



RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)

2013

Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN William

(Chairman and Chief Executive Officer)

NG Tak Kwan

YIP Chun Kwok *(Chief Financial Officer)*

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

KPMG

LEGAL ADVISORS

Woo, Kwan, Lee & Lo

北京德恒(福州)律師事務所

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank

China Guangfa Bank Co., Ltd.

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

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200 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road

George Town

Grand Cayman, KY1-1110

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

College Hill

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66 Gloucester Road

Wan Chai

Hong Kong

Management Discussion and Analysis

OVERVIEW

With the continuing strategy of securing high potential investments with a view of growing asset values, achieving stable yields and exiting within a three-to-five year horizon during the six-month period ended 30 September 2013, the Group is converting into an investment holding company.

Throughout the interim period, the Group's investments included commercial and residential property developments in Hong Kong and the People's Republic of China (the "PRC"). It has also invested in companies operating in the asset, investment and fund management, education, fitting-out industries, hospitality, as well as in the distribution of interior decorative materials.

As of 30 September 2013, the Group's total assets was valued at HK\$2,238 million, of which HK\$1,577 million was current assets – equivalent to 1.6 times current liabilities. Equity attributable to the owners of the Company was HK\$898 million.

OVERALL PERFORMANCE

During the six months under review, the Group recorded consolidated revenue of HK\$54 million. Gross profit and gross profit margin for the period was HK\$24 million and 44% respectively.

After recording the revaluation surplus on investment property of HK\$39 million, net profit of continuing operations for the period increased to HK\$22 million. Excluding the revaluation surplus, due to better cost control, the loss from continuing operations narrowed down from HK\$22 million to HK\$17 million. Basic earnings per share for the six-month period ended 30 September 2013 was HK 3 cents.

The Board declared an interim dividend per share of HK 5 cents.

Management Discussion and Analysis

INVESTMENT PORTFOLIO

As of 30 September 2013, the Group's bank deposits and cash was HK\$166 million, representing 7% of the Group's total assets.

The following table shows the Group's investments as at 30 September 2013.

Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2013	Total gross floor area	Attributable gross floor area
Rykadan Capital Tower	The Remaining Portion of Kwun Tong Inland Lot No. 526	Commercial property	65%	Construction close to completion, pre-sale stage completed, awaiting certification	252,820 square feet	164,333 square feet
Kwun Chung Street Property Project	Kowloon Inland Lot No. 11229	Residential/commercial property	80%	Under construction	26,275 square feet	21,020 square feet
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan Country, Pudong New District, Shanghai, PRC	Commercial property	61.24%	Refurbishment complete	52,304 square metre	24,374 square metre

Venture capital investments

Investment	Business/type
Wing Lok Innovative Education Organization Corporation	Education software developer, educational publication content provider and pre-school learning centre service provider

Management Discussion and Analysis

Other investments

Investment	Business/type
Kailong REI Project Investment Consulting (Hong Kong) Co. Limited	Asset, investment and fund management
Q-Stone Building Materials Limited	Distribution of stone composite surfaces products
Rykadan Hospitality Investments Pte Ltd.	Investment in high potential hospitality and tourism related assets, including hotels and resorts, attractions, food and beverage businesses, and hospitality service training and education
Sundart Holdings Limited	Fitting-out contractor

SUMMARY OF INVESTMENTS

Rykadan Capital Tower

Located in the heart of Kwun Tong, Hong Kong's emerging second CBD, Rykadan Capital Tower is a 25-storey commercial tower with a gross floor area of 252,820 square feet overlooking Victoria Harbour and within walking distance of the MTR station. It is the Group's first real estate development project and also its first investment entered into under a co-investment model, with Secured Capital co-investing in the project in 2011.

In November 2012, the Group pre-sold all available floors of the project for a total of approximately HK\$1.95 billion, while retaining two floors. On 30 September 2013, the Group had obtained an Occupation Permit from the Hong Kong Buildings Department.

Kwun Chung Street Property Project

The Group plans to construct a 25-storey tower with a total gross floor area of approximately 26,275 square feet at its recently acquired property site on Kwun Chung Street in Kowloon's Jordan district. The planned building will primarily consist of boutique luxury apartments, with lower floors of approximately 3,500 square feet being for commercial use. The Group plans to sell the entire building upon completion of the project.

Management Discussion and Analysis

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 under medium term lease 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, Shanghai Harbour City and the newly announced Shanghai Free Trade Zone. The site also offers tenants preferential tax and subsidy policies due to its location in the Nanhui Industrial Zone of Shanghai.

The Group expects that given time, the site will generate stable rental returns as demand for office space increases with the development of the Shanghai Free Trade Zone and following the extension of the Shanghai metro to the area. The Group will consider off-loading the buildings at a later stage.

As of 30 September 2013, the Group has completed the refurbishment of the site’s buildings. The occupancy rate was around 8%.

Wing Lok Innovative Education Organization Corporation (“Wing Lok”)

Wing Lok is the Group’s first venture capital investment. It is an educational software developer, educational publication content provider and pre-school learning centre service provider.

Wing Lok’s business is underpinned by its landmark “App Learning” program, which has rolled out to leading pre-schools in Hong Kong and the PRC in October 2013. The program uses tablet computers and a suite of 1,200 educational apps to encourage class, group and independent learning among pre-school students, both at home and in the classroom.

Kailong REI Project Investment Consulting (Hong Kong) Co. Limited (“KLR Hong Kong”)

KLR Hong Kong is a leading player in the PRC’s real estate investment, asset management and fund management market. It provides comprehensive fund management services for foreign and local property investors, as well as its own RMB real estate funds.

Management Discussion and Analysis

As at 30 September 2013, KLR Hong Kong held investments in, and provided asset management services for thirteen real estate projects in Beijing, Shanghai, Chengdu and Hong Kong. KLR Hong Kong also manages three real estate funds in Tianjin and Suzhou with total capital of RMB1.0 billion and has plans to invest in around RMB1.7 billion worth of property. It has also completed its first off-shore US dollar fund having currently raised US\$100 million, which will be invested in the PRC and Hong Kong commercial real estate assets.

Q-Stone Building Materials Limited (“Q-Stone”)

Q-Stone 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 China market. Quarella was established over 40 years ago with factories and research and development centres in Italy, Quarella’s products are popularly used for benchtops, bathroom surfaces and floor tiles. It has supplied materials for a number of prominent commercial buildings and shopping malls in China and Hong Kong.

Q-Stone performed well in the six-month period ended 30 September 2013 with contracts worth HK\$281 million to be completed in the coming years.

Rykadan Hospitality Investments Pte Ltd. (“Rykadan Hospitality”)

Rykadan Hospitality is the Group’s recently formed hospitality investment and management services arm, based in Singapore. It is a wholly owned subsidiary of the Group.

While still in the initial investment stage, the Group plans to invest in high potential hospitality and tourism related assets, including hotels and resorts, attractions, food and beverage businesses, and hospitality service training and education. As of 30 September 2013, Rykadan Hospitality was in negotiations to invest in a hotel project in Bhutan, an emerging high-end tourism destination, along with other projects in the pipeline.

Sundart Holdings Limited (“Sundart Holdings”)

As a leading fitting-out contractor in Hong Kong and Macau, Sundart Holdings has continued to win new projects throughout the period, while further expanding in the PRC market.

Management Discussion and Analysis

OUTLOOK

The Group believes the prospects of its investments remain undimmed by the slowing Chinese economy, stagnation in the Hong Kong property market and the likely withdrawal of quantitative easing measures in the United States. It continues to see continued value in Hong Kong and the PRC property markets, particularly in Shanghai, as well as strong growth potential in the hospitality sector.

The Group will continue to leverage and invest in the experience of its management team and business partners to deliver sustainable yields and reasonable capital gains to its shareholders. It will also continue to explore additional investment opportunities, both locally, in different countries and regions, to support its future performance and will materialise some of its mature investments in a timely manner to unlock value.

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 loans to finance its operations and expansion.

As at 30 September 2013, the Group's total debt (representing total interest-bearing bank loans) to total asset ratio was 21.8% (31 March 2013: 19.2%). The gearing ratio (net debt to equity attributable to owners of the Company) was 35.8% (31 March 2013: 19.8%) as the Group had net debt (bank deposits and cash less total debt) of HK\$322 million as at 30 September 2013 (31 March 2013: net debt HK\$171 million).

The bank loans of the Group were mainly contributed by the bank loans for financing the property development of Rykadan Capital Tower, Kwun Chung Street Property Project and Kailong Nanhui Business Park. The loans of HK\$483 million were secured by the properties under development for sale and investment property and will be repayable in the earlier of upon sales of the projects and according to repayment schedule respectively. Further costs for developing the Rykadan Capital Tower and Kwun Chung Street Property Project will be financed by unutilised bank facilities or deposit received from customers held as restricted bank balances designated for the projects.

Management Discussion and Analysis

The liquidity of the Group remains strong and healthy. As at 30 September 2013, the Group's current assets and current liabilities were HK\$1,577 million (31 March 2013: HK\$1,713 million) and HK\$965 million (31 March 2013: HK\$967 million) respectively. The Group's current ratio decreased to 1.6 (31 March 2013: 1.8). The internally generated funds, together with unutilised banking facilities enable the Group to meet its business development needs.

The Group will cautiously seek new investment and development opportunities in order to balance risk and opportunities and maximise shareholders' value.

Pledge of Assets

As at 30 September 2013, the Group had pledged properties under development for sale and investment property to secure the general banking facilities of the Group. The aggregate carrying value of the pledged assets was HK\$1,585 million (31 March 2013: HK\$1,171 million).

Contingent Liabilities and Capital Commitments

For contingent liabilities and capital commitments, please refer to notes 21 and 18 to the condensed consolidated financial statements respectively.

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

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

The Group operates in various regions with different foreign currencies including Euro, United States Dollars and Renminbi. The exchange rates for the foresaid currencies are relatively stable.

The Group has no hedging arrangements for foreign currencies or interest rates. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments if necessary.

Management Discussion and Analysis

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. The Group's major customers are institutional organisations 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 opportunities in other business segments with a view to diversifying its sources of income. 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 its 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 2013, the Group had 124 full-time employees (30 September 2012: 64 full-time employees). The total remuneration for employees (including the directors' remuneration) was HK\$29 million for the period (30 September 2012: HK\$47 million). The decrease in total remuneration of the employees was mainly due to the decrease in the number of staff after the disposal of Sundart Holdings. The Group offers an attractive remuneration policy and provides external training programmes which are complementary to certain job functions.

Condensed Consolidated Income Statement

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September	
		2013 \$'000	2012 \$'000
Continuing operations			
Revenue	3	53,666	55,562
Cost of sales		(29,990)	(45,530)
Gross profit		23,676	10,032
Other revenue and other net income		1,072	2,679
Selling and marketing expenses		(1,950)	(3,209)
Administrative and other operating expenses		(38,471)	(33,454)
Loss from operations		(15,673)	(23,952)
Revaluation gain on investment property	8	39,491	–
Finance costs	4(a)	(994)	(11)
Share of profit of associates		11,155	1,908
Profit/(loss) before taxation		33,979	(22,055)
Income tax expense	5	(11,992)	(313)
Profit/(loss) for the period from continuing operations		21,987	(22,368)
Discontinued operations			
Profit for the period from discontinued operations	6	–	168,964
Profit for the period	4	21,987	146,596

Condensed Consolidated Income Statement

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September	
		2013 \$'000	2012 \$'000
Profit for the period attributable to:			
Equity shareholders of the Company		14,936	147,314
Non-controlling interests		7,051	(718)
		21,987	146,596
Profit for the period			
Earnings per share			
	7		
Basic:			
– Continuing operations		3 cents	(4) cents
– Discontinued operations		–	35 cents
		3 cents	31 cents

The notes on pages 19 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		2013	2012
		\$'000	\$'000
Profit for the period		21,987	146,596
Other comprehensive income/(expense) for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		1,742	(1,043)
– Release of translation reserve upon disposal of subsidiaries	6	–	(11,753)
– Share of translation reserve of associates		394	494
– Release of translation reserve upon deemed disposal of an associate		–	(895)
– Reclassification to profit or loss upon disposal of available-for-sale investments		–	(3,151)
– Net change in fair value of available-for-sale investments		43,059	–
– Release of reserve upon deemed disposal of available-for-sale investments (net of tax)		(4,440)	–
Other comprehensive income/(expense) for the period		40,755	(16,348)
Total comprehensive income for the period		62,742	130,248
Comprehensive income for the period attributable to:			
Equity shareholders of the Company		30,816	131,024
Non-controlling interests		31,926	(776)
Total comprehensive income for the period		62,742	130,248

The notes on pages 19 to 44 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 September 2013

(Expressed in Hong Kong dollars)

		At 30 September 2013 (Unaudited) \$'000	At 31 March 2013 (Audited) \$'000
	Note		
Non-current assets			
Investment property	8	340,522	–
Fixed assets		4,457	4,663
Interest in associates	9	91,002	79,453
Available-for-sale investments	10	180,812	253,526
Goodwill		27,934	27,934
Other deposits and receivables		15,772	14,340
		660,499	379,916
Current assets			
Properties under development for sale		1,244,579	1,171,091
Inventories		31,077	12,745
Trade and other receivables	11	79,598	82,793
Amount due from an associate		–	2,817
Amount due from an investee		–	35,571
Restricted bank balances	12	55,289	176,683
Bank deposits and cash		165,689	230,033
Tax recoverable		833	833
		1,577,065	1,712,566

Condensed Consolidated Statement of Financial Position

At 30 September 2013

(Expressed in Hong Kong dollars)

		At 30 September 2013 (Unaudited) \$'000	At 31 March 2013 (Audited) \$'000
	Note		
Current liabilities			
Trade and other payables	13	54,266	69,310
Deposits received from sale of properties under development		388,081	388,081
Bank loans	14	319,325	304,125
Loans from non-controlling shareholders	15	174,923	154,779
Amount due to an associate		23,074	47,609
Tax payable		5,371	3,511
		965,040	967,415
Net current assets		612,025	745,151
Total assets less current liabilities		1,272,524	1,125,067
Non-current liabilities			
Bank loans	14	168,108	96,970
Deferred tax liabilities		30,282	17,939
		198,390	114,909
NET ASSETS		1,074,134	1,010,158
CAPITAL AND RESERVES			
Share capital		4,774	4,774
Reserves	16	893,103	860,262
Total equity attributable to equity shareholders of the Company		897,877	865,036
Non-controlling interests		176,257	145,122
TOTAL EQUITY		1,074,134	1,010,158

The notes on pages 19 to 44 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves (Note 16)	Retained profits (Note 16)	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2013		4,774	588,529	271,733	865,036	145,122	1,010,158
Changes in equity for the six-month period ended 30 September 2013:							
Profit for the period		-	-	14,936	14,936	7,051	21,987
Other comprehensive income		-	15,880	-	15,880	24,875	40,755
Total comprehensive income for the period		-	15,880	14,936	30,816	31,926	62,742
Equity settled share-based transactions	16(c)	-	2,025	-	2,025	-	2,025
Disposal of deemed capital contribution from non-controlling shareholders		-	-	-	-	(791)	(791)
At 30 September 2013		4,774	606,434	286,669	897,877	176,257	1,074,134

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves (Note 16)	Retained profits (Note 16)	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2012	4,774	631,204	314,600	950,578	8,096	958,674
Changes in equity for the six-month period ended 30 September 2012:						
Profit for the period	-	-	147,314	147,314	(718)	146,596
Other comprehensive income	-	(16,290)	-	(16,290)	(58)	(16,348)
Total comprehensive income for the period	-	(16,290)	147,314	131,024	(776)	130,248
Dividends declared in respect of the current period	16(b)	-	(31,034)	(31,034)	-	(31,034)
Acquisition of subsidiaries	-	-	-	-	130,751	130,751
Capital contribution from non-controlling interests	-	-	-	-	7	7
Deemed capital contribution from non-controlling shareholders	-	-	-	-	172	172
Reclassification of reserves upon disposal of subsidiaries	-	(41,047)	41,047	-	-	-
At 30 September 2012	4,774	573,867	471,927	1,050,568	138,250	1,188,818

The notes on pages 19 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2013 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended	
	2013	2012
	\$'000	\$'000
Net cash used in operating activities	(41,387)	(81,287)
Net cash (used in)/generated from investing activities	(42,918)	207,964
Net cash generated from financing activities	21,375	25,344
Net (decrease)/increase in cash and cash equivalents	(62,930)	152,021
Cash and cash equivalents at 1 April	230,033	370,771
Effect of foreign exchange rate changes	(1,414)	(1,602)
Cash and cash equivalents at 30 September	165,689	521,190

Cash and cash equivalents represents bank deposits and cash

The notes on pages 19 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 November 2013.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual report for the year ended 31 March 2013, except for the changes in accounting policies as set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual report for the year ended 31 March 2013. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim report has not been audited or reviewed by the auditors pursuant to Hong Kong Standards on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 March 2013 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2013.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The Group has provided those disclosures in note 19.

Annual Improvements to HKFRSs 2009-2011 Cycle

The improvements to HKFRSs 2009 to 2011 cycle consists of six amendments to five existing standards, including an amendment to HKAS 34. The amendment aligns the disclosure requirements for segment assets and liabilities in the interim financial report with those in HKFRS 8, *Operating Segments*. It has had no significant impact on the results and financial position of the Group.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (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 development projects in prime locations in both Hong Kong and the People's Republic of China (the "PRC").
- (c) Property investment – This segment derives its revenue from leasing of premises within the Group's investment properties portfolio in the Greater China region.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

3 SEGMENT REPORTING (Continued)

- (d) 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.

Segment results

For the six-month period ended 30 September 2013

	Asset, investment and fund management \$'000	Property development \$'000	Property investment \$'000	Manufacturing, sourcing and distribution of interior decorative materials \$'000	Consolidated \$'000
Revenue	19,815	-	421	33,430	53,666
Segment profit/(loss)	2,450	(7)	(1,828)	5,262	5,877
Corporate expenses					(21,862)
Corporate income					312
Revaluation gain on investment property					39,491
Finance costs					(994)
Share of profit of associates					11,155
Profit before taxation					33,979

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

3 SEGMENT REPORTING (Continued)

Segment results (Continued)

For the six-month period ended 30 September 2012

	Continuing operations			Discontinued operations			Elimination \$'000	Consolidated \$'000
	Asset, investment and fund management \$'000	Property development \$'000	Manufacturing, sourcing and distribution of interior decorative materials \$'000	Fitting-out works in Hong Kong \$'000	Fitting-out works in Macau \$'000	Fitting-out works in the PRC \$'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 Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

3 SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Segment assets		
Asset, investment and fund management	232,841	187,982
Property development	1,260,946	1,327,045
Property investment	342,256	–
Manufacturing, sourcing and distribution of interior decorative materials	79,680	75,050
Total segment assets	1,915,723	1,590,077
Fixed assets	1,258	1,368
Interest in associates	91,002	79,453
Available-for-sale investments	–	121,720
Other deposits and receivables	7,770	5,766
Amount due from an investee	–	35,571
Restricted bank balances	55,289	27,661
Bank deposits and cash	165,689	230,033
Tax recoverable	833	833
Total consolidated assets of the Group	2,237,564	2,092,482
Segment liabilities		
Asset, investment and fund management	6,514	6,541
Property development	942,052	953,780
Property investment	142,089	–
Manufacturing, sourcing and distribution of interior decorative materials	33,978	12,736
Total segment liabilities	1,124,633	973,057
Other payables	3,144	45,777
Bank loans	–	13,888
Loans from non-controlling shareholders	–	28,152
Tax payable	5,371	3,511
Deferred tax liabilities	30,282	17,939
Total consolidated liabilities of the Group	1,163,430	1,082,324

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For the six-month period ended 30 September 2013
(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging/(crediting):

	Six-month period ended	
	2013	2012
	\$'000	\$'000
(a) Finance costs		
<i>Continuing operations</i>		
Interests on bank loans wholly repayable within 5 years	6,061	6,059
Imputed interests on loans from non-controlling shareholders wholly repayable within 5 years	1,749	1,697
	7,810	7,756
Less: amounts capitalised	(6,816)	(7,745)
	994	11
<i>Discontinued operations</i>		
Interest on bank loans wholly repayable within 5 years	-	453
(b) Other items		
<i>Continuing operations</i>		
Depreciation of fixed assets	709	409
Amortisation of intangible assets	-	959
Total depreciation and amortisation	709	1,368
Interest income	(273)	(723)
Loss/(gain) on disposal of fixed assets	5	(74)
Net foreign exchange (gain)/loss	(148)	610

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For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT FOR THE PERIOD (Continued)

Profit for the period is arrived at after charging/(crediting): (Continued)

	Six-month period ended	
	2013	2012
	\$'000	\$'000
(b) Other items (continued)		
<i>Discontinued operations</i>		
Depreciation of fixed assets	–	554
Amortisation of intangible assets	–	900
Total depreciation and amortisation	–	1,454
Rental income from investment property	–	(100)
Interest income	–	(125)
Loss on disposal of fixed assets	–	20
Net foreign exchange loss	–	104

5 INCOME TAX EXPENSE

	Six-month period ended	
	2013	2012
	\$'000	\$'000
Continuing operations		
<i>Current tax</i>		
Macau Complementary Tax	–	48
PRC Enterprise Income Tax	2,119	265
	2,119	313
<i>Deferred tax</i>		
Origination and reversal of temporary differences	9,873	–
	11,992	313

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made since the entities comprising the Group that are subject to Hong Kong Profits Tax sustained a loss for taxation purposes for the six-month periods ended 30 September 2013 and 30 September 2012.

Macau Complementary Tax was calculated at progressive rates from 9% to 12% of the estimated assessable profits for the six-month period ended 30 September 2012.

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% (six-month period ended 30 September 2012: 25%) for the period.

6 DISCONTINUED OPERATIONS

On 16 May 2012, the Group entered into a sales and purchase agreement to partially dispose of its 85% equity interest in Sundart Holdings Limited ("Sundart Holdings") that carried out all of the Group's fitting-out works in Hong Kong, Macau and the PRC. 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 were treated as discontinued operations.

The results of and profit from the discontinued operations for the six-month period ended 30 September 2012 are analysed as follows:

	Period from 1 April 2012 to 26 June 2012 \$'000
Revenue	325,562
Cost of sales	(288,021)
Other income, other gains and losses	3,677
Selling expenses	(382)
Administrative expenses	(12,528)
Other expenses	(307)
Finance costs	(453)
	<hr/>
Profit before taxation	27,548
Income tax expense	(2,765)
	<hr/>
Profit for the period	24,783
Gain on disposal of discontinued operations	132,428
Exchange gain realised on disposal of subsidiaries	11,753
	<hr/>
	168,964
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Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company from continuing operations and discontinued operations of \$14,936,000 and \$Nil respectively (six-month period ended 30 September 2012: \$21,650,000 (loss) and \$168,964,000 respectively) and the weighted average number of 477,447,000 ordinary shares in issue during both interim periods.

(b) Diluted earnings per share

There are no potential diluted ordinary shares during the six-month periods ended 30 September 2013 and 30 September 2012.

8 INVESTMENT PROPERTY

	\$'000
Additions from acquisition of assets through acquisition of a subsidiary (note 20)	300,238
Revaluation surplus	39,491
Exchange adjustment	793
At 30 September 2013	340,522

(a) Additions

During the period, additions to investment property amounted to \$300,238,000 following the acquisition of the entire equity interest of Bestlinkage NHI Co. Ltd. ("Bestlinkage") (note 20).

(b) Valuation

The investment property of the Group was revalued as at 30 September 2013 by an independent firm of surveyors, Asset Appraisal Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTEREST IN ASSOCIATES

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Cost of investment in an unlisted associate	67,625	67,625
Share of post-acquisition profits and other comprehensive income	23,377	11,828
	91,002	79,453

10 AVAILABLE-FOR-SALE INVESTMENTS

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Unlisted investment in an investee (note 20)	–	121,720
Unlisted fund investment in the PRC	180,812	131,806
	180,812	253,526

At 31 March 2013, the unlisted investment in an investee represents equity investment in Bestlinkage. On 31 July 2013, the Group completed the acquisition of the remaining equity interest in Bestlinkage, details are set out in note 20. Bestlinkage is principally engaged in the holding of investment property in the PRC.

At 30 September 2013 and 31 March 2013, the unlisted fund investment represent investment in funds in the PRC. These funds principally invest in real estate properties in the PRC.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September	At 31 March
	2013	2013
	\$'000	\$'000
1-30 days	11,476	34,367
31-60 days	316	22,536
61-90 days	1,257	103
Over 90 days	36,459	7,535
	49,508	64,541

The Group allows an average credit period of 75 days to its trade customers and service invoice for asset, investment and fund management services are due upon issue.

12 RESTRICTED BANK BALANCES

Restricted bank balances included bank deposits of \$55,289,000 (31 March 2013: \$149,022,000) in respect of certain sales proceeds received from the pre-sale of properties of Rykadan Capital Tower, withdrawals from which are designated for payments for expenditure in accordance with relevant terms and conditions set out in the stakeholders agreement.

As at 31 March 2013, the balances also included HK\$27,661,000 in an escrow account kept by an independent escrow agent, pursuant to the SP Agreement (as defined in note 20), for the acquisition of assets and liabilities through acquisition of a subsidiary (see note 20 for details). During the period, the balance has been released in accordance with relevant terms and conditions as set out in the SP Agreement.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

13 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
1-30 days	1,255	1,965
31-60 days	36	111
61-90 days	–	69
Over 90 days	3,046	2,874
	4,337	5,019

14 BANK LOANS

At 30 September 2013, bank loans and trust receipt loans were repayable as follows:

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Within 1 year	319,325	304,125
After 2 years but within 5 years	145,904	96,970
Over 5 years	22,204	–
	487,433	401,095

At 30 September 2013, bank loans and trust receipt loans were secured as follows:

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Secured bank loans	482,829	387,207
Unsecured bank loans		
– current portion of trust receipt loans repayable on demand	4,604	13,888
	487,433	401,095

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

14 BANK LOANS (Continued)

At 30 September 2013, the bank loans were secured by mortgages over the properties under development for sale and investment property with an aggregate carrying value of \$1,244,579,000 (31 March 2013: \$1,171,091,000) and \$340,522,000 (31 March 2013: \$Nil) respectively. Such bank facilities amounted to \$1,051,706,000 (31 March 2013: \$929,370,000) were utilised to the extent of \$482,829,000 (31 March 2013: \$387,207,000).

15 LOANS FROM NON-CONTROLLING SHAREHOLDERS

At 30 September 2013, the loans from non-controlling shareholders of \$174,923,000 (31 March 2013: \$154,779,000) comprised of:

- (a) The amounts of approximately \$106,376,000 (31 March 2013: \$104,627,000) which are unsecured, interest-free and are repayable after the settlement of bank loans advanced to Vital Success Development Limited, a non-wholly owned subsidiary of Wit Legend Investments Limited ("Wit Legend"). The bank loans are repayable in January 2014.

According to the shareholder's agreement 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 six-month period ended 30 September 2013, the non-controlling shareholders has not advanced further interest-free loans to Wit Legend (year ended 31 March 2013: \$3,150,000). During the six-month period ended 30 September 2012, fair value adjustments at effective interest rate of 4.1 % per annum on these additional interest-free loans were made at initial recognition and were recognised in equity as deemed capital contribution from non-controlling shareholders. As at 30 September 2013, the aggregate principal amount of the loans from non-controlling shareholders of Wit Legend is \$107,256,000 (31 March 2013: \$107,256,000).

- (b) The remaining loans from non-controlling shareholders of \$68,547,000 (31 March 2013: \$50,152,000) are unsecured, interest-free and are repayable on demand.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CAPITAL RESERVES AND DIVIDENDS

(a) Reserves

	Share premium	Investment revaluation reserve	Translation reserve	Capital reserve (Note (iii))	Other reserves (Note (iv))	Special reserve (Note (v))	Total	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2013	469,130	14,844	287	-	36,968	67,300	588,529	271,733	860,262
Profit for the period	-	-	-	-	-	-	-	14,936	14,936
Other comprehensive income	-	14,394	1,486	-	-	-	15,880	-	15,880
Total comprehensive income for the period	-	14,394	1,486	-	-	-	15,880	14,936	30,816
Equity settled share-based transactions (note 16(c))	-	-	-	2,025	-	-	2,025	-	2,025
At 30 September 2013	469,130	29,238	1,773	2,025	36,968	67,300	606,434	286,669	893,103

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For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CAPITAL RESERVES AND DIVIDENDS (Continued)

(a) Reserves (Continued)

	Share premium	Legal reserve (Note (i))	Statutory reserve (Note (ii))	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Shareholder's contribution reserve	Other reserves (Note (iv))	Special reserve (Note (v))	Total	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2012	469,130	61	690	3,151	1,242	13,030	6,615	71,146	66,139	631,204	314,600	945,804
Profit for the period	-	-	-	-	-	-	-	-	-	-	147,314	147,314
Other comprehensive income	-	-	-	(3,151)	-	(13,139)	-	-	-	(16,290)	-	(16,290)
Total comprehensive income for the period	-	-	-	(3,151)	-	(13,139)	-	-	-	(16,290)	147,314	131,024
Dividend declared in respect of the current period	-	-	-	-	-	-	-	-	-	-	(31,034)	(31,034)
Reclassification of reserves upon disposal of subsidiaries	-	(61)	(690)	-	(1,242)	-	(6,615)	(33,600)	1,161	(41,047)	41,047	-
At 30 September 2012	469,130	-	-	-	-	(109)	-	37,546	67,300	573,867	471,927	1,045,794

Notes:

- (i) In accordance with the provisions of the Macao Commercial Code, two of the former 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. The legal reserve was transferred to retained profits upon the disposal of subsidiaries during the six-month period ended 30 September 2012.
- (ii) 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.

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For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CAPITAL RESERVES AND DIVIDENDS (Continued)

(a) Reserves (Continued)

Notes: (Continued)

- (iii) At 30 September 2013, the capital reserve represents the movement of fair value of unexercised share options granted by a wholly owned subsidiary of the Company to an independent third party in respect of the provision of the marketing and consultancy services. The Group recognised equity share-based payments of \$2,025,000 in respect of these services for the six-month period ended 30 September 2013 (six-month period ended 30 September 2012: \$Nil).
- (iv) At 30 September 2013, other reserves include the amount recognised upon disposal of partial interest in a subsidiary of \$36,968,000 (31 March 2013: \$36,968,000). The Group released the reserve movement of \$33,600,000 upon disposal of subsidiaries during the six-month period ended 30 September 2012.
- (v) 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 \$0.01 each amounting to approximately \$700,000 to the Vendors for acquiring the entire issued capital of 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 consolidated financial statements are prepared as a continuation of Sundart Holdings and its subsidiaries. Special reserve of the Group amounting to approximately \$67,300,000 representing 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.

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For the six-month period ended 30 September 2013

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16 CAPITAL RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	At 30 September 2013 \$'000	At 30 September 2012 \$'000
Interim dividend declared and paid after the interim period of 5 cents per share (2012: 5 cents per share)	23,872	23,872
Special dividend declared and paid after the interim period of Nil cents per share (2012: 35 cents per share)	–	167,107
	23,872	190,979

The interim and special dividends have not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year

	Six-month period ended 30 September 2013 \$'000	2012 \$'000
Final dividend in respect of the previous financial year, of 5 cents per share (six-month period ended 30 September 2012: 6.5 cents per share)	23,872	31,034

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16 CAPITAL RESERVES AND DIVIDENDS (Continued)

(c) Equity settled share-based transactions of a subsidiary

On 27 June 2013, Q-Stone Buildings Materials Limited ("Q-Stone"), a wholly-owned subsidiary of the Company, entered into the share option agreement ("Share Option Agreement") with Fine China Limited ("Fine China"), an independent third party to the Group, pursuant to which Q-Stone has agreed to grant to Fine China the share option ("Share Option") which entitles Fine China to subscribe at an option price higher of (i) 30% of the audited consolidated net asset value of Q-Stone as at 31 March 2013 and (ii) the aggregate nominal value of the shares, for such number of shares shall represent 30% of the total shares of Q-Stone, in return for the provision of marketing and consultancy services by Fine China to Q-Stone.

The Share Option shall vest if and when Q-Stone has achieved an accumulated consolidated profit of \$75,000,000 on or before 31 March 2016 (the "Target").

Fine China may exercise the Share Option in whole (and not part only) within 4 months from the date of the written notification given by Q-Stone to Fine China pursuant to the Share Option Agreement which reveals that the Target has been achieved. The Share Option is expected to have a 2-year vesting period.

No option was exercised, cancelled or forfeited during the six-month period ended 30 September 2013.

The fair value of services received in return for Share Option granted is measured by reference to the fair value of Share Option granted. The estimate of the fair value of the Share Option granted is measured based on a Black-Scholes Option Pricing Model. The contractual life of the Share Option is used as an input into this model.

Fair value of Share Option and assumptions

	At 30 September 2013
Fair value at measurement date	16,055
Underlying value of shares	19,500
Exercise price	3,491
Expected volatility	44.51%
Option life	2.34 years
Risk-free interest rate	0.445%

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16 CAPITAL RESERVES AND DIVIDENDS (Continued)

(c) Equity settled share-based transactions of a subsidiary (Continued)

The expected volatility is made reference to expected volatility of listed entities of similar business nature.

Share Option was granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the Share Option granted.

The Group recognised expenses of \$2,025,000 related to equity settled share-based payment transactions during the six-month period ended 30 September 2013.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Other related party transactions

	Six-month period ended 30 September	
	2013 \$'000	2012 \$'000
Interest income from an associate	–	612
Management fee income from an associate	–	1,157
Management fee expense to an associate	135	1,340
Construction cost of properties under development for sale to an associate	64,394	25,097
Proceeds received from an associate on disposal of available-for-sale investments	–	15,556

(b) Compensation of key management personnel

	Six-month period ended 30 September	
	2013 \$'000	2012 \$'000
Salaries and short-term benefits	13,031	6,314
Post-employment benefits	38	74
	13,069	6,388

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18 CAPITAL COMMITMENTS

The Group has the following capital commitments outstanding but not provided in the interim financial report:

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Contracted for	3,148	4,032

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

(i) *Fair value hierarchy*

The Group's financial instruments are measured at fair value at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: fair values measured using quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: fair values measured using inputs other than quoted prices but whose inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using inputs not based on observable market data

At 30 September 2013, the unlisted available-for-sale investments are stated at fair value of \$180,812,000 (31 March 2013: \$253,526,000) and were categorised as Level 3.

During the six-month periods ended 30 September 2013 and 30 September 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value hierarchy classifications.

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19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued) Financial assets and liabilities measured at fair value (Continued)

(i) *Fair value hierarchy (Continued)*

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 September 2013 \$'000	At 31 March 2013 \$'000
Unlisted available-for-sale investments:		
At 1 April	253,526	15,611
Additions	–	197,314
Disposals (note 20)	(121,720)	(15,611)
Net unrealised gains recognised in other comprehensive income during the period/year	47,010	48,022
Exchange adjustment	1,996	8,190
	<hr/>	<hr/>
At 30 September/31 March	180,812	253,526

The net unrealised gains arising from the remeasurement of the unlisted available-for-sale investments are recognised in investment revaluation reserve in other comprehensive income.

(ii) *Information about Level 3 fair value measurements*

The fair value of unlisted fund investment that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs, including but not limited to, expected interest rate, time to maturity, dividend stream and other specific inputs relevant to each of the unlisted fund investments. The inputs to the determination of fair value require significant judgement.

Fair value of financial assets and liabilities carried at other than fair values

The carrying amounts of the Group's financial assets and liabilities other than available-for-sale investments are not materially different from their fair values as at 30 September 2013 and 31 March 2013.

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20 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, Kailong REI Project Investment Consulting (Hong Kong) Co. Limited ("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 share purchase agreement ("SP Agreement") in relation to 70% equity interest in Power City Investment Limited ("Power City") at a cash consideration of approximately RMB58,097,000 (equivalent to approximately \$71,334,000) (the "Acquisition").

Power City holds 76% equity interest in 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 the 24% equity interest in Bestlinkage held by the Local Partner 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. The remaining consideration of RMB32,142,000 (equivalent to approximately \$39,151,000) is payable upon Buy-Out Completion.

In addition, pursuant to the SP Agreement, Fine Elite has agreed to grant to Kings Haul an option to have Fine Elite buy back the 70% equity interest in Power City from Kings Haul ("Share Buyback Option") for an amount equivalent to RMB58,097,000. Kings Haul shall be entitled to exercise the Share Buyback Option at any time in the event that there is no Buy-Out Completion or Power City fails to undertake the Buy-Out such that Power City fails to become the registered and beneficial owner of 100% equity interest of Bestlinkage within seven months commencing from the date of Acquisition Completion, or within an extended period as agreed by Kings Haul.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

20 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

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 3 directors, which comprise of 1 director appointed by Fine Elite and 2 directors appointed by Kings Haul. However, the board of Bestlinkage shall have 7 directors and Power City has the right to appoint 5 directors out of which Kings Haul and Fine Elite is entitled to nominate 1 director and 4 directors respectively through Power City. No change would be allowed on the above director appointment arrangement relating to the board of directors of Bestlinkage until the Buy-Out Completion. The board of directors of Power City and Bestlinkage are responsible for making decisions relating to the financial and operating policies of Power City and Bestlinkage respectively and all resolutions should be determined by the board by a simple majority vote. After considering, amongst others, the board representation of the Group, the directors of the Company are of the view that the Group is able to obtain control over Power City but unable to obtain control over Bestlinkage prior to the Buy-Out Completion.

At 31 March 2013, the Buy-Out had not been completed and the Group had not exercised the Share Buyback Option. In the opinion of the directors of the Company, Kings Haul had contractual obligation to pay the remaining consideration of RMB32,142,000 (equivalent to approximately \$39,188,000) in relation to the acquisition of 70% equity interest in Power City even if the Company chose not to exercise the Share Buyback Option in the case when Buy-Out was not completed in accordance with the terms and conditions as set out in the SP Agreement. The directors also considered the fair value of the Share Buyback Option was insignificant.

At 31 March 2013, the Group recognised the 76% equity interest in Bestlinkage as available-for-sale investments – investment in an investee.

On 31 July 2013, the Buy-Out was completed through acquiring the remaining 24% equity interest in Bestlinkage with a consideration of \$33,845,000 and the Group did not exercise the Share Buyback Option. The Group paid the remaining consideration of RMB32,142,000 (equivalent to approximately \$39,188,000) to Fine Elite.

In the opinion of the directors of the Company, the Acquisition did not constitute a business combination in accordance with HKFRS 3, *Business combination*, as the major underlying assets to be acquired through the Acquisition are investment property and related assets in Bestlinkage. Bestlinkage owned investment property located in Shanghai, PRC. Therefore, the Acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

20 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

The net assets acquired on the Buy-Out Completion are as follows:

	\$'000
Net assets acquired:	
Investment property	300,238
Bank deposits and cash	11,644
Other deposits and receivables	1,975
Trade and other payables	(18,517)
Bank loans	(82,974)
Amount due to an investor	(56,801)
	<hr/>
	155,565
	<hr/>
Cash consideration paid	33,845
Add: Deemed disposal of available-for-sale investments (note 19)	121,720
	<hr/>
	155,565
	<hr/>

21 CONTINGENT LIABILITIES

At 31 March 2013, the Company has issued financial guarantees, for a period within one year from the completion of the disposal of Sundart Holdings during June 2012, to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately \$460,000,000, of which approximately \$90,447,000 has been utilised by the associate as at 31 March 2013. The guarantees were fully released during the period.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2013

(Expressed in Hong Kong dollars unless otherwise indicated)

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 MARCH 2014

Up to the date of the interim financial report, HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 March 2014 and which have not been adopted in the interim financial report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Financial instruments: Presentation – Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 36, <i>Impairment of assets – Recoverable amounts disclosure for non-financial assets</i>	1 January 2014
Amendments to HKFRS 10, <i>Consolidated financial statements</i> , HKFRS 12, <i>Disclosure of interests in other entities</i> and HKAS 27, <i>Separate financial statements</i> "Investment entities"	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of the expected impact of these amendments, new standards and new interpretations in the period of initial application. So far, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

23 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 29 November 2013.

Corporate Governance and Other Information

INTERIM DIVIDEND

On 29 November 2013, the Board declared an interim dividend of HK 5 cents per share to be payable to the shareholders of the Company whose names appear in the register of members of the Company on 1 April 2014. The interim dividend will be paid on 9 April 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 March 2014 to 1 April 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 28 March 2014.

Corporate Governance and Other Information

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

Up to the date of this report, the interests and short positions of the directors and chief executives of the Company and their associates in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures 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 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	Other interest ⁽¹⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
	Long	Beneficial owner	9,000,000	1.89
			203,208,000	42.57
NG Tak Kwan	Long	Beneficial owner	84,000,000	17.59

Notes:

1. Tiger Crown, which beneficially owned 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settler and protector and one of the discretionary beneficiaries of Rykadan Trust.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of 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.
3. All the shares of the Company shown in the table above are ordinary shares.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS

Up to the date of this report, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed 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
HSBC International Trustee Limited	Long	Corporate trustee ^{(1),(2)}	194,208,000	40.68
Rykadan Holdings Limited	Long	Interest in a controlled corporation ⁽¹⁾	97,104,000 ⁽¹⁾	20.34
			97,104,000 ⁽²⁾	20.34
			194,208,000	40.68
Tiger Crown Limited ⁽¹⁾	Long Long	Beneficial owner ⁽¹⁾ Other interest ⁽²⁾	97,104,000	20.34
			97,104,000	20.34
			194,208,000	40.68
Scenemay Holdings Limited	Long Long	Beneficial owner Other interest ⁽²⁾	97,104,000	20.34
			97,104,000	20.34
			194,208,000	40.68
LI Chu Kwan	Long Long	Interest in a controlled corporation ⁽³⁾ Other interest ⁽²⁾	97,104,000	20.34
			97,104,000	20.34
			194,208,000	40.68
LI Wing Yin	Long Long	Interest in a controlled corporation ⁽³⁾ Other interest ⁽²⁾	97,104,000	20.34
			97,104,000	20.34
			194,208,000	40.68
LEUNG Kai Ming	Long	Beneficial owner	31,866,600	6.67

Corporate Governance and Other Information

Notes:

1. Tiger Crown, which beneficially owned 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settler and protector and one of the discretionary beneficiaries of Rykadan Trust.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of 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.
4. All the shares of the Company shown in the table above are ordinary shares.

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 2013, 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

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, 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 followed the principles and complied with all applicable code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the deviations from code provisions A.2.1 and A.6.7 of the CG Code, details of which are set out below:

Mr. Chan William ("Mr. Chan") has been appointed as Chief Executive Officer of the Company on 1 July 2012 and is now both the Chairman and the Chief Executive Officer of the Company, and that the functions of the Chairman and the Chief Executive Officer in the Company's strategic planning and development process overlap. These constitute a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive 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 at this time and that such arrangement be subject to review by the Board from time to time.

Under code provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings of the Company. Some independent non-executive directors were absent from the last annual general meeting held on 23 August 2013 due to other business commitments.

Corporate Governance and Other Information

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.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and our management team for their invaluable support throughout this year. I would also like to thank our staff for their continued commitment to the Group.

We look towards to the coming years with optimism and ask for your continued support as we continue to create value and grow our business.

By Order of the Board
Rykadan Capital Limited
宏基資本有限公司
Chan William
Chairman and Chief Executive Officer

Hong Kong, 29 November 2013