour. The building is highly accessible, located near the MTR station. Construction is due to be completed by December 2013, in line with the nearby Kai Tak Cruise Terminal.

The Group has completely pre-sold all available floors less than a week after the sale was launched in November 2012.

Kailong Nanhui Business Park

Kailong Nanhui Business Park (formerly known as "Bestlinkage Business Park") is a 52,304 square metre high-end business park located in Shanghai and is the Group's first showcase property project in the PRC. The site consists of five high-quality buildings conveniently located near the Shanghai Pudong International Airport and Shanghai Harbour City. It offers future tenants preferential tax and subsidy policies due to its location in the Nanhui Industrial Zone of Shanghai.

Through its subsidiaries, the Group intends to upgrade the site's existing buildings into a high-end business park through renovation, fitting-out and furnishing works to attract more businesses to set up base there. Upon completion, the site is expected to generate stable rental returns for the Group, with a view to off-load the buildings at a later stage. As of 30 September 2012, around 2% of the park had been leased.

Management Discussion and Analysis

Wing Lok Innovative Education

Wing Lok Innovative Education is the Group's first venture capital investment. It is an educational software developer, educational publication content provider and a pre-school learning centres service provider.

With the PRC's expanding middle class fueling the growth of the PRC's education services sector, the Group believes Yong Le Education offers significant growth potential in the middle-to-long term.

Kailong Rei

Kailong Rei is a leading player in the PRC's real estate investment, asset management and fund management market. It provides comprehensive asset management services for foreign and local property investors and its own RMB real estate funds.

Kailong Rei held investments in, and provided asset management services for six real estate projects in Beijing, Shanghai, Chengdu and Hong Kong as at 30 September 2012. It also manages two RMB real estate funds in Tianjin and Suzhou with total capital of RMB739 million and has plans to invest in around RMB1.2 billion worth of properties.

Q-stone Building Materials Limited

Q-stone Building Materials Limited is a wholly owned subsidiary of the Group and the exclusive distributor of Quarella, a world leader in the production of quartz and marble-based stone composite surfaces products, in the PRC market. Established over 40 years ago with factories and R&D centres in Italy and Spain, its products are popularly used for benchtops, bathroom surfaces and floor tiles and has been used by a number of prominent commercial buildings in the PRC and Hong Kong.

Sundart Holdings

A leading fitting-out contractor in Hong Kong and Macau, Sundart Holdings Limited ("Sundart Holdings") has continued to win new projects throughout the period, while further expanding in the PRC market by leveraging on the well-established connections of its new majority owner, Beijing Jangho.

Management Discussion and Analysis

OUTLOOK

Despite the current slowdown of the PRC and Hong Kong economies, the Group remains cautiously optimistic about the medium-to-long-term prospects for its investments in the real estate development, asset management, materials distribution, fitting-out and education sectors.

The Group will continue to leverage on the strong experience of its management and its business partners in the second half of its fiscal year to further grow and improve these investments so that they deliver sustainable yields and reasonable capital gains for shareholders.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

As at 30 September 2012, the Group's total debt (representing total interest-bearing borrowings) to total asset ratio was 25.78% (31 March 2012: 28.00%). The gearing ratio (net debt to equity attributable to owners of the Company) was nil (31 March 2012: 20.06%) as the Group has net cash (bank balances and cash less total debt) of HK\$35 million as at 30 September 2012 (31 March 2012: net debt HK\$191 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing the property development of our Rykdan Capital Tower. The borrowings of HK\$479 million were secured by the properties under development for sale and will be repayable in the earlier of January 2014 or upon sales of our Rykdan Capital Tower. Further costs for developing Rykdan Capital Tower will be financed by our unutilized bank facilities ready for the project.

Management Discussion and Analysis

The liquidity of the Group's remains strong and healthy as the current ratio (current assets/current liabilities) of the Group as at period end is 14.1 (31 March 2012: 4.3). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek for development opportunities with a view to balancing the risk and opportunity in maximizing shareholders' value.

Pledge of Assets

As at 30 September 2012, the Group had pledged properties under development for sale to secure the general banking facilities granted to the Group. The aggregate carrying value of the pledged assets was HK\$851 million (31 March 2012: HK\$781 million).

Contingent Liabilities and Capital Commitments

The Group did not have any capital commitment as at 30 September 2012 and 31 March 2012. For contingent liabilities, please refer to note 25 to the condensed consolidated financial statements.

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangement

The Group's bank borrowings have been made at floating rates.

The Group operates in various regions with different foreign currencies including Euro, Macau Patacas, United States Dollar, and Renminbi. The exchange rates for the foresaid currencies are relatively stable. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments if necessary.

The Group has no hedging arrangements for foreign currencies or interest rates.

Management Discussion and Analysis

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. In connection with projects in progress (no matter in Hong Kong, Macau, the PRC or overseas), the major customers are the local governments, institutional organizations and reputable property developers. Therefore, the Group is not exposed to significant credit risk.

Even though there is no significant credit risk exposure and there are no overdue trade receivables written-off during the period, the Group's management reviews from time to time the recoverability of trade receivables and closely monitors the financial position of the customers in order to keep a very low credit risk exposure of the Group.

Risk Management

In order to widen the revenue foundation of the Group, the Group is actively looking for investment opportunities in different business segments. The Group will evaluate the market conditions and adjust its strategy in a timely manner and make decisions so as to ensure the effective implementation of the Group's expansion plan. The Group will continue to strengthen the internal control system and risk control system of the overseas operations by regularly reviewing the market risk, legal risk, contract risk and credit risk of the customers of the overseas markets.

Employees and Remuneration Policies

As at 30 September 2012, the Group had approximately 64 (1H 2011/2012: 965) full-time employees. The total remuneration of the employees (including the directors' remuneration) were approximately HK\$47 million (HK\$39 million was incurred by the disposed companies) for the period (1H 2011/2012: HK\$93 million). The decrease in total remuneration of the employees was mainly due to the decrease in number of the employees. The Group offers attractive remuneration policy. The Group also provides external training programmes which are complementary to certain job functions.

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2012

		1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
	<i>NOTES</i>		
Continuing operations			
Revenue	3	55,562	36,463
Cost of sales		(45,530)	(28,661)
Gross profit		10,032	7,802
Other income, other gains and losses		2,679	675
Selling expenses		(3,209)	(1,751)
Administrative expenses		(26,022)	(17,981)
Other expenses		(7,432)	(420)
Finance costs		(11)	–
Share of profit (loss) of associates		1,908	(2,921)
Loss before taxation		(22,055)	(14,596)
Income tax expense	5	(313)	(481)
Loss for the period from continuing operations	6	(22,368)	(15,077)
Discontinued operations			
Profit for the period from discontinued operations	7	168,964	66,439
Profit for the period		146,596	51,362
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		(1,043)	3,650
Release of translation reserve upon disposal of subsidiaries		(11,753)	(6)
Release of translation reserve upon deemed disposal of associate		(895)	–
Reclassification to profit or loss upon disposal of available-for-sale investment		(3,151)	–
Share of translation reserve of associates		494	197
Gain on revaluation of property upon transfer to investment property		–	1,720
Other comprehensive (expense) income for the period		(16,348)	5,561
Total comprehensive income for the period		130,248	56,923

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2012

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
	<i>NOTE</i>	
Profit (loss) for the period attributable to:		
Owners of the Company	147,314	51,379
Non-controlling interests	(718)	(17)
	<u>146,596</u>	<u>51,362</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	131,024	56,940
Non-controlling interests	(776)	(17)
	<u>130,248</u>	<u>56,923</u>
Earnings (loss) per share		
For continuing and discontinued operations		
Basic (HK cents)	9	11
	<u>31</u>	<u>11</u>
For continuing operations		
Basic (HK cents)	9	(3)
	<u>(4)</u>	<u>(3)</u>

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	NOTES	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,621	27,787
Investment property	10	–	6,785
Goodwill		14,412	1,510
Other intangible assets		10,735	15,976
Interest in an associate		71,116	23,601
Available-for-sale investments	11	222,516	15,611
		321,400	91,270
Current assets			
Properties under development for sale	12	850,992	781,355
Inventories		16,010	35,901
Amount due from a related company		–	2,100
Trade and other receivables	13	28,031	210,299
Bills receivable	13	–	1,508
Amounts due from customers for contract work		–	379,385
Loan to an associate	13	80,000	–
Amounts due from associates	13	4,638	–
Amount due from an investee	13	35,440	–
Retentions receivable	13	–	129,002
Tax recoverable		–	3,465
Restricted bank balance	13	27,612	–
Bank balances and cash		521,190	370,771
		1,563,913	1,913,786
Current liabilities			
Trade and other payables	14	56,721	346,813
Bills payable	14	1,132	–
Amounts due to associates	14	21,471	–
Amounts due to customers for contract work		–	13,768
Amounts due to non-controlling shareholders	17	23,588	–
Tax payable		986	25,064
Bank borrowings	15	6,955	63,880
		110,853	449,525
Net current assets		1,453,060	1,464,261
Total assets less current liabilities		1,774,460	1,555,531

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	NOTES	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	4,774	4,774
Reserves		1,045,794	945,804
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,050,568	950,578
Non-controlling interests		138,250	8,096
		<hr/>	<hr/>
Total equity		1,188,818	958,674
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings	15	479,033	497,623
Amounts due to non-controlling shareholders	17	102,888	98,212
Deferred taxation		3,721	1,022
		<hr/>	<hr/>
		585,642	596,857
		<hr/>	<hr/>
		1,774,460	1,555,531
		<hr/>	<hr/>

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2012

	Attributable to owners of the Company											Non-controlling interests	Total		
	Share capital	Share premium	Treasury shares	Legal reserve	Statutory reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Shareholders' contribution reserve	Other reserves	Special reserve			Accumulated profits	Total
	HKS'000	HKS'000	HKS'000 (Note e)	HKS'000 (Note a)	HKS'000 (Note b)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 (Note c)	HKS'000 (Note d)	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2011 (audited)	4,800	472,253	-	49	690	3,151	-	8,085	6,615	29,867	66,139	269,682	861,331	-	861,331
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	3,650	-	-	-	-	3,650	-	3,650
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Share of translation reserve of an associate	-	-	-	-	-	-	-	197	-	-	-	-	197	-	197
Gain on revaluation of property upon transfer to investment property (Note 10)	-	-	-	-	-	-	1,720	-	-	-	-	-	1,720	-	1,720
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	51,379	51,379	(17)	51,362
Total comprehensive income for the period	-	-	-	-	-	-	1,720	3,841	-	-	-	51,379	56,940	(17)	56,923
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	-	-	(40,800)	(40,800)	-	-	(40,800)
Recognition of other service costs (Note 4)	-	-	-	-	-	-	-	-	-	1,867	-	-	1,867	-	1,867
Disposal of partial interest in a subsidiary (Note 22)	-	-	-	-	-	-	-	-	-	37,546	-	-	37,546	(7)	37,539
Transfer to legal reserve	-	-	-	12	-	-	-	-	-	-	-	(12)	-	-	-
Repurchase of shares	-	-	(2,202)	-	-	-	-	-	-	-	-	-	(2,202)	-	(2,202)
Deemed capital contribution from non-controlling shareholders (Note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,923	7,923
At 30 September 2011 (unaudited)	4,800	472,253	(2,202)	61	690	3,151	1,720	11,926	6,615	69,200	66,139	280,249	914,682	7,899	922,581
At 1 April 2012 (audited)	4,774	469,130	-	61	690	3,151	1,242	13,030	6,615	71,146	66,139	314,600	950,578	8,096	958,674
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(895)	-	-	-	-	(895)	(58)	(1,043)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investment	-	-	-	-	-	(3,151)	-	-	-	-	-	-	(3,151)	-	(3,151)
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	(11,753)	-	-	-	-	(11,753)	-	(11,753)
Release of translation reserve upon deemed disposal of associate	-	-	-	-	-	-	-	(895)	-	-	-	-	(895)	-	(895)
Share of translation reserve of associates	-	-	-	-	-	-	-	494	-	-	-	-	494	-	494
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	147,314	147,314	(718)	146,596
Total comprehensive income for the period	-	-	-	-	-	(3,151)	-	(13,139)	-	-	-	147,314	131,024	(716)	130,248
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	-	-	-	(31,034)	(31,034)	-	(31,034)
Acquisition of subsidiaries (Notes 23 and 24)	-	-	-	-	-	-	-	-	-	-	-	-	-	130,751	130,751
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Deemed capital contribution from non-controlling shareholders (Note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	172	172
Reclassification of reserves upon disposal of subsidiaries	-	-	-	(61)	(690)	-	(1,242)	-	(6,615)	(33,600)	1,161	41,047	-	-	-
At 30 September 2012 (unaudited)	4,774	469,130	-	-	-	-	-	(109)	-	37,546	67,300	471,927	1,050,568	138,250	1,188,818

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2012

Notes:

- (a) In accordance with the provisions of the Macao Commercial Code, two of the subsidiaries of the Company in Macao were required to transfer a minimum of 25% of their profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of the subsidiaries. This reserve was not distributable to the shareholders. During current interim period, legal reserve of HK\$61,000 was derecognised and transferred to accumulated profits upon disposal of subsidiaries.
- (b) As stipulated by the relevant laws and regulations in the PRC, the subsidiary established in the PRC shall set aside 10% of its net profit to the statutory reserve before the distribution of the net profit each year until the balance reaches 50% of its paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary to offset accumulated losses or increase capital. During current interim period, statutory reserve of HK\$690,000 was derecognised and transferred to accumulated profits upon disposal of subsidiaries.
- (c) As at 30 September 2011, other reserves include (i) recognition of other service costs of HK\$31,734,000 as set out in note 4 and (ii) amount recognised upon disposal of partial interest in a subsidiary of HK\$37,546,000 as set out in note 22. During current interim period, other service costs of HK\$33,600,000 was derecognised and transferred to accumulated profits upon disposal of subsidiaries.
- (d) Pursuant to a deed for sale and purchase dated 3 August 2009 entered into between Tiger Crown Limited, Scenemay Holdings Limited, Mr. Ng Tak Kwan, Mr. Leung Kai Ming ("Mr. Leung") and Mr. Wong Kim Hung, Patrick as vendors (collectively referred to as the "Vendors"), and the Company as purchaser, the Company issued 69,990,000 shares of HK\$0.01 each amounting to approximately HK\$700,000 to the Vendors for acquiring the entire issued capital of Sundart Holdings Limited ("Sundart Holdings") in proportion to their respective holding in Sundart Holdings. The acquisition of Sundart Holdings by the Company is accounted for as a group reorganisation involving interspersing the Company between the Vendors and Sundart Holdings. The condensed consolidated financial statements are prepared as a continuation of Sundart Holdings and its subsidiaries. Special reserve of the Group amounting to approximately HK\$67,300,000 represents the difference between the nominal value of the shares issued by the Company and the issued share capital and share premium of Sundart Holdings at the date of the share swap.
- (e) In September 2011, the Company repurchased 1,751,000 ordinary shares at a total consideration of HK\$2,202,000. These repurchased shares were subsequently cancelled in November 2011.

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 September 2012

		1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
	<i>NOTES</i>		
Operating activities			
Profit before taxation		149,674	62,970
Adjustments for:			
Other service costs	4	–	1,867
Gain on disposal of subsidiaries	21	(132,428)	–
Exchange gain realised on disposal of subsidiaries	7	(11,753)	–
Other non-cash items		6,359	12,831
Operating cash flows before movements in working capital		11,852	77,668
Increase in properties under development for sales		(67,940)	(397,118)
Increase in trade and other receivables		(7,338)	(19,070)
Increase in amounts due from customers for contract work		(18,299)	(160,729)
Increase in trade and other payables		12,924	74,418
Other operating cash flows		(9,432)	27,552
Cash used in operations		(78,233)	(397,279)
Interest paid		(464)	(3,959)
Income tax paid		(2,590)	(12,303)
Net cash used in operating activities		(81,287)	(413,541)
Investing activities			
Purchases of property, plant and equipment		(2,921)	(9,951)
Net cash outflow arising on acquisition of subsidiaries	23, 24	(54,511)	–
Net cash inflow (outflow) arising on disposal of subsidiaries	21	351,045	(6,542)
Increase in other payable to a non-controlling shareholder arising on acquisition of subsidiaries	24	(39,151)	–
Increase in restricted bank balance		(27,612)	–
Advance to an investee		(35,440)	–
Other investing cash flows		16,554	352
Net cash from (used in) investing activities		207,964	(16,141)

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 September 2012

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
<i>NOTES</i>		
Financing activities		
New bank borrowings raised	71,817	549,278
Repayments of bank borrowings	(42,184)	(326,817)
Proceeds from disposal of partial interest in a subsidiary without losing control	22	37,539
Proceeds from sale of shareholder's loan	22	50,311
Dividends paid	8	–
Repayment to a jointly controlled entity	–	(19)
Advances from non-controlling shareholders	26,738	50,960
Repurchase of shares	–	(2,202)
Other financing cash flows	7	–
Net cash from financing activities	25,344	359,050
Net increase (decrease) in cash and cash equivalents	152,021	(70,632)
Cash and cash equivalents at the beginning of the reporting period	370,771	434,307
Effect of foreign exchange rate changes	(1,602)	2,374
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	521,190	366,049

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

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 (“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.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012. In addition, the Group has applied the following accounting policies for business combinations during the current interim period.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 7	Financial instruments: Disclosures-transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

HKFRS 8 “Operating segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“CODM”) in order to allocate resources to the segment and to assess its performance. The Company’s executive directors are the CODM.

In previous years, the Group reported its segment information based on five reportable and operating segments as follows:

- (a) Fitting-out works in Hong Kong;
- (b) Fitting-out works in Macau;
- (c) Fitting-out works in the PRC;
- (d) Manufacturing, sourcing and distribution of interior decorative materials; and
- (e) Property development.

Those reportable and operating segments were based on the product type as well as the location of the market. During the six-month period ended 30 September 2012, an operation regarding the fitting-out works was discontinued.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

After the disposal of the fitting-out works, CODM's focus has been changed to asset, investment and fund management business in Greater China, property development in Hong Kong and the PRC and continues its business in manufacturing, sourcing and distribution of interior decorative materials.

From July 2012 onward, information provided to CODM for performance assessment and resources allocation is based on product/service type only, regardless of the location of market. The basis is consistent with the Group's long term business strategy. The Group is now organised into the following three major operating segments, each of which represents an operating and reportable segment of the Group:

- (a) Asset, investment and fund management-This segment derives its revenue from investing in and managing a portfolio of real estate in the Greater China region.
- (b) Property development-This segment derives its revenue from repositioning and value enhancement of property with a focus on commercial projects in prime locations in both Hong Kong and the PRC.
- (c) Manufacturing, sourcing and distribution of interior decorative materials-This segment derives its revenue from sourcing and distribution of stone composite surfaces products in the PRC and a license to use the relevant trademark in connection therewith.

Information regarding the above operating and reportable segments is reported below.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 September 2012 (unaudited)

	Continuing operations			Discontinued operations			Elimination HK\$'000	Consolidated HK\$'000
	Asset, investment and fund management HK\$'000	Property development HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Fitting-out	Fitting-out	Fitting-out		
				works in Hong Kong HK\$'000	works in Macau HK\$'000	works in the PRC HK\$'000		
Revenue								
External revenue	3,433	-	52,129	252,543	7,181	65,838	-	381,124
Inter-segment revenue	-	-	46,609	-	-	-	(46,609)	-
Total	3,433	-	98,738	252,543	7,181	65,838	(46,609)	381,124
Segment (loss) profit	(589)	(271)	556	13,379	1,395	5,137	-	19,607
Corporate expenses								(17,702)
Corporate income								2,144
Gain on disposal of subsidiaries								132,428
Exchange gain realised on disposal of subsidiaries								11,753
Finance costs								(464)
Share of profit of associates								1,908
Profit before taxation								149,674

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 September 2011 (unaudited)

	Continuing operations		Discontinued operations			Elimination HK\$'000	Consolidated HK\$'000
	Property development HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Fitting-out works in Hong Kong HK\$'000	Fitting-out works in Macau HK\$'000	Fitting-out works in the PRC HK\$'000		
Revenue							
External revenue	-	36,463	448,789	352,702	32,257	-	870,211
Inter-segment revenue	-	25,260	-	-	-	(25,260)	-
Total	-	61,723	448,789	352,702	32,257	(25,260)	870,211
Segment (loss) profit	(53)	(3,903)	36,952	53,671	(2,514)	-	84,153
Corporate expenses							(15,889)
Corporate income							175
Loss on disposal of subsidiaries							(1,356)
Finance costs							(1,192)
Share of loss of an associate							(2,921)
Profit before taxation							62,970

Segment (loss) profit represents the (loss from) profit earned by each segment, excluding income and expenses of the corporate function, certain other income, certain administrative expenses, other service costs, certain other expenses, gain (loss) on disposal of subsidiaries, exchange gain realised on disposal of subsidiaries, finance costs and share of profit (loss) of associates. This is the measure reported to the Company's executive directors for the purpose of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by reportable and operating segment:

	30.9.2012	31.3.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets		
Continuing operations		
– Asset, investment and fund management	138,835	–
– Property development	850,992	781,355
– Manufacturing sourcing and distribution of interior decorative materials	35,751	112,867
Discontinued operations		
– Fitting-out works in Hong Kong	–	399,879
– Fitting-out works in Macau	–	208,136
– Fitting-out works in the PRC	–	75,505
Total segment assets	1,025,578	1,577,742
Unallocated corporate assets		
– Property, plant and equipment	585	2,268
– Amount due from an investee	35,440	–
– Investment property	–	6,785
– Interest in an associate	71,116	23,601
– Loan to an associate	80,000	–
– Amounts due from associates	4,638	–
– Available-for-sale investment	115,801	15,611
– Other receivables	3,353	4,813
– Tax recoverable	–	3,465
– Restricted bank balance	27,612	–
– Banks balances and cash	521,190	370,771
Total consolidated assets of the Group	1,885,313	2,005,056

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets (Continued)

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain property, plant and equipment, investment property, interest in an associate, loan and amounts due from associates, amount due from an investee, certain available-for-sale investment, certain other receivables, tax recoverable, restricted bank balance and bank balances and cash.

4. MAJOR NON-CASH TRANSACTIONS

Pursuant to the agreement dated 14 March 2009, Mr. Leung acquired 520 shares in the share capital of Sundart Holdings, representing approximately 10.2% interest in Sundart Holdings (the "Sale Shares"), from Golden Tiger Group Limited ("Golden Tiger"), a then shareholder of Sundart Holdings, at a consideration of HK\$26,874,710 ("Share Consideration"), which was determined based on and represented 10.2% of the net asset value of Sundart Holdings as at 31 March 2009. Mr. Leung was also required to procure two companies in which he has controlling beneficial interest, Sundart Products Group Limited and Dongguan Sundart Timber Products Co., Ltd. ("DSTP"), to sell registrations and patents related to door products and timber panels ("Patents") to the Group at a consideration of HK\$1.8 million ("Patent Consideration"). According to the valuation conducted by an independent valuer, the fair values of the Sale Shares and the Patents were approximately HK\$67.1 million and HK\$8.4 million respectively.

As a condition of the above transaction, Mr. Leung signed a service contract with the Group for three years and became a director of the Company and took the lead to develop the business of sourcing and distribution of interior decorative materials as well as to expand the interior fitting-out business to the Middle East.

The difference between the fair value of the Sale Shares of HK\$67.1 million and Share Consideration of HK\$26.9 million amounting to HK\$40.2 million was allocated into two components for accounting purposes. The difference between the fair value of the Patents of HK\$8.4 million and the Patent Consideration of HK\$1.8 million amounting to HK\$6.6 million represented contribution from the shareholder in respect of the Patents and was credited directly to equity for the year ended 31 March 2010. The remaining balance of HK\$33.6 million was expensed over the three years' vesting period in accordance with the terms under the service contract with the Group and the share transfer arrangement between Golden Tiger and Mr. Leung. In prior interim period, approximately HK\$1,867,000 was charged to profit or loss as expense.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

5. INCOME TAX EXPENSE

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Continuing operations		
Current tax		
Hong Kong Profits Tax	–	13
Macau Complementary Tax	48	459
PRC Enterprise Income Tax	265	9
	<hr/>	<hr/>
Income tax expense relating to continuing operations	313	481
	<hr/>	<hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Macau Complementary Tax is calculated at progressive rates from 9% to 12% of the estimated assessable profits for both periods.

Under the Law of 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% for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Loss for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Allowance for inventories (included in cost of sales)	–	418
Depreciation of property, plant and equipment	409	3,264
Amortisation of other intangible assets	959	844
Total depreciation and amortisation	1,368	4,108
Interest income	(723)	(152)
(Gain) loss on disposal of property, plant and equipment	(74)	9
Deemed loss on disposal of an associate (included in other expenses)	7,432	–
Net foreign exchange loss (gain)	610	(478)

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

7. DISCONTINUED OPERATIONS

On 16 May 2012, the Group entered into a sale agreement to partially dispose of its 85% equity interest in Sundart Holdings that carried out all of the Group's fitting-out works in Hong Kong, Macau and the PRC (see note 21). The disposal was completed on 26 June 2012, on which date the Group lost control in Sundart Holdings. The Group's fitting-out works operations are treated as discontinued operations.

The results of and profit from the discontinued operations for the current and preceding interim periods are analysed as follows:

	For the period from 1 April 2012 to 26 June 2012 HK\$'000 (Unaudited)	For the six-month period ended 30 September 2011 HK\$'000 (Unaudited)
Revenue	325,562	833,748
Cost of sales	(288,021)	(723,621)
Other income, other gains and losses	3,677	(1,731)
Loss on disposal of subsidiaries	–	(1,356)
Selling expenses	(382)	(1,452)
Administrative expenses	(12,528)	(24,932)
Other service costs	–	(1,867)
Other expenses	(307)	(31)
Finance costs	(453)	(1,192)
	<hr/>	<hr/>
Profit before taxation	27,548	77,566
Income tax expense	(2,765)	(11,127)
	<hr/>	<hr/>
Profit for the period	24,783	66,439
Gain on disposal of discontinued operations (note 21)	132,428	–
Exchange gain realised on disposal of subsidiaries	11,753	–
	<hr/>	<hr/>
	168,964	66,439
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

7. DISCONTINUED OPERATIONS (Continued)

Profit for the period from discontinued operations included the following:

	For the period from 1 April 2012 to 26 June 2012 HK\$'000 (Unaudited)	For the six-month period ended 30 September 2011 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	554	1,048
Amortisation of other intangible assets	900	1,800
Total depreciation and amortisation	1,454	2,848
Rental income from investment property	(100)	(160)
Interest income	(125)	(200)
Loss on disposal of property, plant and equipment	20	331
Net foreign exchange loss	104	1,797

8. DIVIDENDS

Six-month period ended 30 September 2012

Pursuant to the annual general meeting of the Company held on 31 July 2012, a final dividend of HK6.5 cents per share amounting to approximately HK\$31,034,000 in total for the year ended 31 March 2012, was approved by the shareholders of the Company and distributed to the shareholders on 15 August 2012.

An interim dividend of HK5 cents per share and a special dividend of HK35 cents per share have been declared in the directors' meeting on 28 November 2012.

Six-month period ended 30 September 2011

Pursuant to the annual general meeting on 19 August 2011, a final dividend of HK8.5 cents per share amounting to approximately HK\$40,800,000 in total, was approved by the shareholders of the Company and distributed to the shareholders on 11 October 2011.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

9. EARNINGS PER SHARE

For continuing and discontinued operations

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

1.4.2012	1.4.2011
to	to
30.9.2012	30.9.2011
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Earnings

Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)

147,314	51,379
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

477,447,000	479,945,990
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From discontinued operations

Basic earnings per share from discontinued operations is HK 35 cents per share (2011: HK 14 cents per share), based on the profit for the period from discontinued operations of HK\$168,964,000 (2011: HK\$66,439,000) and the denominators detailed above for basic earnings per share.

There was no diluted earnings per share information presented as there were no potential shares outstanding for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

10. INVESTMENT PROPERTY

During the six-month period ended 30 September 2011, the Group transferred an owner-occupied property to investment property with a revaluation gain of HK\$1,720,000 recognised in property revaluation reserve. The fair value at date of transfer and 31 March 2012 were arrived by an independent qualified professional valuer not connected with the Group, Savills Valuation and Professional Services Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

During the current interim period, the investment property has been derecognised upon disposal of subsidiaries as set out in note 21.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Unlisted-investment in an investee (note 24)	115,801	–
Unlisted fund equity investment in the PRC	106,715	15,611
	<u>222,516</u>	<u>15,611</u>

The above unlisted fund equity investment mainly represented investment in funds in the PRC. The funds principally invest in real estate market in the PRC.

12. PROPERTIES UNDER DEVELOPMENT FOR SALE

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
At cost	<u>850,992</u>	<u>781,355</u>

As at 30 September 2012, the properties under development for sale were expected to be realised over twelve months since the end of the reporting period, were situated in Hong Kong under medium term lease and were pledged to secure bank borrowings granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

13. OTHER CURRENT ASSETS

Trade and other receivables

The Group allows an average credit period of 30 days to its trade customers.

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Trade receivables analysed by age based on invoice date at the end of the reporting period:		
1-30 days	11,736	109,910
31-60 days	181	26,035
61-90 days	47	1,704
Over 90 days	–	5,553
	<hr/>	<hr/>
Total trade receivables	11,964	143,202
Other receivables, prepayments and deposits	16,067	67,097
	<hr/>	<hr/>
	28,031	210,299
	<hr/>	<hr/>

Other receivables are unsecured, interest free and recoverable within one year.

Retentions receivable

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Retentions receivable which:		
– will be recovered within twelve months	–	77,782
– will be recovered more than twelve months after the end of the reporting period	–	51,220
	<hr/>	<hr/>
	–	129,002
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

13. OTHER CURRENT ASSETS (Continued)

Loan to an associate

Loan to an associate is unsecured, interest bearing at 3% per annum and is repayable in June 2013.

Amounts due from associates and an investee

Amounts due from associates and an investee are unsecured, interest free and are repayable on demand.

Bills receivable

All bills receivable were aged 90 days.

Restricted bank balance

During the current interim period, the Group had paid cash into an escrow account kept by an escrow agent, an independent third party, pursuant to the SP Agreement (as defined in note 24), for the acquisition of assets and liabilities through acquisition of a subsidiary (see note 24 for details). As at 30 September 2012, the restricted bank balance represent the remaining balance in the escrow account of HK\$27,612,000, that has not been released in accordance with the terms and condition as set out in the SP Agreement.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

14. OTHER CURRENT LIABILITIES

Trade and other payables

The average credit period taken for trade purchase is 30 days.

	30.9.2012	31.3.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables analysed by age based on invoice date at the end of the reporting period:		
1-30 days	1,387	142,537
31-60 days	396	12,761
61-90 days	115	1,352
Over 90 days	771	9,519
	<hr/>	<hr/>
Total trade payables	2,669	166,169
Retentions payable	1,010	73,400
Other payables	13,902	25,415
Other payable to a non-controlling shareholder (note 24)	39,140	–
Deposits received from customers	–	73,890
Other non-financial liabilities	–	7,939
	<hr/>	<hr/>
Total trade and other payables	56,721	346,813

As at 31 March 2012, retentions payable of approximately HK\$27,623,000 was expected to be paid after one year.

Bills payable

All bills payable are aged within 30 days.

Amounts due to associates

Amounts due to associates are unsecured, interest free and are repayable on demand.

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK\$71,817,000 (1.4.2011 to 30.9.2011: HK\$549,278,000). As at 30 September 2012, HK\$479,033,000 of the bank borrowings carry interest at 2.25% to 2.35% (31.3.2012: 1.2% to 2.35%) per annum over Hong Kong Interbank Offered Rate are used to finance the property development business and the borrowings were secured by the properties under development for sale with carrying amount of HK\$850,992,000 as at 30 September 2012 (31.3.2012: HK\$781,355,000) and are repayable in January 2014. Remaining bank borrowings are trust receipt loans carry interest at 2% per annum over Singapore Interbank Offered Rate and are repayable within 12 months.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	480,000,000	4,800
Shares repurchased and cancelled	<u>(2,553,000)</u>	<u>(26)</u>
At 1 April 2012 and 30 September 2012	<u>477,447,000</u>	<u>4,774</u>

There was no movement in share capital for current interim period.

17. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

Amounts of approximately HK\$102,888,000 (31.3.2012: HK\$98,212,000) are unsecured, interest free and are repayable after settlement of a bank borrowing granted to Vital Success Development Limited, a wholly owned subsidiary of Wit Legend Investments Limited ("Wit Legend") (see note 22 for details of partial disposal of 35% interests in Wit Legend). The bank borrowing is repayable in January 2014.

According to the shareholders' agreement entered between the Group and the two non-controlling shareholders of Wit Legend on 24 June 2011, the board of directors of Wit Legend may request all shareholders of Wit Legend to provide interest free loans in accordance with their respective shareholding ratios. During the current interim period, the non-controlling shareholders advanced further interest free loans of HK\$3,150,000 to Wit Legend. Fair value adjustments with effective interest rate of 4.1% (1.4.2011 to 30.9.2011: 3.2%) per annum of HK\$172,000 (1.4.2011 to 30.09.2011: HK\$7,923,000) on these additional interest free loans are made at initial recognition and are recognised in equity as deemed capital contribution from non-controlling shareholders.

During the current interim period, imputed interest of HK\$1,697,000 (1.4.2011 to 30.9.2011: HK\$605,000) is capitalised in properties under development for sale.

The remaining amounts due to non-controlling shareholders of HK\$23,588,000 (31.3.2012: nil) are unsecured, interest free and are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

18. PERFORMANCE BONDS AND ADVANCE PAYMENT BONDS

As at 31 March 2012, the Group had issued performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to approximately HK\$153,340,000. The Group has no performance bonds and advance payment bonds in respect of supply and installation contracts as at 30 September 2012 as the Group had discontinued the fitting-out works operations during the current interim period.

19. RELATED PARTY TRANSACTIONS

The Group had entered into the following significant transactions with its related parties:

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Interest income from an associate	612	–
Management fee income from an associate	1,157	–
Management fee expense to an associate	1,340	–
Construction cost of properties under development for sale to an associate	25,097	–
Proceeds received on disposal of subsidiaries from a director	–	4,400
Proceeds received from an associate on disposal of available-for-sale investment	15,556	–

Compensation of key management personnel

The remuneration of key management personnel of the Group is as follows:

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Salaries and short-term benefits	6,314	11,037
Post-employment benefits	74	114

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

19. RELATED PARTY TRANSACTIONS (Continued)

The remuneration of key management personnel is determined by the remuneration committee or directors of the Company having regard to the performance of individuals and market trends.

20. CAPITAL COMMITMENTS

The Group has the following capital commitments contracted for but not provided in the condensed consolidated financial statements:

	30.9.2012	31.3.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Acquisition of property, plant and equipment	<u> -</u>	<u> 89</u>

21. DISPOSAL OF SUBSIDIARIES

On 16 May 2012, the Group entered into a sales and purchase agreement with an independent third party (the "Purchaser"), to dispose of 85% equity interest in Sundart Holdings, the then wholly-owned subsidiary of the Company, for a cash consideration of HK\$493,000,000 (the "Disposal"). Upon the completion of Disposal on 26 June 2012, Sundart Holdings and its subsidiaries ceased to be subsidiaries of the Group. However, the Group is able to exercise significant influence over the Sundart Holdings because it has the power to appoint one out of five directors of Sundart Holdings pursuant to the shareholders' agreement that was entered among the Company, the Purchaser and Sundart Holdings upon completion of the Disposal. Accordingly, the remaining 15% equity interest in Sundart Holdings had been accounted for in the condensed consolidated financial statements under equity method of accounting.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

21. DISPOSAL OF SUBSIDIARIES (Continued)

The assets and liabilities of Sundart Holdings at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	26,852
Investment property	6,747
Goodwill	1,510
Other intangible assets	14,654
Inventories	54,740
Trade and other receivables	207,683
Bills receivable	2,708
Amounts due from customers for contract work	397,684
Amount due from a non-controlling shareholder	12,509
Retentions receivable	142,184
Tax recoverable	3,260
Bank balances and cash	141,955
Trade and other payables	(327,564)
Amount due to a non-controlling shareholder	(15,939)
Amounts due to customers for contract work	(30,071)
Loan from a non-controlling shareholder	(80,000)
Tax payable	(24,549)
Bank borrowings	(105,148)
Deferred taxation	(1,018)
	<hr/>
Net assets disposed of	428,197
Less: Interest in an associate at fair value on initial recognition	(67,625)
Gain on disposal	132,428
	<hr/>
Total consideration satisfied by cash	<u>493,000</u>
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	493,000
Bank balances and cash disposed of	(141,955)
	<hr/>
	<u>351,045</u>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

22. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 14 June 2011, the Group entered into an agreement with two independent third parties, pursuant to which the Group has conditionally agreed to sell, and the two purchasers have conditionally agreed to purchase 35% of the issued share capital of Wit Legend, and 35% of the shareholder's loan of HK\$50,311,000, for an aggregate cash consideration of HK\$87.85 million. The disposal was completed on 24 June 2011.

The disposal, without losing the Group's control over Wit Legend, was accounted for as equity transaction. The difference between the fair value of cash consideration received of HK\$37,539,000 and 35% of net liabilities of HK\$7,000, amounting to HK\$37,546,000, was recognised directly in equity as other reserves and attributable to owners of the Company.

23. ACQUISITION OF SUBSIDIARIES

On 11 July 2012, Talent Step Investments Limited ("Talent Step"), an indirectly wholly-owned subsidiary of the Company, entered into: (i) a restructuring agreement with Good Grace Investments Limited, Borrison (B.V.I.) Limited, independent third parties to the Group, and Kailong REI Holdings Limited ("KLR Holdings"), the then associate of the Company, in respect of the restructuring of KLR Holdings and Kailong REI Project Investment Consulting (Hong Kong) Co., Limited ("KLR Hong Kong") (the "Restructuring"); (ii) a subscription agreement with other shareholders of KLR Hong Kong in relation to the rights issue of KLR Hong Kong (the "Rights Issue"); and (iii) the shareholders' deed (the "Shareholders' Deed") with the other shareholders of KLR Hong Kong and KLR Hong Kong in respect of the matters relating to, among others, the management of KLR Hong Kong upon.

Following the completion of the Restructuring and the Rights Issue, the Group's effective equity interest in KLR Hong Kong increased from approximately 15.86% to 41.07%. Pursuant to the Shareholders' Deed, the Group is able to exercise control over the board of directors of KLR Hong Kong, which is responsible for making major decisions relating to the financing and operations of KLR Hong Kong. Accordingly, KLR Hong Kong had become an indirectly non-wholly owned subsidiary of the Company at the date of completion of the Restructuring and the Rights Issue on 30 July 2012.

This acquisition has been accounted for using the acquisition method of accounting. The total cash consideration for this acquisition was US\$8,900,000 (equivalent to approximately HK\$69,149,000). The primary reason for the acquisition of KLR Hong Kong is to expand a new business segment of the Group. The amount of goodwill arising as a result of the acquisition was approximately HK\$14,412,000, determined on a provisional basis.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

23. ACQUISITION OF SUBSIDIARIES (Continued)

The initial accounting for the above acquisition has been determined provisionally, awaiting the completion of professional valuation in relation to the assets and liabilities of KLR Hong Kong at the acquisition date.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK\$'000
Property, plant and equipment	1,484
Available-for-sale investments	106,921
Other intangible assets	11,272
Trade and other receivables	18,077
Bank balances and cash	46,810
Trade and other payables	(10,642)
Tax payable	(205)
Deferred taxation	(3,721)
	<hr/>
Net assets at the date of acquisition	169,996
Less: Non-controlling interests	(100,179)
Less: Fair value of interest in an associate deemed disposed of (determined on a provisional basis)	(15,080)
Goodwill	14,412
	<hr/>
	69,149
	<hr/>
Satisfied by cash consideration	69,149
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The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$18,077,000 at the date of acquisition. Based on the best estimate at acquisition date, none of the contractual cash flows from these trade and receivables are not expected to be collected.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

23. ACQUISITION OF SUBSIDIARIES (Continued)

Non-controlling interests (determined on a provisional basis)

The non-controlling interests (58.93%) in KLR Hong Kong recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of KLR Hong Kong and amounted to HK\$100,179,000, determined on a provisional basis.

Goodwill arising on acquisition (determined on a provisional basis)

	HK\$'000
Cash consideration	69,149
Fair value of interest in an associate deemed disposed of	15,080
Less: recognised amount of identifiable net assets acquired	(69,817)
	<hr/>
Goodwill arising on acquisition	14,412
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None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	HK\$'000
Consideration paid in cash	69,149
Less: cash and cash equivalents acquired	(46,810)
	<hr/>
	22,339
	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 1 August 2012, Best Key Holding Limited (“Best Key”), a wholly owned subsidiary of the Company, China Real Estates Investment Holdings Limited, an independent third party to the Group, KLR Hong Kong and Kings Haul Limited (“Kings Haul”), non-wholly owned subsidiaries of the Company, had entered into the Kings Haul shareholders agreement setting out, amongst others, the manner of management of and shareholders’ financial commitments to Kings Haul. On the same date, Kings Haul and Fine Elite Holdings Limited (“Fine Elite”), an independent third party, had entered into a share purchase agreement (“SP Agreement”) in relation to 70% equity interest in Power City Investments Limited (“Power City”) at a cash consideration of approximately RMB 58,097,000 (equivalent to HK\$ 71,334,000) (the “Acquisition”).

Power City holds 76% equity interest in Bestlinkage NHI Co., Ltd. (“Bestlinkage”) and the remaining 24% equity interest in Bestlinkage is owned by an independent third party (“Local Partner”). It is a condition of the SP Agreement that Power City will undertake the purchase by Power City from the Local Partner of its 24% equity interest in Bestlinkage pursuant to the terms and subject to the conditions of the Buy-Out agreement (the “Buy-Out”). However, the completion of the Buy-Out (“Buy-Out Completion”) is not a condition of the completion of the Acquisition (“Acquisition Completion”). The Acquisition was completed on 14 August 2012.

Pursuant to the Power City shareholders agreement entered into among Kings Haul, Fine Elite and Power City on 1 August 2012, upon the Acquisition Completion and prior to the Buy-Out completion, the board of Power City shall consist of three directors, which comprise of one director appointed by Fine Elite and two directors appointed by Kings Haul. However, the board of Bestlinkage shall have seven directors and Power City has the right to appoint five directors out of which Kings Haul and Fine Elite is entitled to nominate one director and four directors respectively for Power City. The directors of the Company after considering, amongst others, the board representation of the Group, are of the view that the Group is able to obtain control over Power City but unable to obtain control over Bestlinkage upon the Acquisition Completion but prior to the Buy-Out Completion. As at 30 September 2012, the Buy-Out has not completed, accordingly the Group recognised the 76% equity investment in Bestlinkage as available-for-sale equity investment – investment in an investee.

In the opinion of the directors of the Company, the Acquisition did not constitute a business combination in accordance with HKFRS 3 “Business Combination” and as such the Acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

	HK\$'000
Consideration paid in cash	32,183
Consideration payable to Fine Elite	39,151
	<hr/>
Total consideration	<u>71,334</u>

Assets acquired and liabilities recognised at date of Acquisition Completion are as follows:

	HK\$'000
Available-for-sale investment-investment in an investee	115,801
Bank balances and cash	11
Other payables	(13,906)
	<hr/>
Net assets acquired	101,906
Less: Non-controlling interests	(30,572)
	<hr/>
	<u>71,334</u>

	HK\$'000
Net cash outflow on the Acquisition	
Cash consideration paid	32,183
Less: Cash and cash equivalents acquired	(11)
	<hr/>
	<u>32,172</u>

Non-controlling interests

The non-controlling interest (30%) in Power City recognised at the Acquisition Completion date was measured by reference to the proportionate share of recognised amounts of net assets of Power City and amounted to HK\$30,572,000.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2012

25. CONTINGENT LIABILITIES

As at 30 September 2012, the Group has issued financial guarantees to banks in respect of banking facilities granted to an associates. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately HK\$1,090,912,000, of which approximately HK\$307,596,000 has been utilised by the associates. In the opinion of the directors of the Company, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of the business and the fair value of the guarantee executed by the Company is insignificant.

Corporate Governance and Other Information

INTERIM AND SPECIAL DIVIDEND

On 28 November 2012, the Board declared an interim dividend of HK5 cents per share and a special dividend of HK35 cents per share to be payable to the shareholders of the Company whose names appear in the register of members of the Company on 21 December 2012. The interim dividend and special dividend will be payable on 4 January 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 December 2012 to 27 December 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4.30pm on 21 December 2012.

USE OF NET PROCEEDS RECEIVED FROM THE LISTING

Up to 30 September 2012, the Company has fully utilized the net proceeds received from the listing in the manner consistent with that mentioned in the Prospectus under the section headed "Use of Proceeds", the Company's announcement dated on 31 August 2011 on "Change of Use of Proceeds" and the Company's circular dated on 1 June 2012 on "Change of Use of Proceeds from Global Offering".

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities transactions by Directors of listed Issuers (the "Model Code"), were as follows:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
CHAN William	Long	Interest in a controlled corporation ⁽¹⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			194,208,000	40.68
NG Tak Kwan	Long	Beneficial owner	84,000,000	17.59

Notes:

1. CHAN William, as the sole beneficial owner of Tiger Crown Limited, is deemed to be interested in the shares of the Company owned by Tiger Crown Limited.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other. Hence, CHAN William is also deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the directors and chief executives of the Company) had notified the Company of relevant interests in the issued share capital of the Company:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Tiger Crown Limited ⁽¹⁾	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			<u>194,208,000</u>	<u>40.68</u>
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			<u>194,208,000</u>	<u>40.68</u>
LI Chu Kwan	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			<u>194,208,000</u>	<u>40.68</u>
LI Wing Yin	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			<u>194,208,000</u>	<u>40.68</u>
LEUNG Kai Ming	Long	Beneficial owner	<u>42,037,000</u>	<u>8.80</u>

Corporate Governance and Other Information

Notes:

1. Tiger Crown Limited is a controlled corporation of CHAN William and so CHAN William is deemed to be interested in the shares of the Company owned by Tiger Crown Limited
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other.
3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the written resolutions of all the shareholders passed on 3 August 2009. As at 30 September 2012, no share option under the share option scheme had been granted.

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

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

SUFFICIENT OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained a sufficient public float throughout the interim reporting period as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During the period, the Company had complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules, except the following deviation:

Mr. Chan William (“Mr. Chan”) acts as both the Chairman and Chief executive officer of the Company since 1 July 2012. Pursuant to code provision A.2.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, the roles of Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in-depth knowledge of Mr. Chan of the operations of the Group and of the property development and real estate/asset management business in Hong Kong and the PRC, his extensive business network and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Chan to assume the roles of Chairman and Chief Executive Officer as this time and that such arrangement be subject to review by the Board from time to time.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the “Securities Code”) with standards no less exacting than that of the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiries, all directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the interim reporting period.

AUDIT COMMITTEE REVIEW

The Audit Committee, which comprises all of the three independent non-executive directors, namely Mr. Ho Kwok Wah, George (Chairman of the Audit Committee), Mr. To King Yan, Adam and Mr. Wong Hoi Ki, has reviewed with the management for the Group’s interim results for the period.