



RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)

INTERIM REPORT
2017

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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

The Macau Chinese 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

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road

P.O. Box 1586, 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

INVESTOR RELATIONS CONTACT

Think Alliance Group

Level 9, Central Building

1-3 Pedder Street, Central

Hong Kong

Management Discussion and Analysis

OVERVIEW

The Group continued to further advance its property development business during the six-month period under review. It launched the pre-sale of its second industrial redevelopment, under the project name of THE KHORA (hereafter referred to as the “Maple Street Project”), which was another success for the Group following the successful pre-sale of THE AGORA (hereafter referred to as the “Wing Hong Street Project”) during the last financial year. The Group also monetised the remainder of its first residential real estate project – The Paseo – during the period under review.

The Group also actively explores the acquisition of additional industrial and commercial properties in Hong Kong to complement its existing portfolio, while exiting other property investments to free up capital. This aligned with its 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 is also invested in companies operating in the areas of distribution of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2017, the Group’s total assets were valued at HK\$1,944 million (31 March 2017: HK\$1,671 million), of which HK\$1,093 million (31 March 2017: HK\$979 million) were current assets, approximately 1.86 times (31 March 2017: 2.60 times) of current liabilities. Equity attributable to the owners of the Company was HK\$1,160 million (31 March 2017: HK\$1,112 million).

OVERALL PERFORMANCE

During the six-month period under review, the Group recorded consolidated revenue of HK\$155 million (six-month period ended 30 September 2016: HK\$154 million). Gross profit and gross profit margin was HK\$50 million (six-month period ended 30 September 2016: HK\$38 million) and 31.9% (six-month period ended 30 September 2016: 24.5%) respectively.

Net profit for the period was HK\$46 million (six-month period ended 30 September 2016: loss of HK\$11 million). Profit attributable to equity shareholders of the Company was HK\$46 million (six-month period ended 30 September 2016: loss of HK\$9 million).

Management Discussion and Analysis

The profit was mostly attributable to the sale of the remaining residential and commercial units of The Paseo, a 25-storey mixed residential/commercial project in the Tsim Sha Tsui district, Kowloon, fair value gain on investment properties in Hong Kong and favourable net foreign exchange gains from the Renminbi and British Pound.

Basic and diluted earnings per share for the six-month period ended 30 September 2017 was HK9.6 cents (six-month period ended 30 September 2016: basic and diluted loss of HK1.9 cents per share).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2017.

MATERIAL ACQUISITION AND DISPOSAL

Q.R.B.G. S.r.L. ("QRBG"), an indirect wholly-owned subsidiary of Quarella Holdings Limited, a joint venture of the Group, and Quarella S.p.A. ("Quarella Italy") have entered into a business sale and purchase contract on 19 July 2017, QRBG has acquired, and Quarella Italy has, among other things, sold, the relevant parts of the business and assets of Quarella Italy which relates to the business of production of quartz and marble-based engineered stone composite surface products. The major assets acquired by QRBG under the business sale and purchase contract consist of land and buildings, plant and machineries, inventories and trademarks.

INVESTMENT PORTFOLIO

As at 30 September 2017, the Group had bank deposits and cash on hand of HK\$160 million (31 March 2017: HK\$125 million), representing 8.2% (31 March 2017: 7.5%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2017.

Management Discussion and Analysis

Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2017	Total gross floor area (Note 1)	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
265 Naomi Project	265 W Naomi Avenue, Arcadia, CA91007, the U.S.A.	Residential property	100%	Under planning	N/A	22,858 square feet	22,858 square feet
263 Naomi Project	263 W Naomi Avenue, Arcadia, CA91007, the U.S.A.	Residential property	100%	Under planning	N/A	22,858 square feet	22,858 square feet
Hampton Project	957 Hampton Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Completed and being marketed to buyer	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%	Completed and being marketed to buyer	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%	Completed and being marketed to buyer	10,939 square feet	N/A	10,939 square feet
Le Roy Project	333 West Le Roy Avenue, Arcadia, CA91007, the U.S.A.	Residential property	50%	Under planning	N/A	20,625 square feet	10,313 square feet
Kailong Nanhui Business Park (the "Business Park") (Note 2)	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial/industrial property	59.1%	Being marketed to tenants	52,304 square metres	N/A	30,911 square metres
Maple Street Project	124-126, 130,132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Under construction and pre-sale stage. Expected to be completed in December 2018	86,400 square feet	N/A	86,400 square feet

Management Discussion and Analysis

Investment	Location	Type	Group interest	Status as of 30/9/2017	Total gross floor area (Note 1)	Total land area	Attributable gross floor/land area
Wing Hong Street Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Under construction. Expected to be completed in December 2018	181,687 square feet	N/A	47,239 square feet
2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as investment properties)	13,453 square feet	N/A	13,453 square feet
Various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as properties for sales)	N/A	N/A	N/A

Notes:

- (1) Gross floor area is calculated on the Group's development plans which may be subject to change.
- (2) On 5 July 2017, a framework agreement has been entered into with regard to (i) the disposal of Block 4 of the Business Park (the "Block 4") and (ii) the entering into of the agreement in relation to the disposal of the entire equity interests in Bestlinkage NHI Co., Ltd ("Bestlinkage") (effectively disposing of the Business Park entirely).

Management Discussion and Analysis

Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Distribution of construction and interior decorative materials	87%
Quarella Holdings Limited	Producer of quartz and marble-based engineered stone composite surfaces products	43.5%
RS Hospitality Private Limited	A joint venture for operating a 24-suite boutique resort in Bhutan	50%

SUMMARY AND REVIEW OF INVESTMENTS

Property Development

The Group made progress in moving each of its property development projects closer to completion and the sales phase. Highlights included the successful pre-sale of the Maple Street Project and completing the full monetisation of The Paseo.

The Group will focus on completing its two current industrial redevelopment projects in Hong Kong. The Group's strategy remains to redevelop both sites by demolishing the existing building and constructing 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.

Management Discussion and Analysis

Property Investment

The Group also holds several properties in Hong Kong, the PRC and Bhutan.

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 invested in the Business Park as of 30 September 2017. In July 2017, the Group has entered into a framework agreement with an independent third party in relation to the proposed disposal as disclosed in the circular of the Company dated 22 September 2017.

The Group has invested in a 24-suite boutique resort located in Bhutan's Punakha Valley, for which operations and occupancy have continued to remain stable.

Distribution of Construction and Interior Decorative Materials

In June 2017, the Group finalised a shareholders agreement with its joint-venture partner governing its acquisition of business investment in Quarella Italy, a world leader in the production of quartz and marble-based engineered stone composite surfaces products. Under the agreement, the Group will combine its strong building materials distribution experience with the stone products manufacturing experience of its partner to support the growth and development of Quarella's business.

Quarella was established over 50 years ago and currently has factories and research and development centres in Italy. Its products are popularly used for benchtops, bathroom surfaces and floor tiles and it has supplied materials to a number of prominent commercial buildings and shopping malls in many markets around the world, including the PRC and Hong Kong.

The Group continued to look for other brands through which it can expand the construction and interior decorative materials business of its subsidiary, Q-Stone Building Materials Limited ("Q-Stone"). As at 30 September 2017, Q-Stone had contracts on hand worth HK\$95 million to be completed in the coming years.

Management Discussion and Analysis

OUTLOOK

The Group remains cautiously optimistic about the strength of the commercial, industrial and residential property markets in Hong Kong, the U.S.A. and the U.K. Following the successful pre-sale of its existing industrial redevelopment projects in Hong Kong, the Group is proactively seeking similar redevelopment opportunities, particularly in areas outside of Hong Kong's CBD that are currently experiencing rapid revitalisation and are being opened up by new rapid transport lines.

Prospects for the Group's construction and interior decorative materials business will continue to be supported by economic stimulus in the PRC, as well as other government efforts such as the Belt and Road Initiative. These factors should support the domestic construction industry, particularly in the second/third-tier cities and western regions of the PRC.

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, while also developing its reputation as an asset manager.

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 2017, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 23.6% (31 March 2017: 22.0%). 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 25.9% (31 March 2017: 21.8%) as the Group has net debts of HK\$300 million as at 30 September 2017 (31 March 2017: HK\$243 million).

Management Discussion and Analysis

At 30 September 2017, the Group has total bank borrowings of HK\$459 million (31 March 2017: HK\$367 million). The bank borrowings of the Group were mainly to finance the retaining of two floors of Rykadan Capital Tower, the Maple Street Project, the United States properties, the Business Park and the investment of Quarella business. Of the total bank borrowings, bank loans of HK\$399 million (31 March 2017: HK\$317 million) were secured by investment properties, properties for sale, buildings held for own use and pledged bank deposit, of which HK\$188 million (31 March 2017: HK\$169 million) will be repayable upon the completion of construction of the properties. Further costs for developing the property development projects and the Quarella business will be financed by either unutilised banking facilities, deposits received from customers held as cash held by stakeholders designated for the project or internally generated funds.

As at 30 September 2017, the Group's current assets and current liabilities were HK\$1,093 million (31 March 2017: HK\$979 million) and HK\$588 million (31 March 2017: HK\$377 million) respectively. The Group's current ratio decreased to 1.86 (31 March 2017: 2.60). 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

For the pledge of assets, please refer to Note 12 to the unaudited consolidated interim financial report.

Capital Commitments and Contingent Liabilities

For capital commitments and contingent liabilities, please refer to Notes 15 and 18 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 Euros, United States Dollars, British Pounds 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, the 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

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 its customers in order to keep the Group's credit risk exposure at a very low level.

Employees and Remuneration Policies

As at 30 September 2017, the total number of employees of the Group is 31 (31 March 2017: 62). The Group offers an attractive remuneration policy, including reward to employees on a performance basis with reference to market rate, and subsidies for job-related continuing education. Total remuneration for employees (including the directors' remuneration) was HK\$14 million for the period (six-month period ended 30 September 2016: HK\$22 million).

Events After the Reporting Period

The proposed very substantial disposal in relation to the disposal of the Block 4 and the entire equity interests in Bestlinkage and the very substantial acquisition in relation to the grant of options to buy back the Block 4 and/or Bestlinkage were duly passed by the shareholders by way of poll at the extraordinary general meeting of the Company held on 17 October 2017.

Consolidated Income Statement

For the six-month period ended 30 September 2017 – Unaudited
(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		2017 \$'000	2016 \$'000
Revenue	3	155,326	153,524
Cost of sales and services		(105,793)	(115,964)
Gross profit		49,533	37,560
Other revenue		3,882	2,486
Other net income/(loss)		20,294	(12,237)
Selling and marketing expenses		(8,960)	(8,074)
Administrative and other operating expenses		(24,314)	(35,601)
Profit/(loss) from operations		40,435	(15,866)
Increase in fair value of investment properties		12,863	12,133
Finance costs	4(a)	(4,767)	(3,333)
Share of profits of joint ventures		1,544	386
Profit/(loss) before taxation	4	50,075	(6,680)
Income tax	5	(3,812)	(3,831)
Profit/(loss) for the period		46,263	(10,511)
Profit/(loss) for the period attributable to:			
– Equity shareholders of the Company		45,647	(9,269)
– Non-controlling interests		616	(1,242)
Profit/(loss) for the period		46,263	(10,511)
Earnings/(loss) per share	6		
Basic and diluted		9.6 cents	(1.9) cents

The notes on pages 19 to 35 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 13(b).

Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2017 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		2017	2016
		\$'000	\$'000
Profit/(loss) for the period		46,263	(10,511)
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		6,397	(5,728)
– Share of translation reserve of joint ventures		1,678	–
		8,075	(5,728)
Item that will not be reclassified subsequently to profit or loss:			
– Gain on revaluation of investment properties upon transfer from other properties, plant and equipment	7	11,474	–
Other comprehensive income for the period		19,549	(5,728)
Total comprehensive income for the period		65,812	(16,239)
Comprehensive income for the period attributable to:			
– Equity shareholders of the Company		61,738	(12,622)
– Non-controlling interests		4,074	(3,617)
Total comprehensive income for the period		65,812	(16,239)

The notes on pages 19 to 35 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 September 2017

(Expressed in Hong Kong dollars)

		At 30 September 2017 (Unaudited) \$'000	At 31 March 2017 (Audited) \$'000
	Note		
Non-current assets			
Investment properties	7	505,622	458,773
Other properties, plant and equipment		46,624	56,481
Interests in associates	8	81,818	106,797
Interests in joint ventures	9	215,601	69,328
Other receivables, deposits and prepayments		497	683
Deferred tax assets		866	–
		851,028	692,062
Current assets			
Properties for sale		579,105	618,438
Inventories		76,663	65,339
Trade receivables	10	92,506	136,046
Other receivables, deposits and prepayments		53,102	17,752
Cash held by stakeholders		131,039	17,023
Bank deposits and cash on hand		160,241	124,721
		1,092,656	979,319

Consolidated Statement of Financial Position

As at 30 September 2017

(Expressed in Hong Kong dollars)

		At 30 September 2017 (Unaudited) \$'000	At 31 March 2017 (Audited) \$'000
	Note		
Current liabilities			
Trade and other payables	11	55,366	56,803
Deposits received from sale of properties		135,679	8,688
Bank loans	12	311,396	229,345
Loans from non-controlling shareholders		76,905	76,248
Taxation payables		8,164	5,492
		587,510	376,576
Net current assets		505,146	602,743
Total assets less current liabilities		1,356,174	1,294,805
Non-current liabilities			
Bank loans	12	147,210	137,843
Deferred tax liabilities		12,959	12,446
		160,169	150,289
NET ASSETS		1,196,005	1,144,516
CAPITAL AND RESERVES			
Share capital		4,774	4,774
Reserves	13	1,155,090	1,107,675
Total equity attributable to equity shareholders of the Company		1,159,864	1,112,449
Non-controlling interests		36,141	32,067
TOTAL EQUITY		1,196,005	1,144,516

The notes on pages 19 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2017 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves (Note 13)	Retained profits (Note 13)	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2017		4,774	497,539	610,136	1,112,449	32,067	1,144,516
Changes in equity for the six-month period ended 30 September 2017:							
Profit for the period		-	-	45,647	45,647	616	46,263
Other comprehensive income		-	16,091	-	16,091	3,458	19,549
Total comprehensive income for the period		-	16,091	45,647	61,738	4,074	65,812
Dividend paid	13(b)	-	-	(14,323)	(14,323)	-	(14,323)
At 30 September 2017		4,774	513,630	641,460	1,159,864	36,141	1,196,005
At 1 April 2016		4,774	504,295	570,949	1,080,018	35,757	1,115,775
Changes in equity for the six-month period ended 30 September 2016:							
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	13(b)	-	-	(14,323)	(14,323)	-	(14,323)
At 30 September 2016		4,774	500,942	547,357	1,053,073	32,140	1,085,213

The notes on pages 19 to 35 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2017 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September 2017 \$'000	2016 \$'000
Operating activities		
Cash generated from operations	70,738	115,954
Income tax refund	–	887
Income tax paid	(2,748)	(1,019)
Net cash generated from operating activities	67,990	115,822
Investing activities		
Decrease in amounts due from associates	24,979	–
Proceeds from disposal of trading securities	–	27,570
Increase in amounts due from joint ventures	(143,024)	–
Other cash flows generated from investing activities	4,009	158
Net cash (used in)/generated from investing activities	(114,036)	27,728
Financing activities		
Proceeds from new bank loans	157,133	134,675
Repayments of bank loans	(67,476)	(175,713)
Dividend paid	(14,323)	(14,323)
Other cash flows generated from financing activities	601	509
Net cash generated from/(used in) financing activities	75,935	(54,852)
Net increase in cash and cash equivalents	29,889	88,698
Cash and cash equivalents at the beginning of the period	124,299	132,099
Effect of foreign exchange rate changes	4,214	(8,680)
Cash and cash equivalents at the end of the period	158,402	212,117

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2017 – Unaudited

(Expressed in Hong Kong dollars)

	As at 30 September	
	2017 \$'000	2016 \$'000
Deposits and cash comprise:		
Deposits with banks	1,839	422
Cash at bank and on hand	158,402	212,117
	160,241	212,539
Less: restricted bank deposits	(1,839)	(422)
Cash and cash equivalents in the condensed consolidated cash flow statement	158,402	212,117

The notes on pages 19 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 November 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of 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.

The 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 2017 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 auditor 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 2017 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 2017 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 14 June 2017.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property development, property investment and distribution of construction and interior decorative materials.

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

	Six-month period ended	
	30 September	
	2017	2016
	\$'000	\$'000
Sales of completed properties	86,877	4,804
Distribution of construction and interior decorative materials	64,138	145,869
Rental income	4,311	2,851
	155,326	153,524

(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.").

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

- Property investment – This segment derives its revenue from leasing of premises included in the Group’s investment properties portfolio in Hong Kong and the People’s Republic of China (the “PRC”).
- 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 2017

	Property development \$'000	Property investment \$'000	Distribution of construction and interior decorative materials \$'000	Elimination \$'000	Total \$'000
Revenue					
External revenue	86,877	4,311	64,138	-	155,326
Inter-segment revenue	-	1,877	-	(1,877)	-
Total	86,877	6,188	64,138	(1,877)	155,326
Segment profit/(loss) from operations	22,408	(42)	10,475	-	32,841
Corporate expenses					(16,571)
Corporate income					24,165
Increase in fair value of investment properties					12,863
Finance costs					(4,767)
Share of profits of joint ventures					1,544
Profit before taxation					50,075

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(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 2016

	Property development \$'000	Property investment \$'000	Distribution of construction and interior decorative materials \$'000	Elimination \$'000	Total \$'000
Revenue					
External revenue	4,804	2,851	145,869	-	153,524
Inter-segment revenue	-	2,081	-	(2,081)	-
Total	4,804	4,932	145,869	(2,081)	153,524
Segment (loss)/profit from operations	(3,207)*	(1,628)	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 profits of joint ventures					386
Loss before taxation					(6,680)

* 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 2017

(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 operating and reportable segment:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Segment assets		
Property development	729,877	646,871
Property investment	508,353	460,689
Distribution of construction and interior decorative materials	177,915	203,792
Total segment assets	1,416,145	1,311,352
Other properties, plant and equipment	45,184	54,710
Interests in associates	81,818	106,797
Interests in joint ventures	215,601	69,328
Deferred tax assets	866	–
Other receivables, deposits and prepayments	23,829	4,473
Bank deposits and cash on hand	160,241	124,721
Total consolidated assets of the Group	1,943,684	1,671,381
Segment liabilities		
Property development	354,547	203,547
Property investment	124,434	128,659
Distribution of construction and interior decorative materials	74,706	71,811
Total segment liabilities	553,687	404,017
Other payables	4,128	4,154
Loans from non-controlling shareholders	76,905	76,248
Bank loans	100,000	30,000
Deferred tax liabilities	12,959	12,446
Total consolidated liabilities of the Group	747,679	526,865

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT/(LOSS) BEFORE TAXATION

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

	Six-month period ended 30 September	
	2017 \$'000	2016 \$'000
(a) Finance costs		
Interest on bank loans	6,327	6,601
Interest on loan from a non-controlling shareholder	90	–
Less: interest expenses capitalised into properties under development for sale (Note)	(1,650)	(3,268)
	4,767	3,333

Note: Interest was capitalised at an average annual rate of approximately 2.38% (six-month period ended 30 September 2016: 2.53%).

(b) Other items

Cost of properties for recognised sales	57,762	4,438
Cost of inventories	46,176	111,526
Rental receivable from investment properties less direct outgoings of \$1,855,000 (six-month period ended 30 September 2016: \$1,844,000)	2,456	1,007
Depreciation of other properties, plant and equipment	2,103	2,322
Loss on disposal of other properties, plant and equipment	–	488
Net foreign exchange (gains)/losses	(20,305)	18,846
Interest income on loans to joint ventures	(3,199)	–
Interest income on banks	(60)	(252)
Dividend income	–	(472)
Gain on disposal of trading securities	–	(7,097)

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six-month period ended	
	30 September 2017 \$'000	2016 \$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	4,100	43
– Over-provision in respect of prior year	(4)	–
	4,096	43
PRC Enterprise Income Tax (“EIT”)	1,190	3,745
Overseas tax	–	43
	1,190	3,788
Deferred tax		
– Origination and reversal of temporary differences	(1,474)	–
	3,812	3,831

The provision for Hong Kong Profits Tax is calculated at 16.5% (six-month period ended 30 September 2016: 16.5%) of the estimated assessable profits for the six-month period ended 30 September 2017.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC EIT tax rate is 25% (six-month period ended 30 September 2016: 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 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of \$45,647,000 (six-month period ended 30 September 2016: loss of \$9,269,000) and 477,447,000 (six-month period ended 30 September 2016: 477,447,000) ordinary shares in issue during the interim periods.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2017 and 30 September 2016.

7 INVESTMENT PROPERTIES

	2017 \$'000	2016 \$'000
At the beginning of the period/year	458,773	430,583
Additions	170	100
Transfers	7,826	15,873
Revaluation surplus	24,337	32,843
Exchange adjustments	14,516	(20,626)
At the end of the period/year	505,622	458,773

During the period ended 30 September 2017, completed properties for own use at carrying value of \$7,826,000 were transferred from "other properties, plant and equipment" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer amounting to \$19,300,000 and revaluation surplus of \$11,474,000 have been dealt with in the consolidated statement of comprehensive income.

During the year ended 31 March 2017, completed properties held for sale at cost of \$15,873,000 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 amounting to \$37,100,000 and revaluation surplus of \$21,227,000 have been dealt with in the consolidated income statement.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

8 INTERESTS IN ASSOCIATES

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Share of net assets, unlisted (Note (a))	–	–
Amounts due from associates (Note (b))	81,818	106,797
	81,818	106,797

Notes:

- (a) At 30 September 2017, the Group's unrecognised share of losses of associates, Epic Quest Global Limited and its subsidiary, for the current period and for the period cumulatively, amounted to \$1,089,000 (six-month period ended 30 September 2016: \$4,363,000) and \$4,818,000 (31 March 2017: \$3,729,000) respectively.
- (b) Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. As at 30 September 2017, the amounts are not expected to be recovered within the next twelve months from the end of the reporting period. The amounts are neither past due nor impaired.

9 INTERESTS IN JOINT VENTURES

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Share of net assets, unlisted	26,219	22,997
Amounts due from joint ventures	189,382	46,331
	215,601	69,328

At 30 September 2017, the amounts due from joint ventures of \$180,000,000 (31 March 2017: \$Nil) and \$6,358,000 (31 March 2017: \$6,326,000) are interest bearing of 4.5% per annum over the 3-month Hong Kong Interbank Offer Rate and 5.5% per annum respectively, unsecured and have no fixed terms of repayment while the remaining balance of \$3,024,000 (31 March 2017: \$40,005,000) is interest-free, unsecured and has no fixed terms of repayment. The amounts are neither past due nor impaired and not expected to be recoverable within the next twelve months from the end of the reporting period.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(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 invoice date, net of allowance for doubtful debts, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
1-30 days	4,335	24,728
31-60 days	7,638	26,306
61-90 days	5,964	16,188
Over 90 days	74,569	68,824
	92,506	136,046

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2017: 90 days), except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements.

11 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 invoice date is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
1-30 days	5,263	2,702
31-60 days	–	–
61-90 days	–	–
Over 90 days	28	26
	5,291	2,728

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

12 BANK LOANS

As of the end of the reporting period, the secured bank loans and unsecured bank loans are as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Secured bank loans	398,666	316,912
Unsecured bank loans	59,940	50,276
	458,606	367,188
	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Current	311,396	229,345
Non-current	147,210	137,843
	458,606	367,188

Bank loans due for repayment after one year which contains a repayment on demand clause are classified as current liabilities.

Bank loans due for repayment, based on the scheduled repayment dates set out in loan agreements and ignore the effect of any repayment on demand clause are as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Portion of bank loans due for repayment within one year	139,414	154,364
Bank loans due for repayment after one year:		
After 1 year but within 2 years	71,722	17,847
After 2 years but within 5 years	203,352	147,681
After 5 years	44,118	47,296
	458,606	367,188

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

12 BANK LOANS (CONTINUED)

- (a) At 30 September 2017, bank loans drawn in Hong Kong bear interest at rates ranging from 1.9% to 2.5% (31 March 2017: 1.9% to 2.5%) 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 2017, bank loans drawn in the PRC bear interest at The People's Bank of China Base Interest Rate (31 March 2017: The People's Bank of China Base Interest Rate) per annum.
- (c) At 30 September 2017, bank loans drawn in the U.S.A. bear interest at 1% (31 March 2017: 1%) per annum over the daily Wall Street Journal Prime Rate.
- (d) As of the end of the reporting period, certain of the banking facilities of the Group were secured by mortgages over:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Investment properties	503,922	457,273
Buildings held for own use	42,490	51,074
Properties for sale	420,501	401,092
Pledged bank deposit	422	422
	967,335	909,861

Such banking facilities amounted to \$817,280,000 (31 March 2017: \$712,056,000) were utilised to the extent of \$419,718,000 as at 30 September 2017 (31 March 2017: \$335,010,000).

- (e) 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.

None of the covenants relating to the drawn down facilities had been breached for the six-month periods ended 30 September 2017 and 30 September 2016.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017
(Expressed in Hong Kong dollars unless otherwise indicated)

13 RESERVES AND DIVIDEND (a) Other reserves

	Share premium \$'000	Statutory reserve (Note (i)) \$'000	Translation reserve (Note (ii)) \$'000	Property revaluation reserve (Note (iii)) \$'000	Other reserves (Note (iv)) \$'000	Total \$'000	Retained profits \$'000	Total \$'000
At 1 April 2017	469,130	4,433	(11,464)	-	35,440	497,539	610,136	1,107,675
Profit for the period	-	-	-	-	-	-	45,647	45,647
Other comprehensive income	-	-	4,617	11,474	-	16,091	-	16,091
Total comprehensive income for the period	-	-	4,617	11,474	-	16,091	45,647	61,738
Dividend paid (Note 13(b))	-	-	-	-	-	-	(14,323)	(14,323)
At 30 September 2017	469,130	4,433	(6,847)	11,474	35,440	513,630	641,460	1,155,090
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 13(b))	-	-	-	-	-	-	(14,323)	(14,323)
At 30 September 2016	469,130	4,433	(8,061)	-	35,440	500,942	547,357	1,048,299

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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 subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.
- (ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (iii) The property revaluation reserve represents the attributable revaluation surplus in respect of the building held for own use which was reclassified as investment property. This revaluation reserve arose when a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as other properties, plant and equipment up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a movement in the revaluation reserve. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.
- (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.

(b) Dividend

- (i) The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2017 (six-month period ended 30 September 2016: \$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year

	Six-month period ended	
	30 September	
	2017	2016
	\$'000	\$'000
Final dividend in respect of the previous financial year of 3 cents per share (six-month period ended 30 September 2016: 3 cents per share)	14,323	14,323

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

14 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Apart from the transactions disclosed elsewhere in the condensed consolidated interim financial statements, the Group had entered into the following significant transactions with the related parties during the period:

	Six-month period ended	
	30 September	
	2017	2016
	\$'000	\$'000
Asset management expense to a related company	(193)	(196)
Investment advisory fee expense to a related company	(195)	(198)
Rental and building management fee income from a related company	256	214
Rental and building management fee income from joint ventures	373	–
Purchase of construction materials from joint ventures	40,334	–
Sale of construction materials to a joint venture	98	–
Project management fee income from an associate	600	600
Deposits received from sale of properties to related parties	520	–
Rental deposit received from a joint venture	135	–

(b) Compensation of key management personnel

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

	Six-month period ended	
	30 September	
	2017	2016
	\$'000	\$'000
Salaries and short-term employee benefits	9,616	9,265
Post-employment benefits	63	63
	9,679	9,328

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

(Expressed in Hong Kong dollars unless otherwise indicated)

15 CAPITAL COMMITMENTS

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

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Authorised but not contracted for	31,570	228,147
Contracted for	193,235	16,589
	224,805	244,736

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of its properties in various locations.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values as at 30 September 2017 and 31 March 2017.

17 MATERIAL ACQUISITION

Q.R.B.G. S.r.L. ("QRBG"), an indirect wholly-owned subsidiary of Quarella Holdings Limited, a joint venture of the Group, and Quarella S.p.A. ("Quarella Italy") have entered into a business sale and purchase contract on 19 July 2017, QRBG has acquired, and Quarella Italy has, among other things, sold, the relevant parts of the business and assets of Quarella Italy which relates to the business of production of quartz and marble-based engineered stone composite surface products. The major assets acquired by QRBG under the business sale and purchase contract consist of land and buildings, plant and machineries, inventories and trademarks.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2017

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18 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 \$919,899,000 (31 March 2017: \$919,392,000). Such banking facilities were utilised to the extent of \$350,955,000 (31 March 2017: \$322,157,000), including the bank guarantee in favour of a utility service provider to secure the payment obligation of a subsidiary of a joint venture for an amount up to Euros ("EUR") 370,000 (equivalent to \$3,432,000) (31 March 2017: EUR370,000 (equivalent to \$3,091,000)).

The directors do not consider it probable that a claim will be made against the Company under any of the guarantees and have not recognised any deferred income in respect of these guarantees and no transaction price was incurred.

19 EVENTS AFTER THE REPORTING PERIOD

The proposed very substantial disposal in relation to the disposal of the Block 4 of Kailong Nanhui Business Park (the "Block 4") and the entire equity interests in Bestlinkage NHI Co., Ltd ("Bestlinkage") and the very substantial acquisition in relation to the grant of options to buy back the Block 4 and/or Bestlinkage were duly passed by the shareholders by way of poll at the extraordinary general meeting of the Company held on 17 October 2017.

20 COMPARATIVE FIGURES

Certain comparative figures have been classified to conform to current period's presentation.

21 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 29 November 2017.

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 2017.

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	Founder of a discretionary trust ⁽¹⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
	Long	Beneficial owner	18,500,000	3.87
			<hr/>	
			212,708,000	44.55
			<hr/>	
NG Tak Kwan	Long	Beneficial owner	68,724,000	14.39

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 ^{(1) (2)}	194,208,000	40.68
Rykadan Holdings Limited	Long	Interest in a controlled corporation ^{(1) (2)}	194,208,000	40.68
Tiger Crown Limited ⁽¹⁾	Long	Beneficial owner	97,104,000	20.34
		Other interest ⁽²⁾	97,104,000	20.34
			194,208,000	40.68
Scenemay Holdings Limited ⁽³⁾	Long	Beneficial owner	97,104,000	20.34
		Other interest ⁽²⁾	97,104,000	20.34
			194,208,000	40.68
LI Chu Kwan	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			194,208,000	40.68
LI Wing Yin	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			194,208,000	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.

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 2017, 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.

SUFFICIENCY 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.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The information as required to disclose under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company’s advance to an entity and the financial assistance and guarantees to affiliated companies provided by the Company are as follows:

(a) Advance to an entity

As at 30 September 2017, the Group has advanced to Quarella Group Limited (“QGL”) loans in the aggregate amount of HK\$180,000,000 for the working capital of the QGL, which is carried at interest of 3-month Hong Kong Interbank Offer Rate plus a margin of 4.50% per annum, unsecured and be repaid by written notice demand by the Company, and a guarantee has issued by the

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Group in favour of a utility service provider to secure the payment obligation of a subsidiary of QGL for an amount up to Euros 370,000 (equivalent to HK\$3,432,000).

(b) Financial assistance and guarantees to affiliated companies

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 September 2017 are presented as follows:

	HK\$'000
Non-current assets	208,523
Current assets	1,648,614
Current liabilities	(1,174,918)
Non-current liabilities	(677,545)
	<hr/>
	4,674
	<hr/> <hr/>
Share capital	2
Reserves	4,672
	<hr/>
Capital and reserves	4,674
	<hr/> <hr/>

As at 30 September 2017, the Group's attributable interests in these affiliated companies amounted to HK\$10,098,000.

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, 29 November 2017