

Interim Report  
**2016**



**RYKADAN CAPITAL LIMITED**

**宏基資本有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code : 2288)**

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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

### 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

## OVERVIEW

The Group continued to make progress in developing its property development business. This included The Paseo – the Group’s first residential real estate project – received the certificate of completion in September 2016 following its earlier pre-sale, and the Group started to handover the units to property purchasers from late September 2016.

The Group also moved forward with developing its two industrial properties in Hong Kong, including the launch of the pre-sale of one of these projects, under the project name of THE AGORA (hereafter referred to as the “Wing Hong Street Project”). These projects, alongside the Group’s other investments, continue to align with the Group’s strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon.

During the six-month period under review, 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 construction and interior decorative materials and hospitality operations.

As at 30 September 2016, the Group’s total assets amounted to HK\$1,927 million (31 March 2016: HK\$1,974 million), of which HK\$1,305 million (31 March 2016: HK\$1,356 million) were current assets, approximately 1.90 times (31 March 2016: 1.95 times) of current liabilities. Equity attributable to the owners of the Company was HK\$1,053 million (31 March 2016: HK\$1,080 million).

## OVERALL PERFORMANCE

During the six-month period under review, the Group recorded consolidated revenue of HK\$154 million (six-month period ended 30 September 2015: HK\$96 million). Gross profit and gross profit margin were HK\$38 million (six-month period ended 30 September 2015: HK\$35 million) and 24.5% (six-month period ended 30 September 2015: 36.0%) respectively.

Net loss for the period was HK\$11 million (six-month period ended 30 September 2015: HK\$24 million). Loss attributable to equity shareholders of the Company was HK\$9 million (six-month period ended 30 September 2015: HK\$23 million). The loss was mostly attributed to the net foreign exchange losses arose from the fluctuation of Renminbi and British Pound of HK\$19 million, as well as the selling and marketing costs incurred in property development projects while the properties have not yet delivered, notwithstanding that the Group realised gain on disposal of trading securities of HK\$7 million.

## Management Discussion and Analysis

Basic loss per share for the six-month period ended 30 September 2016 was HK1.9 cents (six-month period ended 30 September 2015: HK4.8 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016.

### MATERIAL ACQUISITION AND DISPOSAL

There is no material acquisition and disposal during the period.

### INVESTMENT PORTFOLIO

As at 30 September 2016, the Group's bank deposits and cash was HK\$212 million (31 March 2016: HK\$132 million), representing 11.0% (31 March 2016: 6.7%) of the Group's total assets.

The following tables show the Group's investments as at 30 September 2016.

#### Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2016	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
Hampton Project	957 Hampton Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction, expected to be completed in early 2017	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, expected to be completed in early 2017	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	10,939 square feet	N/A	10,939 square feet

## Management Discussion and Analysis

Investment	Location	Type	Group interest	Status as of 30/9/2016	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	Kowloon Inland Lot No. 11229	Residential/commercial property	100%	Construction completed in September 2016	25,338 square feet	N/A	25,338 square feet
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Under planning	N/A	7,200 square feet	7,200 square feet
Wing Hong Street Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Under construction and pre-sale stage. Expected to be completed in 2018	181,687 square feet	N/A	47,239 square feet
2702, 2803 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as investment properties)	10,307 square feet	N/A	10,307 square feet
2804 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)	1,345 square feet	N/A	1,345 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 construction and interior decorative materials	87%
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%

## SUMMARY OF INVESTMENTS

### Property development

The Group made substantial progress in moving forward many of its real estate investments during the period under review. Highlights included the successful pre-sale of the Wing Hong Street Project, as well as obtaining of the certification of completion for The Paseo.

Construction of The Paseo has been completed and the subsequent handovers are expected to be finalised by the beginning of 2017. The Group's strategy for both Maple Street Project and Wing Hong Street Project is to demolish the existing buildings and redevelop the properties into brand new high quality industrial properties for reselling purposes.

The successful completion of these projects will cement the Group's reputation and track record as a property developer, which will support its expansion into new business fields in the future. For example, the Group started providing management services for the Wing Hong Street Project via its wholly-owned subsidiary, Rykadan Management Services Limited. This service is provided under a progressive fee structure linked to cost saving performance.

The Group will continuously review and assess its projects on hand with a view of materialising its investments at an appropriate time.

### **Property investment and hospitality operations**

The Group also holds several properties in Hong Kong, the PRC and Bhutan for property investment and hospitality operations purposes.

In Hong Kong, the Group continues to retain two floors of Rykadan Capital Tower for its own use and for rental income or potential rental income.

In the PRC, the Group has invested in the Kailong Nanhui Business Park. The Group will continue to target large and quality tenants and will consider off-loading the buildings at an appropriate time.

In Bhutan, the Group has invested in a 24-suite boutique resort located in Bhutan's Punakha Valley, for which operations and occupancy has been stable.

### **Distribution of construction and interior decorative materials**

Q-Stone Building Materials Limited ("Q-Stone") is a subsidiary of the Group in the business of distribution of construction and interior decorative materials. Q-Stone is the exclusive distributor of Quarella, a world leader in the production of quartz and marble-based engineered stone composite surfaces products, in the PRC 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.

In September 2016, the Group successfully tendered for the lease of the business and certain assets of Quarella S.p.A. with a joint-venture partner as part of a public tender. The Group is yet to finalise a shareholders' agreement with its joint-venture partner ahead of the acquisition.

Due to the new development in Quarella, the Group is looking for other brands to expand Q-Stone's business.

As at 30 September 2016, Q-Stone has contracts on hand worth HK\$135 million to be completed in the coming years.



## OUTLOOK

The Group remains cautiously optimistic about the prospects of the Hong Kong residential, commercial and industrial property markets. It is particularly well placed to benefit from rising demand for commercial and industrial space outside of the city's CBD, such as West Kowloon, which is currently experiencing rapid revitalisation.

The Group also stays positive about the long-term prospects of the U.S.A. and the U.K. property markets, although it will closely monitor the potential risks associated with the U.S. Presidential election result, as well as the U.K.'s decision to leave the European Union and the subsequent devaluation of the British Pound.

The Group is also prudently optimistic about the effect of the economic stimulus in the PRC that will have on the domestic construction industry, which may support demand for its construction and interior decorative materials business.

The Group will continue to thoughtfully evaluate new investment opportunities and leverage its experienced management team and business partners to further diversify the Group's investment 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 and overseas 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.

As at 30 September 2016, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 21.0% (31 March 2016: 22.6%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank deposits and cash, to equity attributable to equity shareholders of the Company) was 18.2% (31 March 2016: 29.2%) as the Group has net debts of HK\$192 million as at 30 September 2016 (31 March 2016: HK\$315 million).

At 30 September 2016, the Group has total bank borrowings of HK\$404 million (31 March 2016: HK\$447 million). The bank borrowings of the Group were mainly to finance the retaining two floors of Rykadan Capital Tower, Maple Street Project, the U.S.A. properties and Kailong Nanhui Business Park. Of the total bank borrowings, the bank loans of HK\$309 million were secured by the properties for sale, investment properties and buildings held for own use of which HK\$151 million will be repayable upon the completion of construction of properties. Further costs for developing Maple Street Project, the U.S.A. properties, the U.K. property and Wing Hong Street Project will be financed by either unutilised banking facilities, deposits received from customers held as restricted bank deposits designated for the projects or internally generated funds.

As at 30 September 2016, the Group's current assets and current liabilities were HK\$1,305 million (31 March 2016: HK\$1,356 million) and HK\$687 million (31 March 2016: HK\$695 million) respectively. The Group's current ratio slightly decreased to 1.90 (31 March 2016: 1.95). 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 2016, 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\$870 million (31 March 2016: HK\$1,147 million).

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

For capital commitments and contingent liabilities, please refer to notes 14 and 17 to the unaudited consolidated interim financial report respectively.

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

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

# Management Discussion and Analysis

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## **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.

## **Employees and Remuneration Policies**

As at 30 September 2016, the total number of employees of the Group is 64 (30 September 2015: 68). 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\$22 million for the period (30 September 2015: HK\$21 million).

# Consolidated Income Statement

For the six-month period ended 30 September 2016 – Unaudited  
(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September	
		2016 \$'000	2015 \$'000
Revenue	3	153,524	96,269
Cost of sales and services		(115,964)	(61,571)
<b>Gross profit</b>		<b>37,560</b>	34,698
Other revenue		2,486	589
Other net loss		(12,237)	(1,081)
Selling and marketing expenses		(8,074)	(10,736)
Administrative and other operating expenses		(35,601)	(46,102)
<b>Loss from operations</b>		<b>(15,866)</b>	(22,632)
Increase in fair value of investment properties	7	12,133	7,871
Finance costs	4(a)	(3,333)	(3,330)
Share of profit less loss of associates		–	1,190
Share of profit less loss of joint ventures		386	101
<b>Loss before taxation</b>	4	<b>(6,680)</b>	(16,800)
Income tax	5	(3,831)	(7,422)
<b>Loss for the period</b>		<b>(10,511)</b>	(24,222)
<b>Loss for the period attributable to:</b>			
– Equity shareholders of the Company		(9,269)	(22,783)
– Non-controlling interests		(1,242)	(1,439)
<b>Loss for the period</b>		<b>(10,511)</b>	(24,222)
<b>Loss per share</b>	6		
Basic		(1.9) cents	(4.8) cents

The notes on pages 18 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12.

# Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2016 – Unaudited  
(Expressed in Hong Kong dollars)

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Loss for the period</b>	<b>(10,511)</b>	(24,222)
<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	<b>(5,728)</b>	(7,020)
– Share of translation reserve of an associate	–	(410)
<b>Other comprehensive income for the period</b>	<b>(5,728)</b>	(7,430)
<b>Total comprehensive income for the period</b>	<b>(16,239)</b>	(31,652)
<b>Total comprehensive income for the period attributable to:</b>		
– Equity shareholders of the Company	<b>(12,622)</b>	(27,547)
– Non-controlling interests	<b>(3,617)</b>	(4,105)
<b>Total comprehensive income for the period</b>	<b>(16,239)</b>	(31,652)

The notes on pages 18 to 38 form part of this interim financial report.

# Consolidated Statement of Financial Position

As at 30 September 2016  
(Expressed in Hong Kong dollars)

		At 30 September 2016 (Unaudited) \$'000	At 31 March 2016 (Audited) \$'000
<b>Non-current assets</b>			
Investment properties	7	440,973	430,583
Other properties, plant and equipment		58,727	61,512
Interest in an associate	8	106,797	106,797
Interests in joint ventures		14,176	13,785
Other receivables and deposits		869	5,231
		<b>621,542</b>	617,908
<b>Current assets</b>			
Properties for sale		847,736	789,612
Inventories		83,082	71,203
Trade receivables	9	102,040	46,708
Other receivables, deposits and prepayments		35,861	63,607
Trading securities		–	20,473
Amount due from a joint venture		1,135	1,156
Restricted bank deposits		22,363	226,062
Bank deposits and cash		212,117	132,099
Taxation recoverable		995	4,730
		<b>1,305,329</b>	1,355,650

# Consolidated Statement of Financial Position

As at 30 September 2016

(Expressed in Hong Kong dollars)

		At 30 September 2016 (Unaudited) \$'000	At 31 March 2016 (Audited) \$'000
	Note		
<b>Current liabilities</b>			
Trade and other payables	10	73,013	61,928
Deposits received from sale of properties		277,818	261,991
Bank loans	11	260,031	295,809
Loans from non-controlling shareholders		75,693	75,207
		<b>686,555</b>	694,935
<b>Net current assets</b>		<b>618,774</b>	660,715
<b>Total assets less current liabilities</b>		<b>1,240,316</b>	1,278,623
<b>Non-current liabilities</b>			
Bank loans	11	144,263	151,137
Deferred tax liabilities		10,840	11,711
		<b>155,103</b>	162,848
<b>NET ASSETS</b>		<b>1,085,213</b>	1,115,775
<b>CAPITAL AND RESERVES</b>			
Share capital		4,774	4,774
Reserves	12	1,048,299	1,075,244
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,053,073</b>	1,080,018
Non-controlling interests		32,140	35,757
<b>TOTAL EQUITY</b>		<b>1,085,213</b>	1,115,775

The notes on pages 18 to 38 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2016 – Unaudited  
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves (Note 12)	Retained profits (Note 12)	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2016</b>		4,774	504,295	570,949	1,080,018	35,757	1,115,775
<b>Changes in equity for the six-month period ended 30 September 2016:</b>							
Loss for the period		-	-	(9,269)	(9,269)	(1,242)	(10,511)
Other comprehensive income		-	(3,353)	-	(3,353)	(2,375)	(5,728)
Total comprehensive income for the period		-	(3,353)	(9,269)	(12,622)	(3,617)	(16,239)
Dividend paid	12(b)	-	-	(14,323)	(14,323)	-	(14,323)
<b>At 30 September 2016</b>		4,774	500,942	547,357	1,053,073	32,140	1,085,213



# Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2016 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company			Non-controlling interests	Total equity	
		Share capital	Other reserves (Note 12)	Retained profits (Note 12)			Total
		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 1 April 2015</b>		4,774	591,101	602,567	1,198,442	53,767	1,252,209
<hr/>							
<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)
<b>Total comprehensive income for the period</b>		-	(4,764)	(22,783)	(27,547)	(4,105)	(31,652)
<hr/>							
Dividend paid	12(b)	-	-	(23,872)	(23,872)	(9,800)	(33,672)
Acquisition of additional interest in a subsidiary	16	-	223	-	223	(223)	-
Equity settled share-based transactions	12(c)	-	1,880	-	1,880	-	1,880
<hr/>							
<b>At 30 September 2015</b>		4,774	588,440	555,912	1,149,126	39,639	1,188,765

The notes on pages 18 to 38 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2016 – Unaudited  
(Expressed in Hong Kong dollars)

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Operating activities</b>		
Cash generated from operations	115,954	87,163
Income tax refund	887	–
Income tax paid	(1,019)	(10,013)
<b>Net cash generated from operating activities</b>	<b>115,822</b>	77,150
<b>Investing activities</b>		
Proceeds from disposal of trading securities	27,570	–
Advance to an associate	–	(97,967)
Dividend from an associate	–	1,134
Other cash flows generated from/(used in) investing activities	158	(292)
<b>Net cash generated from/ (used in) investing activities</b>	<b>27,728</b>	(97,125)
<b>Financing activities</b>		
Proceeds from new bank loans	134,675	53,441
Repayment of bank loans	(175,713)	(59,566)
Dividend paid	(14,323)	(23,872)
Dividend paid to non-controlling shareholders	–	(9,800)
Other cash flows generated from financing activities	509	849
<b>Net cash used in financing activities</b>	<b>(54,852)</b>	(38,948)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>88,698</b>	(58,923)
<b>Cash and cash equivalents at 1 April</b>	<b>132,099</b>	279,544
<b>Effect of foreign exchange rate changes</b>	<b>(8,680)</b>	2,481
<b>Cash and cash equivalents at 30 September</b>	<b>212,117</b>	223,102

The notes on pages 18 to 38 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(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 28 November 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an 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 2016 annual financial statements. The condensed 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 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 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 March 2016 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 16 June 2016.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(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 amendments are relevant to the Group:

- *Annual Improvements to HKFRS 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

### **Annual Improvements to HKFRS 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34 has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### **Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING

### (a) Revenue

Revenue represents income from distribution of construction and interior decorative materials, sales of properties, rental income and hospitality service fees.

An analysis of the Group's revenue for the period is as follows:

	Six-month period ended	
	30 September	2015
	2016	2015
	\$'000	\$'000
Distribution of construction and interior decorative materials	145,869	92,750
Sales of properties	4,804	–
Rental income	2,851	3,420
Hospitality service fees	–	99
	<b>153,524</b>	<b>96,269</b>

### (b) 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- 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.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (continued)

- Distribution of construction and interior decorative materials – This segment derives its revenue from distribution of stone composite surfaces products in the Greater China region 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 2016

	Property development \$'000	Property investment and hospitality operations \$'000	Distribution of construction and interior decorative materials \$'000	Elimination \$'000	Consolidated \$'000
Revenue					
External revenue	5,070	2,585	145,869	-	153,524
Inter-segment revenue	-	2,081	-	(2,081)	-
<b>Total</b>	<b>5,070</b>	<b>4,666</b>	<b>145,869</b>	<b>(2,081)</b>	<b>153,524</b>
Segment (loss)/profit	(2,941)*	(1,894)	15,252	-	10,417
Corporate expenses					(34,704)
Corporate income					1,324
Increase in fair value of investment properties					12,133
Gain on disposal of trading securities					7,097
Finance costs					(3,333)
Share of profit less loss of joint ventures					386
<b>Loss before taxation</b>					<b>(6,680)</b>

- \* Segment loss was primarily attributable to the selling and marketing costs incurred in relation to pre-sale of properties.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (continued)

Segment results (continued)

For the six-month period ended 30 September 2015

	Property development \$'000	Property investment and hospitality operations \$'000	Distribution of construction and interior decorative materials \$'000	Elimination \$'000	Consolidated \$'000
Revenue					
External revenue	1,086	2,433	92,750	-	96,269
Inter-segment revenue	1,155	620	-	(1,775)	-
Total	2,241	3,053	92,750	(1,775)	96,269
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 profit less loss of associates					1,190
Share of profit of a joint venture					101
Loss before taxation					(16,800)

\* Segment loss was primarily attributable to the selling and marketing costs incurred in relation to pre-sale of properties.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) 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 2016 \$'000</b>	At 31 March 2016 \$'000
<b>Segment assets</b>		
Property development	<b>857,291</b>	995,418
Property investment and hospitality operations	<b>513,916</b>	514,376
Distribution of construction and interior decorative materials	<b>198,354</b>	145,719
<b>Total segment assets</b>	<b>1,569,561</b>	1,655,513
Other properties, plant and equipment	<b>180</b>	213
Interest in an associate	<b>106,797</b>	106,797
Interests in joint ventures	<b>14,176</b>	13,785
Other receivables, deposits and prepayments	<b>22,905</b>	43,522
Trading securities	–	20,473
Amount due from a joint venture	<b>1,135</b>	1,156
Bank deposits and cash	<b>212,117</b>	132,099
<b>Total consolidated assets of the Group</b>	<b>1,926,871</b>	1,973,558
<b>Segment liabilities</b>		
Property development	<b>466,962</b>	557,836
Property investment and hospitality operations	<b>136,499</b>	146,172
Distribution of construction and interior decorative materials	<b>114,932</b>	40,060
<b>Total segment liabilities</b>	<b>718,393</b>	744,068
Other payables	<b>6,732</b>	6,797
Loans from non-controlling shareholders	<b>75,693</b>	75,207
Bank loans	<b>30,000</b>	20,000
Deferred tax liabilities	<b>10,840</b>	11,711
<b>Total consolidated liabilities of the Group</b>	<b>841,658</b>	857,783



# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>(a) Finance costs</b>		
Interest on bank loans	<b>6,601</b>	4,787
Less: interest expense capitalised into properties under development for sale ( <i>Note</i> )	<b>(3,268)</b>	(1,457)
	<b>3,333</b>	3,330

*Note:* Interest was capitalised at an average annual rate of approximately 2.53% (six-month period ended 30 September 2015: 1.26%)

## (b) Other items

Cost of inventories sold	<b>111,526</b>	61,571
Cost of trading properties for recognised sales	<b>4,438</b>	–
Depreciation of other properties, plant and equipment	<b>2,322</b>	2,172
Loss on disposal of other properties, plant and equipment	<b>488</b>	48
Provision for impairment loss on other receivables	–	10,201
Net foreign exchange losses	<b>18,846</b>	1,033
Interest income	<b>(252)</b>	(128)
Dividend income	<b>(472)</b>	–
Gain on disposal of trading securities	<b>(7,097)</b>	–

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 INCOME TAX

	Six-month period ended	
	30 September	2015
	2016	2015
	\$'000	\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	43	–
PRC Enterprise Income Tax	3,745	6,861
Overseas tax	43	43
	<b>3,831</b>	6,904
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	518
	<b>3,831</b>	7,422

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six-month period ended 30 September 2016.

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 were subject to Hong Kong Profits Tax incurred taxable loss for the period.

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 2015: 25%) for the period.

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

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of \$9,269,000 (six-month period ended 30 September 2015: \$22,783,000) and the weighted average number of 477,447,000 ordinary shares in issue during both interim periods.

### (b) Diluted loss per share

There are no potential diluted ordinary shares during the six-month periods ended 30 September 2016 and 30 September 2015.

## 7 INVESTMENT PROPERTIES

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
At 1 April	<b>430,583</b>	456,518
Transfer	<b>21,200</b>	2,400
Revaluation deficit	–	(10,320)
Exchange adjustments	<b>(10,810)</b>	(18,015)
At 30 September 2016/31 March 2016	<b>440,973</b>	430,583

During the period ended 30 September 2016, completed properties held for sale of \$21,200,000 were transferred from “properties for sale” to “investment properties” as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation surplus of \$12,133,000 has been dealt with in the consolidated income statement.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 INTEREST IN AN ASSOCIATE

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Share of net assets	–	–
Amount due from an associate	<b>106,797</b>	106,797
	<b>106,797</b>	106,797

At 30 September 2016, the Group held 26% equity interests in Epic Quest Global Limited (“Epic Quest”).

At 30 September 2016, the Group’s unrecognised share of loss of the associate, Epic Quest, for the current period and the period cumulatively, amounted to \$4,363,000 (six-month period ended 30 September 2015: \$Nil) and \$6,141,000 (31 March 2016: \$1,778,000) respectively.

## 9 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 2016 \$'000</b>	At 31 March 2016 \$'000
1-30 days	<b>60,213</b>	7,638
31-60 days	<b>1,408</b>	3,822
61-90 days	<b>16,091</b>	2,844
Over 90 days	<b>24,328</b>	32,404
	<b>102,040</b>	46,708

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 90 days (31 March 2016: 90 days), all invoices are due upon issue.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 TRADE AND OTHER PAYABLES

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

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
1-30 days	<b>8,107</b>	12,794
31-60 days	–	–
61-90 days	<b>443</b>	–
Over 90 days	<b>6,480</b>	27
	<b>15,030</b>	12,821

## 11 BANK LOANS

At 30 September 2016, the bank loans are repayable as follows:

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Within 1 year or on demand	<b>260,031</b>	295,809
After 1 year but within 2 years	<b>11,266</b>	11,640
After 2 years but within 5 years	<b>132,997</b>	139,497
	<b>404,294</b>	446,946

At 30 September 2016, the secured bank loans and unsecured bank loans are as follows:

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Secured bank loans	<b>308,735</b>	420,036
Unsecured bank loans	<b>95,559</b>	26,910
	<b>404,294</b>	446,946

# Notes to the Unaudited Interim Financial Report

*For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)*

## 11 BANK LOANS (Continued)

- (a) At 30 September 2016, bank loans drawn in Hong Kong bear interest at rates ranging from 1.9% to 2.7% (31 March 2016: 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 2016, bank loans drawn in the PRC bear interest at The People's Bank of China Base Interest Rate (31 March 2016: The People's Bank of China Base Interest Rate) per annum.
- (c) At 30 September 2016, bank loans drawn in the U.S.A. bear interest at 1% (31 March 2016: 1%) per annum over the daily Wall Street Journal Prime Rate.
- (d) At 30 September 2016, the bank loans of \$210,387,000 (31 March 2016: \$134,652,000) that are repayable within one year from the end of the reporting period contains a repayable on demand clause.
- (e) At 30 September 2016, the banking facilities 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 \$439,773,000 (31 March 2016: \$429,383,000), \$378,431,000 (31 March 2016: \$664,543,000) and \$51,918,000 (31 March 2016: \$52,761,000) respectively. Such banking facilities amounted to \$715,305,000 (31 March 2016: \$932,931,000) were utilised to the extent of \$308,735,000 at 30 September 2016 (31 March 2016: \$420,036,000).
- (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 2016, none of the covenants relating to the drawn down facilities had been breached (31 March 2016: None).

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 RESERVES AND DIVIDEND

### (a) Other reserves

	Share premium	Statutory reserve (Note (i))	Translation reserve (Note (ii))	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 2016	469,130	4,433	(4,708)	-	35,440	-	504,295	570,949	1,075,244
Loss for the period	-	-	-	-	-	-	-	(9,269)	(9,269)
Other comprehensive income	-	-	(3,353)	-	-	-	(3,353)	-	(3,353)
Total comprehensive income for the period	-	-	(3,353)	-	-	-	(3,353)	(9,269)	(12,622)
Dividend paid (note 12(b))	-	-	-	-	-	-	-	(14,323)	(14,323)
At 30 September 2016	469,130	4,433	(8,061)	-	35,440	-	500,942	547,357	1,048,299
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 12(b))	-	-	-	-	-	-	-	(23,872)	(23,872)
Acquisition of additional interest in a subsidiary (note 16)	-	-	-	-	223	-	223	-	223
Equity settled share-based transactions (note 12(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 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)*

## 12 RESERVES AND DIVIDEND (Continued)

### (a) Other reserves (continued)

*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.
- (ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (iii) Capital reserve represents the movement of fair value of unexercised share options granted by an indirect subsidiary of the Company to an independent third party in respect of the provision of the marketing and consultancy services (note 12(c)).
- (iv) 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.
- (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 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. Pursuant to the directors' resolution passed on 26 October 2015, the amounts included in the special reserve of \$67,300,000 had been transferred to retained profits of the Company as at 31 March 2016.



# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 RESERVES AND DIVIDEND (Continued)

### (b) Dividend

- (i) The Board does not recommend the payment of an interim dividend for the six-month periods ended 30 September 2016 and 30 September 2015.
- (ii) Dividend payable to equity shareholders attributable to the previous financial year

	Six-month period ended	
	30 September	
	2016	2015
	\$'000	\$'000
Final dividend in respect of the previous financial year, of 3 cents per share (six-month period ended 30 September 2015: 5 cents per share)	<b>14,323</b>	23,872

### (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 Consultants 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.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 RESERVES AND DIVIDEND (Continued)

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

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.

The fair value of services received in return for the Share Option granted is measured by reference to the fair value of the Share Option granted. The estimated fair value of the Share Option granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the Share Option is used as an input into this model. Share-based payments of \$1,880,000 in respect of the Share Option that have been recognised for the services received had been charged to profit or loss.

#### *Fair value of Share Option and assumptions*

Fair value at measurement date	\$16,055,000
Underlying value of shares	\$19,500,000
Exercise price	\$3,491,000
Expected volatility	44.51%
Option life	2.34 years
Risk-free interest rate	0.445%

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

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 RESERVES AND DIVIDEND (Continued)

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

The 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.

On 31 December 2015, Q-Stone and Fine China entered into the Deed of Termination and Cancellation (“Deed”) pursuant to which the Share Option Agreement was terminated and the Share Option was cancelled with effect from 31 December 2015.

Pursuant to the Deed, Q-Stone has agreed to pay a bonus fee (“compensation”) to Fine China which was computed based on the accounts receivables as at 31 March 2015 referred by Fine China to Q-Stone which was subsequently settled and collected by Q-Stone during the period from 31 December 2015 to 30 September 2016 if this exceeds an agreed level. The compensation payable to Fine China will not exceed \$9,800,000. The compensation payable to Fine China in respect of the cancellation of the Share Option is accounted for as repurchases of an equity interest to the extent that the payment exceeds the fair value of the equity instruments to be granted. As of 31 March 2016, the Group assessed the compensation payable to Fine China in the amounts of \$6,670,000 and such amounts had been dealt through capital reserve.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

In addition to the transactions disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions during the period:

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Project management fee income from an associate	<b>600</b>	–
Asset management fee expense to an associate	–	707
Investment advisory fee expense to an associate	–	704
Asset management fee expense to a related party	<b>196</b>	–
Investment advisory fee expense to a related party	<b>198</b>	–
Fitting-out services fee expense to a related party	–	4,458
Management fee expense to a related party	–	228
Interior design consultancy service fee to a related party	–	1,471
Rental income from related parties	<b>214</b>	366
Sales of construction materials to a related party	–	445
Management fee income from a joint venture	–	100

### (b) Compensation of key management personnel

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Salaries and short-term benefits	<b>9,265</b>	12,030
Post-employment benefits	<b>63</b>	36
	<b>9,328</b>	12,066

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2016  
(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 CAPITAL COMMITMENTS

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

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Contracted for	–	10

## 15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Financial assets and liabilities measured at fair value

#### *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.

During the six-month periods ended 30 September 2016 and 30 September 2015, 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 2016  
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## 15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

	Fair value measurements as at 30 September 2016		Fair value measurements as at 31 March 2016	
	Fair value at 30 September 2016	Fair value at 30 September 2016 categorised into Level 1	Fair value at 31 March 2016	Fair value at 31 March 2016 categorised into Level 1
	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurements</b>				
Assets:				
Trading securities	-	-	20,473	20,473

## 16 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.

## 17 CONTINGENT LIABILITIES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries of \$1,133,025,000 (31 March 2016: \$1,133,042,000). The banking facilities were utilised to the extent of \$331,316,000 (31 March 2016: \$376,719,000) as at 30 September 2016. The directors do not consider it probable that a claim will be made against the Company under any of these 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.

# Notes to the Unaudited Interim Financial Report

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*For the six-month period ended 30 September 2016*

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## **18 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD**

Subsequent to the end of the reporting period, the Group agreed with the non-controlling shareholders of Kings Haul Limited ("Kings Haul") and Power City Investments Limited ("Power City"), indirect non-wholly owned subsidiaries of the Company, that certain terms would be varied for both the shareholder agreements of Kings Haul and Power City. These agreements constituted a connected transaction of the Company under the Listing Rules. Details of these agreements were set out in the Company's announcement dated 1 November 2016.

The Group has advanced to Quarella Group Limited ("QGL"), an affiliated company of the Group, various loans which amounted to \$40 million in aggregate as of 9 November 2016 (30 September 2016: \$15 million) in order for QGL and its subsidiaries to meet the working capital requirement. Details of the capital contribution were set out in the Company's announcement dated 9 November 2016.

## **19 APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board on 28 November 2016.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016.

### 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
			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
			194,208,000	40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	97,104,000	20.34
			194,208,000	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
			194,208,000	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
			194,208,000	40.68

*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.

## **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 2016, 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 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.

### 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, 28 November 2016