



# Shaping the Future



**RYKADAN CAPITAL LIMITED**  
**宏基資本有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code : 2288)**

Interim Report  
**2015**

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

CHAN William

*(Chairman and Chief Executive Officer)*

YIP Chun Kwok *(Chief Financial Officer)*

#### Non-executive Director

NG Tak Kwan *(re-designated from Executive Director to Non-executive Director on 21 August 2015)*

### Independent Non-executive Directors

HO Kwok Wah, George

TO King Yan, Adam

WONG Hoi Ki

### 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

### AUDITOR

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 Limited

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

Rooms 2701 & 2801, Rykadan Capital Tower  
135 Hoi Bun Road, Kwun Tong, Kowloon  
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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### STOCK CODE

2288

### COMPANY'S WEBSITE

[www.rykadan.com](http://www.rykadan.com)

### INVESTOR RELATIONS CONTACT

Think Alliance Group

Level 6, Citibank Tower

3 Garden Road

Central, Hong Kong

# Management Discussion and Analysis

## OVERVIEW

The six-month period ended 30 September 2015 saw the Group continue to develop its property development business. It has recently announced an industrial property acquisition that will become its third real estate project in Hong Kong and has commenced the pre-sale of its first residential real estate project in the city. Both projects, alongside the Group's other investments, will follow the Group's strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon.

During the interim period, the Group's investments included commercial, industrial and residential property developments in Hong Kong, the People's Republic of China (the "PRC"), the United States of America (the "U.S.A.") and the United Kingdom (the "U.K."). It has also invested in companies operating in the areas of distribution of interior decorative materials, hospitality, as well as in the asset investment and fund management.

As of 30 September 2015, the Group's total assets were valued at HK\$1,621 million (31 March 2015: HK\$1,667 million), of which HK\$973 million (31 March 2015: HK\$982 million) were current assets, approximately 2.63 times (31 March 2015: 3.97 times) current liabilities. Equity attributable to the equity shareholders of the Company was HK\$1,149 million (31 March 2015: HK\$1,198 million).

## OVERALL PERFORMANCE

During the six months under review, the Group recorded consolidated revenue of HK\$96 million from business segments under continuing operations (six-month period ended 30 September 2014: HK\$130 million). Gross profit and gross profit margin for these segments was HK\$35 million (six-month period ended 30 September 2014: HK\$24 million) and 36.0% (six-month period ended 30 September 2014: 18.8%) respectively.

Net loss for the period from continuing and discontinued operations was HK\$24 million (six-month period ended 30 September 2014: HK\$0.3 million (net profit)). Loss attributable to equity shareholders of the Company was HK\$23 million (six-month period ended 30 September 2014: HK\$2 million (profit attributable to equity shareholders of the Company)). Net loss is mainly attributable from a provision of a receivable in relation to the disposal of the educational-related investment in previous year, an increase in certain project costs and the absence of one-off gain of disposal from discontinued operations during the six-month period ended 30 September 2014. The Group has initiated legal proceedings to recover the above receivable.

## Management Discussion and Analysis

Basic loss per share from continuing operations for the six-month period ended 30 September 2015 was HK 4.8 cents (six-month period ended 30 September 2014: HK 2.0 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2015.

### **MATERIAL ACQUISITION AND DISPOSAL**

In July 2015, Keen Virtue Group Limited, a wholly-owned subsidiary of the Company, acquired an additional 35% equity interests of Wit Legend Investments Limited (“Wit Legend”) at a consideration of US\$35. Upon the completion of the acquisition, Wit Legend became a wholly-owned subsidiary of the Group (For details, please refer to note 18 to the interim financial report).

In May 2015, the Group and DSM Project Limited (“DSM”) acquired respectively 26% and 74% equity interests in a joint venture. In September 2015, the joint venture acquired 100% equity interests of and certain loans owing by Smart Wealth Asia Pacific Limited (an owner of a 9-storey industrial building in Hong Kong (“Wing Hong Street Property Project”)) at a total consideration of HK\$339 million (For details, please refer to note 9(a) to the interim financial report).

## Management Discussion and Analysis

### INVESTMENT PORTFOLIO

As of 30 September 2015, the Group's bank deposits and cash was HK\$223 million (31 March 2015: HK\$280 million), representing 13.8% of the Group's total assets.

The following table shows the Group's investments as at 30 September 2015.

#### Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2015	Total gross floor area	Total land area	Attributable gross floor/land area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under planning	N/A	21,861 square feet	21,861 square feet
Oakland Project	491 & 497 South Oakland Avenue, Pasadena, CA 91101, the U.S.A.	Residential property	100%	Under planning	N/A	25,163 square feet	25,163 square feet
Hampton Project	957 Hampton Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction	10,688 square feet	N/A	10,688 square feet
Fallen Leaf Project	964 Fallen Leaf Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction	14,845 square feet	N/A	14,845 square feet
Shoreditch Project	79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K.	Commercial property	100%	Under refurbishment	10,947 square feet	N/A	10,947 square feet

## Management Discussion and Analysis

Investment	Location	Type	Group interest	Status as of 30/9/2015	Total gross floor area	Total land area	Attributable gross floor/land area
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial property	59.1%	Being marketed to tenants	52,304 square metres	N/A	30,911 square metres
The Paseo (formerly known as Kwun Chung Street Property Project)	Kowloon Inland Lot No. 11229	Residential/commercial property	100%	Under construction and pre-sale stage	25,338 square feet	N/A	25,338 square feet
Wing Hong Street Property Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Under planning	N/A	14,506 square feet	3,772 square feet
2702 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (Classified as investment properties)	8,304 square feet	N/A	8,304 square feet
2802 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (Classified as properties for sale)	5,163 square feet	N/A	5,163 square feet

Note: Gross floor area is calculated on the Group's development plans which may be subject to change.

# Management Discussion and Analysis

## Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Distribution of stone composite surfaces products	100%
Rykadan Hospitality Investments Pte. Ltd.	Investment in high potential hospitality and tourism related assets	100%
RS Hospitality Private Limited	A joint venture for operating a 24-suite boutique resort in Bhutan	50%
Kailong Holdings Limited	Asset, investment and fund management	9.74%

## SUMMARY OF INVESTMENTS

### United States properties

The Group has invested in four properties in San Marino, Pasadena and Arcadia in the Los Angeles County, California, the U.S.A.. Each city has high resale potential and is increasingly popular destinations for overseas property investors, particularly from Asia.

Two of these properties are currently under construction, with the remaining two in the stage of planning. The Group will continuously review and assess the projects with a view of materialising these investments at an appropriate time.

### United Kingdom property

The Group has invested in a commercial property located in London's Shoreditch district, the heart of the U.K.'s technology startup cluster.

The property is an office building consisting of four upper floors, ground floor and a lower ground floor with a total gross floor area of 10,947 square feet. It is located in a few minutes' walk from the Old Street roundabout – also known as the 'Silicon Roundabout' – one of the world's largest technology startup cluster.

### Kailong Nanhui Business Park

Kailong Nanhui Business Park is a 52,304 square metres refurbished and high-end business park located in Shanghai under medium term lease and is the Group's first property project in the PRC. The site consists of five high-quality buildings conveniently located near the Shanghai Pudong International Airport, Shanghai Harbor City, the Shanghai Free Trade Zone and the future Shanghai Disney Resort.



## Management Discussion and Analysis

As of 30 September 2015, the occupancy rate of Kailong Nanhui Business Park was 5%. The Group will continue to target large and quality tenants, and will consider off-loading the buildings at an appropriate time.

### **The Paseo**

During the interim period, the Group has commenced the pre-sale of The Paseo, a 25-storey tower with a total gross floor area of approximately 25,338 square feet currently under construction. It is located on Kwun Chung Street in Kowloon's Tsim Sha Tsui district, near the planned terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

The building will primarily consist of boutique luxury apartments, with lower floors of approximately 4,235 square feet for commercial use. The construction of the building is expected to be completed in the first quarter of 2017.

### **Wing Hong Street Property Project**

The Group has invested in an industrial property in the promising Kowloon West business district, located minutes from Lai Chi Kok MTR station.

The Group plans to demolish the existing building and redevelop the property into a brand new high quality industrial property for reselling purposes. The Group also plans to develop new revenue streams by leveraging its considerable property development experience to provide management services for this project via its wholly-owned subsidiary. The services will be provided under a progressive fee structure linked to cost saving performance.

### **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.

The Group continues to retain two floors for its own use and for rental income or potential rental income.

### **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 the PRC and Hong Kong.

## Management Discussion and Analysis

Q-Stone performed well in the six-month period ended 30 September 2015 with contracts on hand worth HK\$187 million to be completed in the coming years.

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

Rykadan Hospitality is the Group’s hospitality investment arm. Rykadan Hospitality currently invests in a 24-suite resort located in Bhutan’s Punakha Valley, an emerging high-end tourism destination.

### **Kailong Holdings Limited**

Kailong Holdings Limited is a leading player in the PRC’s real estate investment, asset management and fund management markets.

### **OUTLOOK**

The Group remains optimistic about the long-term prospects of Hong Kong, the U.S.A. and the U.K. property markets. The shift of global capital away from emerging markets in favour of well-established and relatively lower-risk markets will support higher-than-average returns in commercial centres such as Hong Kong, Los Angeles and London.

The Group will continue to prudently evaluate new investment opportunities and leverage its experienced management team and business partners to further diversify the Group’s portfolio, develop its reputation as an asset manager and maximise future returns for shareholders. The Group will also continue to actively manage its ongoing investments in the Greater China region, South-East Asia, the U.S.A. and the U.K. to support its future performance and unlock value for shareholders in a timely manner.

### **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 its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

## Management Discussion and Analysis

As at 30 September 2015, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 16.7% (31 March 2015: 16.7%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was 4.1% (31 March 2015: Nil) as the Group has net debts of HK\$47 million as at 30 September 2015 (31 March 2015: net cash of HK\$1 million).

As at 30 September 2015, the Group has total bank borrowings of HK\$270 million (31 March 2015: HK\$279 million). The bank borrowings of the Group were mainly to finance the retaining two floors of Rykadan Capital Tower, The Paseo, the United States properties and Kailong Nanhui Business Park. Of the total bank borrowings, the bank loans of HK\$263 million were secured by the properties for sale, investment properties and buildings held for own use of which HK\$114 million will be repayable upon sale of properties. Further costs for developing The Paseo, the United States properties and the United Kingdom property will be financed by either unutilised banking facilities, deposits received from customers held as restricted bank balances designated for the project or internally generated funds.

The liquidity of the Group remains strong and healthy. As at 30 September 2015, the Group's current assets and current liabilities were HK\$973 million (31 March 2015: HK\$982 million) and HK\$370 million (31 March 2015: HK\$248 million) respectively. The Group's current ratio decreased to 2.63 (31 March 2015: 3.97). 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 risks and opportunities and maximise shareholders' value.

### **Pledge of Assets**

As at 30 September 2015, the Group had pledged investment properties, properties for sale and buildings held for own use to secure the general facilities of the Group. The aggregate carrying value of the pledged assets was HK\$851 million (31 March 2015: HK\$759 million).

### **Capital Commitments and Contingent Liabilities**

For capital commitments and contingent liabilities, please refer to notes 16 and 19 to the interim financial report respectively.

## Management Discussion and Analysis

### **Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements**

The Group operates in various regions with different foreign currencies mainly including Euro, United States Dollars, British Pound Sterling and Renminbi.

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

The Group has not implemented any foreign currencies and interest rates hedging policy. However, management of the Group will monitor foreign currencies and interest rates for each business segment and consider appropriate hedging policies in future when necessary.

### **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.

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 of 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 2015, the total number of employees of the Group for continuing operations is 68 (30 September 2014: 78 and 47 for continuing operations and discontinued operations respectively). The Group offers an attractive remuneration policy and provides external training programmes which are complementary to certain job functions. Total remuneration for employees (including the directors' remuneration) was HK\$21 million for the period (six-month period ended 30 September 2014: HK\$37 million).

## Consolidated Income Statement

For the six-month period ended 30 September 2015 – Unaudited  
(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September	
		2015 \$'000	2014 \$'000
<b>Continuing operations</b>			
Revenue	3	<b>96,269</b>	130,323
Cost of sales and services		<b>(61,571)</b>	(105,855)
<b>Gross profit</b>		<b>34,698</b>	24,468
Other revenue		<b>589</b>	5,529
Other net (loss)/income		<b>(1,081)</b>	4,089
Selling and marketing expenses		<b>(10,736)</b>	(3,366)
Administrative and other operating expenses		<b>(46,102)</b>	(76,577)
Gain on disposal of interests in subsidiaries		–	29,160
<b>Loss from operations</b>		<b>(22,632)</b>	(16,697)
Increase in fair value of investment properties	8	<b>7,871</b>	7,625
Finance costs	4(a)	<b>(3,330)</b>	(4,002)
Share of profits of associates		<b>1,190</b>	9,412
Share of profit/(loss) of a joint venture		<b>101</b>	(252)
<b>Loss before taxation</b>		<b>(16,800)</b>	(3,914)
Income tax	5	<b>(7,422)</b>	(5,640)
<b>Loss for the period from continuing operations</b>		<b>(24,222)</b>	(9,554)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	6	–	9,848
<b>(Loss)/profit for the period</b>	4	<b>(24,222)</b>	294

## Consolidated Income Statement

For the six-month period ended 30 September 2015 – Unaudited

(Expressed in Hong Kong dollars)

	<b>Six-month period ended 30 September</b>	
Note	<b>2015 \$'000</b>	2014 \$'000
<b>(Loss)/profit for the period attributable to:</b>		
Equity shareholders of the Company		
– from continuing operations	<b>(22,783)</b>	(9,454)
– from discontinued operations	–	11,506
	<b>(22,783)</b>	2,052
Non-controlling interests		
– from continuing operations	<b>(1,439)</b>	(100)
– from discontinued operations	–	(1,658)
	<b>(1,439)</b>	(1,758)
<b>(Loss)/profit for the period</b>	<b>(24,222)</b>	294
<b>(Loss)/earnings per share</b>	7	
Basic:		
– Continuing operations	<b>(4.8) cents</b>	(2.0) cents
– Discontinued operations	–	2.4 cents
	<b>(4.8) cents</b>	0.4 cents

The notes on pages 20 to 41 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

## Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2015 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended	
	2015	2014
	\$'000	\$'000
<b>(Loss)/profit for the period</b>	<b>(24,222)</b>	294
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	(7,020)	156
– Share of translation reserve of associates	(410)	(341)
– Release of investment revaluation reserve upon disposal of interests in subsidiaries	–	(7,128)
– Release of translation reserve upon disposal of interests in subsidiaries	–	(75)
<b>Other comprehensive income for the period</b>	<b>(7,430)</b>	(7,388)
<b>Total comprehensive income for the period</b>	<b>(31,652)</b>	(7,094)
<b>Comprehensive income for the period attributable to:</b>		
Equity shareholders of the Company	(27,547)	(5,247)
Non-controlling interests	(4,105)	(1,847)
<b>Total comprehensive income for the period</b>	<b>(31,652)</b>	(7,094)

The notes on pages 20 to 41 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 September 2015

(Expressed in Hong Kong dollars)

		<b>At 30 September 2015 (Unaudited) \$'000</b>	At 31 March 2015 (Audited) \$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties	8	<b>451,649</b>	456,518
Other properties, plant and equipment		<b>54,020</b>	55,926
Interests in associates	9	<b>124,141</b>	26,528
Interest in a joint venture		<b>13,601</b>	13,417
Other receivables and deposits		<b>4,173</b>	132,036
		<b>647,584</b>	684,425
<b>Current assets</b>			
Properties for sale		<b>506,926</b>	470,635
Inventories		<b>61,966</b>	55,147
Trade receivables	10	<b>100,588</b>	110,979
Other receivables, deposits and prepayments		<b>60,303</b>	64,217
Amount due from a joint venture		<b>1,946</b>	1,924
Restricted cash and pledged deposits		<b>18,412</b>	–
Bank deposits and cash		<b>223,102</b>	279,544
		<b>973,243</b>	982,446



## Consolidated Statement of Financial Position

At 30 September 2015

(Expressed in Hong Kong dollars)

		At 30 September 2015 (Unaudited) \$'000	At 31 March 2015 (Audited) \$'000
	Note		
<b>Current liabilities</b>			
Trade and other payables	11	52,328	44,570
Deposits received from sale of properties	12	18,412	–
Bank loans	13	223,822	127,235
Loans from non-controlling shareholders		53,104	52,256
Amounts due to associates	9	20,022	17,729
Taxation payable		2,597	5,720
		<b>370,285</b>	247,510
<b>Net current assets</b>		<b>602,958</b>	734,936
<b>Total assets less current liabilities</b>		<b>1,250,542</b>	1,419,361
<b>Non-current liabilities</b>			
Bank loans	13	46,517	151,319
Deferred tax liabilities		15,260	15,833
		<b>61,777</b>	167,152
<b>NET ASSETS</b>		<b>1,188,765</b>	1,252,209
<b>CAPITAL AND RESERVES</b>			
Share capital		4,774	4,774
Reserves	14	1,144,352	1,193,668
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,149,126</b>	1,198,442
Non-controlling interests		39,639	53,767
<b>TOTAL EQUITY</b>		<b>1,188,765</b>	1,252,209

The notes on pages 20 to 41 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2015 – Unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves (Note 14)	Retained profits (Note 14)	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2015</b>	<b>4,774</b>	<b>591,101</b>	<b>602,567</b>	<b>1,198,442</b>	<b>53,767</b>	<b>1,252,209</b>
<b>Changes in equity for the six-month period ended 30 September 2015:</b>						
Loss for the period	-	-	(22,783)	(22,783)	(1,439)	(24,222)
Other comprehensive income	-	(4,764)	-	(4,764)	(2,666)	(7,430)
Total comprehensive income for the period	-	(4,764)	(22,783)	(27,547)	(4,105)	(31,652)
Dividend paid	14(b)	-	-	(23,872)	(23,872)	(9,800)
Acquisition of additional interest in a subsidiary	18	-	223	-	223	(223)
Equity settled share-based transactions	14(c)	-	1,880	-	1,880	-
<b>At 30 September 2015</b>	<b>4,774</b>	<b>588,440</b>	<b>555,912</b>	<b>1,149,126</b>	<b>39,639</b>	<b>1,188,765</b>

## Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2015 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves (Note 14)	Retained profits (Note 14)	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2014		4,774	587,250	645,863	1,237,887	193,655	1,431,542
-----							
Changes in equity for the six-month period ended 30 September 2014:							
Profit for the period		-	-	2,052	2,052	(1,758)	294
Other comprehensive income		-	(7,299)	-	(7,299)	(89)	(7,388)
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Total comprehensive income for the period		-	(7,299)	2,052	(5,247)	(1,847)	(7,094)
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Dividend paid	14(b)	-	-	(152,783)	(152,783)	-	(152,783)
Acquisition of additional interest in a subsidiary		-	(2,012)	-	(2,012)	12	(2,000)
Disposal of interests in subsidiaries		-	-	-	-	(139,211)	(139,211)
Deemed disposal of a subsidiary		-	(987)	-	(987)	987	-
Equity settled share-based transactions	14(c)	-	4,050	-	4,050	-	4,050
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At 30 September 2014		4,774	581,002	495,132	1,080,908	53,596	1,134,504
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The notes on pages 20 to 41 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2015 – Unaudited

(Expressed in Hong Kong dollars)

	<b>Six-month period ended</b>	
	<b>30 September</b>	
Note	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Operating activities</b>		
Cash generated from/(used in) operations	<b>87,163</b>	(163,032)
Income tax paid	<b>(10,013)</b>	(12,082)
<b>Net cash generated from/(used in) operating activities</b>	<b>77,150</b>	(175,114)
<b>Investing activities</b>		
Decrease in bank deposits with maturity over 3 months	–	170,000
Acquisition of additional interest in a subsidiary	–	(24,000)
Net cash inflows through disposal of interests in subsidiaries	–	24,933
Advance to an associate	<b>(97,967)</b>	–
Dividend from an associate	<b>1,134</b>	–
Other cash flows (used in)/generated from investing activities	<b>(292)</b>	26,044
<b>Net cash (used in)/generated from investing activities</b>	<b>(97,125)</b>	196,977
<b>Financing activities</b>		
Dividend paid	<b>(33,672)</b>	(176,655)
Other cash flows used in financing activities	<b>(5,276)</b>	(52,379)
<b>Net cash used in financing activities</b>	<b>(38,948)</b>	(229,034)
<b>Net decrease in cash and cash equivalents</b>	<b>(58,923)</b>	(207,171)
<b>Cash and cash equivalents at 1 April</b>	<b>279,544</b>	787,847
<b>Effect of foreign exchange rate changes</b>	<b>2,481</b>	142
<b>Cash and cash equivalents at 30 September</b>	<b>223,102</b>	580,818

The notes on pages 20 to 41 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(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 25 November 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual report for the year ended 31 March 2015, 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 condensed 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 2015. The condensed 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 financial 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 2015 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 2015 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 12 June 2015.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of 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 HKAS19, Employee benefits – Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRS 2010-2012 Cycle*
- *Annual Improvements to HKFRS 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 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.

During the six-month period ended 30 September 2014, the Group disposed of its asset, investment and fund management segment which was presented as discontinued operations. Details were set out in note 6.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 SEGMENT REPORTING (Continued)

### *Continuing operations*

- Property development – This segment derives its revenue from repositioning and value enhancement of property with a focus on development projects in prime locations in Hong Kong, the United Kingdom and the United States of America (the “U.S.A.”).
- Property investment and hospitality operations – This segment derives its revenue from leasing of premises within the Group’s investment properties portfolio in Hong Kong and the People’s Republic of China (the “PRC”) and hospitality operations in Asia.
- Distribution of construction and interior decorative materials and educational products – This segment derives its revenue from distribution of (i) stone composite surfaces products in the PRC and a license to use the relevant trademark in connection therewith and (ii) educational products in Hong Kong and the PRC.

### *Discontinued operations*

- 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.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 SEGMENT REPORTING (Continued)

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

#### Segment results

For the six-month period ended 30 September 2015

	Continuing operations			Elimination \$'000	Consolidated \$'000
	Property development \$'000	Property investment and hospitality operations \$'000	Distribution of construction and interior decorative materials \$'000		
Revenue					
External revenue	1,086	2,433	92,750	-	96,269
Inter-segment revenue	1,155	620	-	(1,775)	-
<b>Total</b>	<b>2,241</b>	<b>3,053</b>	<b>92,750</b>	<b>(1,775)</b>	<b>96,269</b>
Segment (loss)/profit	(8,796)	(3,314)	17,596	-	5,486
Corporate expenses					(18,045)
Corporate income					128
Provision for impairment loss on other receivables					(10,201)
Increase in fair value of investment properties					7,871
Finance costs					(3,330)
Share of profits of associates					1,190
Share of profit of a joint venture					101
Loss before taxation					(16,800)



## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 SEGMENT REPORTING (Continued)

#### Segment results (continued)

For the six-month period ended 30 September 2014

	Continuing operations			Discontinued operations	Elimination \$'000	Consolidated \$'000
	Property development \$'000	Property investment and hospitality operations \$'000	Distribution of construction and interior decorative materials and educational products \$'000	Asset, investment and fund management \$'000		
Revenue						
External revenue	-	1,413	128,910	15,601	-	145,924
Inter-segment revenue	1,775	-	-	1,377	(3,152)	-
<b>Total</b>	<b>1,775</b>	<b>1,413</b>	<b>128,910</b>	<b>16,978</b>	<b>(3,152)</b>	<b>145,924</b>
Segment (loss)/profit	(781)	(8,414)	8,545	(4,392)	-	(5,042)
Corporate expenses						(21,119)
Corporate income						4,414
Gain on disposal of interests in subsidiaries						43,353
Provision for impairment loss on other receivables						(28,455)
Increase in fair value of investment properties						7,625
Finance costs						(4,002)
Share of profits of associates						9,412
Share of loss of a joint venture						(252)
<b>Profit before taxation</b>						<b>5,934</b>

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(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:

	<b>At 30 September</b>	At 31 March
	<b>2015</b>	2015
	<b>\$'000</b>	\$'000
<b>Segment assets</b>		
<i>Continuing operations</i>		
Property development	<b>560,452</b>	505,446
Property investment and hospitality operations	<b>471,880</b>	477,694
Distribution of construction and interior decorative materials	<b>174,772</b>	181,300
<b>Total segment assets</b>	<b>1,207,104</b>	1,164,440
Other properties, plant and equipment	<b>284</b>	349
Interests in associates	<b>124,141</b>	26,528
Interest in a joint venture	<b>13,601</b>	13,417
Other receivables, deposits and prepayments	<b>50,649</b>	180,669
Amount due from a joint venture	<b>1,946</b>	1,924
Bank deposits and cash	<b>223,102</b>	279,544
<b>Total consolidated assets of the Group</b>	<b>1,620,827</b>	1,666,871
<b>Segment liabilities</b>		
<i>Continuing operations</i>		
Property development	<b>200,074</b>	154,363
Property investment and hospitality operations	<b>130,496</b>	138,939
Distribution of construction and interior decorative materials	<b>29,292</b>	49,359
<b>Total segment liabilities</b>	<b>359,862</b>	342,661
Other payables and accruals	<b>3,836</b>	3,912
Loans from non-controlling shareholders	<b>53,104</b>	52,256
Deferred tax liabilities	<b>15,260</b>	15,833
<b>Total consolidated liabilities of the Group</b>	<b>432,062</b>	414,662

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 (LOSS)/PROFIT FOR THE PERIOD

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

	Six-month period ended	
	30 September	
	2015	2014
	\$'000	\$'000
<b>(a) Finance costs</b>		
<i>Continuing operations</i>		
Interests on bank loans	4,787	5,321
Less: amounts capitalised (Note)	(1,457)	(1,319)
	<b>3,330</b>	<b>4,002</b>

Note: Interest was capitalised at an average annual rate of 1.26% (six-month period ended 30 September 2014: 1.36%)

### (b) Other items

<i>Continuing operations</i>		
Cost of inventories sold	61,571	105,855
Depreciation of other properties, plant and equipment	2,172	2,193
Loss/(gain) on disposal of other properties, plant and equipment	48	(4)
Provision for impairment loss on other receivables (Note)	10,201	28,455
Interest income	(128)	(4,363)
Net foreign exchange loss/(gain)	1,033	(4,090)
<i>Discontinued operations</i>		
Depreciation of other properties, plant and equipment	-	94
Interest income	-	(47)
Net foreign exchange gain	-	(47)

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 (LOSS)/PROFIT FOR THE PERIOD (Continued)

(Loss)/profit for the period is arrived at after charging/(crediting): (continued)

### (b) Other items (continued)

*Note:* Included in other receivables at 31 March 2015 was the amount of \$10,168,000 in respect of the remaining consideration receivables from disposal of Wing Lok Innovative Education Organization Corporation (the "Wing Lok Disposal"). Subsequent to 31 March 2015, the Wing Lok Disposal purchaser defaulted on the payments. At 30 September 2015, the Group assessed the recoverability of the consideration receivables and its accrued interests and full provision was made thereof, and charged to profit or loss for the six-month period ended 30 September 2015.

Pursuant to the disposal agreement of the Wing Lok Disposal which was entered on 31 July 2014, the advances to Wing Lok Innovative Education Organization Corporation and its subsidiaries by the Company amounting to \$28,455,000 are to be waived upon payment of the total consideration and interests in full by the Wing Lok Disposal purchaser. At 30 September 2014, full provision was made and charged to profit or loss for the six-month period ended 30 September 2014.

## 5 INCOME TAX

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Continuing operations</b>		
<i>Current tax</i>		
Hong Kong Profits Tax		
– Provision for the period	–	1,712
– Over-provision in respect of prior year	–	(79)
	–	1,633
PRC Enterprise Income Tax	<b>6,861</b>	2,095
Overseas tax	<b>43</b>	6
	<b>6,904</b>	3,734
<i>Deferred tax</i>		
Origination and reversal of temporary differences	<b>518</b>	1,906
	<b>7,422</b>	5,640

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 5 INCOME TAX (Continued)

No provision for Hong Kong Profits Tax was made for the six-month period ended 30 September 2015 as the entities comprising the Group that are subject to Hong Kong Profits Tax incurred taxable loss for the period. The provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the six-month period ended 30 September 2014.

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 2014: 25%) for the period.

Overseas tax is calculated at the rates prevailing in the relevant jurisdictions.

### 6 DISCONTINUED OPERATIONS

On 8 August 2014, the Group entered into a sale agreement to partially dispose of its 30% equity interests in Kailong Holdings Limited ("KLR Holdings") that carried out all of the Group's asset, investment and fund management operations.

The Group had decided to dispose of its equity interests in KLR Holdings as it intends to reallocate its capital into opportunities that offer better potential returns such as real estate investment opportunities. The financial results of KLR Holdings were classified and presented as discontinued operations in accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations*. The disposal was completed on 26 September 2014, on which date the Group lost control in KLR Holdings.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 DISCONTINUED OPERATIONS (Continued)

The results of and loss from the discontinued operations for the period from 1 April 2014 to 26 September 2014 are analysed as follows:

	Period from 1 April 2014 to 26 September 2014 \$'000
Revenue	15,601
Cost of sales and services	(12,539)
	<hr/>
Gross profit	3,062
Other revenue and other net income	674
Administrative and other operating expenses	(8,081)
	<hr/>
Loss before taxation	(4,345)
Income tax	–
	<hr/>
Loss for the period	(4,345)
Gain on disposal of discontinued operations	14,193
	<hr/>
	9,848
	<hr/> <hr/>

The net cash flows incurred by the discontinued operations are as follows:

Net cash used in operating activities	(27,671)
Net cash generated from investing activities	30,861
	<hr/>
Net cash inflows	3,190
	<hr/> <hr/>

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7 (LOSS)/EARNINGS PER SHARE

#### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company from continuing operations and discontinued operations of \$22,783,000 (loss) and \$Nil respectively (six-month period ended 30 September 2014: \$9,454,000 (loss) and \$11,506,000 respectively) and the weighted average number of 477,447,000 ordinary shares in issue during both interim periods.

#### (b) Diluted (loss)/earnings per share

There are no potential diluted ordinary shares during the six-month periods ended 30 September 2015 and 30 September 2014.

### 8 INVESTMENT PROPERTIES

	2015 \$'000	2014 \$'000
At 1 April	456,518	355,567
Additions	–	228
Transfer	–	92,170
Revaluation surplus	7,871	8,104
Exchange adjustments	(12,740)	449
At 30 September 2015/31 March 2015	451,649	456,518

#### Valuation

The investment properties of the Group were revalued as at 30 September 2015 by an independent firm of surveyors, Roma Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The fair value of the investment properties is determined using direct comparison approach by reference to recent sales prices of comparable properties adjusted for a premium or a discount specific to quality of the Group's investment properties compared to the recent sales.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 INTERESTS IN ASSOCIATES

	<b>At 30 September</b>	At 31 March
	<b>2015</b>	2015
	<b>\$'000</b>	\$'000
Share of net assets	<b>26,174</b>	26,528
Amount due from an associate	<b>97,967</b>	–
	<b>124,141</b>	26,528
Amounts due to associates	<b>20,022</b>	17,729
Dividend received from an associate	<b>1,134</b>	–

The amounts due from/(to) associates are unsecured, interest-free and recoverable/repayable on demand.

### (a) Acquisition of interest in an associate

On 26 May 2015, Talent Step Investments Limited (“Talent Step”), an indirect wholly-owned subsidiary of the Company and DSM Project Limited (“DSM”), an independent third party of the Group, subscribed for 26% and 74% equity interests of Epic Quest Global Limited (“Epic Quest”) for cash of US\$26 (equivalent to approximately \$202) and US\$74 (equivalent to approximately \$573) respectively. Given that the Group is able to exercise significant influence over Epic Quest because it has the power to appoint one out of three directors of Epic Quest pursuant to the shareholder’s agreement that was entered between Talent Step and DSM, the 26% equity interests of Epic Quest is accounted for as interest in an associate in the consolidated financial statements under equity method of accounting.

On 10 June 2015, Epic Quest entered into the sale and purchase agreement with Excel Value International Limited (“Excel Value”) and GT Winner Limited (“GT Winner”), both are independent third parties of the Group, pursuant to which Epic Quest agreed to acquire from Excel Value and GT Winner the entire equity interests of and certain loans owing by Smart Wealth Asia Pacific Limited, an owner of a 9-storey industrial building in Hong Kong, at an aggregate consideration of \$339,440,000. The transaction was completed on 24 September 2015.



## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date, net of allowance for doubtful debts, is as follows:

	<b>At 30 September</b>	At 31 March
	<b>2015</b>	2015
	<b>\$'000</b>	\$'000
1-30 days	<b>10,664</b>	28,426
31-60 days	<b>7,119</b>	19,527
61-90 days	<b>26,088</b>	31,616
Over 90 days	<b>56,717</b>	31,410
	<b>100,588</b>	110,979

Except for the Group's trade customers, which the Group negotiates on individual basis in accordance with contract terms, i.e. an average credit period of 60 days (31 March 2015: 60 days), all invoices are due upon issue.

### 11 TRADE AND OTHER PAYABLES

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

	<b>At 30 September</b>	At 31 March
	<b>2015</b>	2015
	<b>\$'000</b>	\$'000
1-30 days	<b>18,432</b>	14,906
31-60 days	–	281
61-90 days	<b>4,458</b>	1,249
Over 90 days	<b>53</b>	952
	<b>22,943</b>	17,388

### 12 DEPOSITS RECEIVED FROM SALE OF PROPERTIES

The amounts are expected to be realised after one year from the end of the reporting period.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 BANK LOANS

At 30 September 2015, bank loans and trust receipt loans were repayable as follows:

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Within 1 year or on demand	<b>223,822</b>	127,235
After 1 year but within 2 years	<b>13,251</b>	110,724
After 2 years but within 5 years	<b>33,266</b>	36,738
Over 5 years	–	3,857
	<b>270,339</b>	278,554

At 30 September 2015, bank loans and trust receipt loans were secured as follows:

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Secured bank loans	<b>263,315</b>	257,031
Unsecured bank loans – trust receipt loans	<b>7,024</b>	21,523
	<b>270,339</b>	278,554

- (a) At 30 September 2015, bank loans drawn in Hong Kong bear interest at rates ranging from 2.0% to 2.5% (31 March 2015: 2.0% to 2.7%) per annum over the Hong Kong Interbank Offer Rate or London Interbank Offer Rate and interests are repriced every one to three months.
- (b) At 30 September 2015, bank loans drawn in the PRC bear interest at The People's Bank of China Base Interest Rate per annum (31 March 2015: The People's Bank of China Base Interest Rate per annum).
- (c) At 30 September 2015, bank loans drawn in the U.S.A. bear interest at 1% per annum over the daily Wall Street Journal Prime Rate (31 March 2015: None).

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 BANK LOANS (Continued)

- (d) At 30 September 2015, the bank loans of \$97,652,000 (31 March 2015: \$114,989,000) that are repayable within one year from the end of the reporting period contains a repayable on demand clause.
- (e) At 30 September 2015, the banking facilities of certain subsidiaries of the Group were secured by mortgages over the investment properties, properties for sale and buildings held for own use with an aggregate carrying value of \$450,449,000 (31 March 2015: \$455,318,000), \$355,520,000 (31 March 2015: \$257,536,000) and \$45,344,000 (31 March 2015: \$46,058,000) respectively. Such banking facilities amounted to \$497,125,000 (31 March 2015: \$436,329,000) were utilised to the extent of \$263,315,000 at 30 September 2015 (31 March 2015: \$257,031,000).
- (f) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

At 30 September 2015, none of the covenants relating to the drawn down facilities had been breached (31 March 2015: None).

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 RESERVES AND DIVIDEND

### (a) Other reserves

	Share premium \$'000	Statutory reserve (Note (i)) \$'000	Translation reserve (Note (iii)) \$'000	Capital reserve (Note (iv)) \$'000	Other reserves (Note (v)) \$'000	Special reserve (Note (vi)) \$'000	Total	Retained profits \$'000	Total \$'000
At 1 April 2015	469,130	3,365	3,342	14,175	33,789	67,300	591,101	602,567	1,193,668
Loss for the period	-	-	-	-	-	-	-	(22,783)	(22,783)
Other comprehensive income	-	-	(4,764)	-	-	-	(4,764)	-	(4,764)
Total comprehensive income for the period	-	-	(4,764)	-	-	-	(4,764)	(22,783)	(27,547)
Dividend paid (note 14(b))	-	-	-	-	-	-	-	(23,872)	(23,872)
Acquisition of additional interest in a subsidiary (note 18)	-	-	-	-	223	-	223	-	223
Equity settled share-based transactions (note 14(c))	-	-	-	1,880	-	-	1,880	-	1,880
At 30 September 2015	469,130	3,365	(1,422)	16,055	34,012	67,300	588,440	555,912	1,144,352

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 RESERVES AND DIVIDEND (Continued)

### (a) Other reserves (continued)

	Share premium	Investment revaluation reserve (Note (iii))	Translation reserve (Note (iii))	Capital reserve (Note (iv))	Other reserves (Note (v))	Special reserve (Note (vi))	Total	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2014	469,130	6,369	1,408	6,075	36,968	67,300	587,250	645,863	1,233,113
Profit for the period	-	-	-	-	-	-	-	2,052	2,052
Other comprehensive income	-	(7,128)	(171)	-	-	-	(7,299)	-	(7,299)
Total comprehensive income for the period	-	(7,128)	(171)	-	-	-	(7,299)	2,052	(5,247)
Dividend paid (note 14(b))	-	-	-	-	-	-	-	(152,783)	(152,783)
Acquisition of additional interest in a subsidiary	-	-	-	-	(2,012)	-	(2,012)	-	(2,012)
Deemed disposal of a subsidiary	-	759	(2)	-	(1,744)	-	(987)	-	(987)
Equity settled share-based transactions (note 14(c))	-	-	-	4,050	-	-	4,050	-	4,050
At 30 September 2014	469,130	-	1,235	10,125	33,212	67,300	581,002	495,132	1,076,134

Notes:

- (i) According to the relevant PRC laws, the PRC subsidiaries are required to transfer at least 10% of their net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividend to the PRC subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the PRC subsidiaries.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 RESERVES AND DIVIDEND (Continued)

### (a) Other reserves (continued)

Notes: (continued)

- (ii) Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period, net of related deferred tax (if any). During the six-month period ended 30 September 2014, all the Group's available-for-sale investments were disposed of through disposal of a subsidiary, and accordingly the investment revaluation reserve were released to retained profits through other comprehensive income.
- (iii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (iv) Capital reserve represents the movement of fair value of unexercised share options granted by an indirect wholly-owned subsidiary of the Company to an independent third party in respect of the provision of the marketing and consultancy services (note 14(c)). The Group recognised equity settled share-based payments of \$1,880,000 in respect of these services for the six-month period ended 30 September 2015 (six-month period ended 30 September 2014: \$4,050,000).
- (v) Other reserves comprise the differences between the consideration and carrying amount of net assets attributable to the addition and reduction of interests in subsidiaries being acquired from and disposed to non-controlling shareholders respectively.
- (vi) 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 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 share capital of Sundart Holdings Limited ("Sundart Holdings") in proportion to their respective holding in Sundart Holdings. The acquisition of Sundart Holdings by the Company was 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.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 RESERVES AND DIVIDEND (Continued)

### (b) Dividend

- (i) The board of directors does not recommend the payment of an interim dividend for the six-month period ended 30 September 2015 (six-month period ended 30 September 2014: \$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year:

	Six-month period ended	
	30 September	
	2015	2014
	\$'000	\$'000
Final dividend in respect of the previous financial year, of 5 cents per share (six-month period ended 30 September 2014: 32 cents per share)	23,872	152,783

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

On 27 June 2013, Q-Stone Building Materials Limited ("Q-Stone"), an indirect 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 assets 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 periods ended 30 September 2015 and 30 September 2014.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Other related party transactions

	Six-month period ended	
	30 September	
	2015	2014
	\$'000	\$'000
Investment advisory fee expense to an associate	704	–
Asset management fee expense to an associate	707	–
Fitting-out work acquired from an associate	–	6,085
Fitting-out services fee expense to a related party	4,458	–
Management fee expense to an associate	–	228
Management fee expense to a related party	228	–
Interior design consultancy service fee to a related party	1,471	–
Rental income from a related party	366	–
Sales of construction materials to a related party	445	–
Management fee income from a joint venture	100	145

### (b) Compensation of key management personnel

	Six-month period ended	
	30 September	
	2015	2014
	\$'000	\$'000
Salaries and short-term benefits	12,030	13,064
Post-employment benefits	36	34
	12,066	13,098



# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2015

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 CAPITAL COMMITMENTS

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

	<b>At 30 September</b>	At 31 March
	<b>2015</b>	2015
	<b>\$'000</b>	\$'000
Authorised but not contract for	–	–
Contracted for	<b>292</b>	840
	<b>292</b>	840

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) 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 is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's unlisted available-for-sale investments were categorised as Level 3 and disposed of through disposal of a subsidiary during the six-month period ended 30 September 2014.

During the six-month periods ended 30 September 2015 and 30 September 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 of the fair value hierarchy classifications.

# Notes to the Unaudited Interim Financial Report

*For the six-month period ended 30 September 2015  
(Expressed in Hong Kong dollars unless otherwise indicated)*

## **18 ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY**

On 6 July 2015, Keen Virtue Group Limited, a wholly-owned subsidiary of the Company, acquired an additional 35% equity interests of Wit Legend Investments Limited ("Wit Legend") for a consideration of US\$35 (equivalent to approximately \$273). Upon the completion of the acquisition, Wit Legend became a wholly-owned subsidiary of the Group. The acquisition was completed on 6 July 2015.

## **19 CONTINGENT LIABILITIES**

At the end of the reporting period, the Company has issued guarantee to banks in respect of banking facilities granted to certain indirect wholly-owned subsidiaries of \$751,129,000 (31 March 2015: \$529,054,000). The banking facilities were utilised to the extent of \$231,402,000 (31 March 2015: \$239,024,000) as at 30 September 2015. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

The Company has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.

## **20 NON-ADJUSTING EVENT AFTER THE END OF THE REPORTING PERIOD**

On 23 November 2015, Talent Step and KLR Holdings entered into a repurchase agreement pursuant to which Talent Step has agreed to dispose of its entire 9.74% equity interests in KLR Holdings at a consideration of US\$4,187,000 (equivalent to approximately \$32,515,000) ("KLR Disposal"). Upon completion, Talent Step ceased to own any shares of KLR Holdings. Details of the KLR Disposal were set out in the Company's announcement dated 23 November 2015.

## **21 APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board on 25 November 2015.

## Corporate Governance and Other Information

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2015.

### 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 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 <sup>(1)</sup>	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
	Long	Beneficial owner	9,000,000	1.89
			<hr/>	
			203,208,000	42.57
NG Tak Kwan	Long	Beneficial owner	84,000,000	17.59

#### Notes:

1. Tiger Crown Limited, 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 settlor 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

Saved as disclosed above, up to the date of this report, none of the directors or chief executives of the Company and their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### 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 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
HSBC International Trustee Limited	Long	Corporate trustee <sup>(1) (2)</sup>	194,208,000	40.68
Rykadan Holdings Limited	Long	Interest in a controlled corporation <sup>(1) (2)</sup>	194,208,000	40.68
Tiger Crown Limited <sup>(1)</sup>	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
			<hr/> 194,208,000	<hr/> 40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
			<hr/> 194,208,000	<hr/> 40.68
LI Chu Kwan	Long	Interest in a controlled corporation <sup>(3)</sup>	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
			<hr/> 194,208,000	<hr/> 40.68
LI Wing Yin	Long	Interest in a controlled corporation <sup>(3)</sup>	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
			<hr/> 194,208,000	<hr/> 40.68

## Corporate Governance and Other Information

### Notes:

1. Tiger Crown Limited, 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 settlor 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.

Saved as disclosed above, up to the date of this report, no other person, other than the directors and chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

### CHANGES IN DIRECTORS' INFORMATION

Changes in information of directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the publication of the Company's annual report for the year ended 31 March 2015, are set out below:

Mr. Ng Tak Kwan, an executive director, was re-designated as a non-executive director on 21 August 2015.

### 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 2015, no share option under the share option scheme had been granted.

## Corporate Governance and Other Information

### **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 Listing Rules.

### **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 non-executive directors should attend general meetings of the Company. The non-executive director was absent from the last annual general meeting held on 26 August 2015 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.

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, 25 November 2015