RYKADAN CAPITAL

RYKADAN CAPITAL LIMITED
宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(**Stock code : 2288**)

INTERIM REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN William *(Chairman and Chief Executive Officer)*
YIP Chun Kwok *(Chief Operating 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

OVERVIEW

The Group focuses on further developing its property development business and asset, investment and fund management business during the six-month period under review. It remains on track to complete two industrial redevelopment projects in Hong Kong by the end of 2018: THE AGORA (hereafter referred to as the "Wing Hong Street Project") and THE KHORA (hereafter referred to as the "Maple Street Project"). The Group also started marketing its overseas property project in the United Kingdom (the "U.K.") during the six-month period under review.

Another significant milestone was the closing of the second private equity fund under the Rykadan Real Estate Prospect Fund LP, which was launched in April 2018. This closing would not have been possible without increased support and recognition from institutional real estate investors, who value the Group's track record to generate good returns from its real estate investment projects. The asset, investment and fund management business is also enabling the Group to tap additional sources of development capital that will help it grow its future assets portfolio.

In order to diversify its existing portfolio, the Group is exploring opportunities targeting residential, industrial and commercial properties in Hong Kong and overseas. This aligns with its ongoing strategy to identify high-potential investments, where the Group can add value and exit 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 U.K.. It has also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2018, the Group's total assets were valued at HK$2,366 million (31 March 2018: HK$2,639 million), of which HK$1,351 million (31 March 2018: HK$1,602 million) were current assets, approximately 1.08 times (31 March 2018: 1.29 times) of current liabilities. Equity attributable to the owners of the Company was HK$1,076 million (31 March 2018: HK$1,153 million).

OVERALL PERFORMANCE

The Group's consolidated revenue for the first six-month period amounted to HK$52 million (six-month period ended 30 September 2017: HK$155 million). The fall in revenue was mostly attributed to the Group not yet delivering and recognising property development projects on hand compared to the six-month period ended 30 September 2017. Gross profit and gross profit margin were HK$23 million (six-month period ended 30 September 2017: HK$50 million) and 43.8% (six-month period ended 30 September 2017: 31.9%) respectively.

Loss for the period was HK$50 million (six-month period ended 30 September 2017: profit of HK$46 million). Loss attributable to equity shareholders of the Company was HK$44 million (six-month period ended 30 September 2017: profit of HK$46 million).

The loss was mostly attributable to the net foreign exchange losses from Renminbi and British Pound and the absorption of losses incurred in associates during the development stage and joint ventures due to the unfavourable net foreign exchange losses arising from the depreciation of Renminbi and Euro ("EUR").

Basic and diluted loss per share for the six-month period ended 30 September 2018 was HK9.2 cents (six-month period ended 30 September 2017: basic and diluted earnings of HK9.6 cents per share).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2018.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the period.

INVESTMENT PORTFOLIO

As at 30 September 2018, the Group's bank deposits and cash was HK239 million (31 March 2018: HK$399 million), representing 10.1% (31 March 2018: 15.1%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2018.

Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2018	Total gross floor area (Note)	Total land area	Attributable gross floor/ land area
Winston Project	1135 Winston Avenue, San Marino, CA91108, the U.S.A.	Residential property	100%	Under planning	3,973 square feet	N/A	3,973 square feet
265 Naomi Project	265 W Naomi Avenue, Arcadia, CA91007, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in January 2019	8,064 square feet	N/A	8,064 square feet
263 Naomi Project	263 W Naomi Avenue, Arcadia, CA91007, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in January 2019	8,010 square feet	N/A	8,010 square feet
Le Roy Project	333 West Le Roy Avenue, Arcadia, CA91007, the U.S.A.	Residential property	50%	Under construction. Expected to be completed in December 2018	7,205 square feet	N/A	3,603 square feet
Monterey Park Towne Centre	100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA91755, the U.S.A.	Residential and retail property	100%	Under planning	195,362 square feet	N/A	195,362 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
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial and industrial property	59.1%	Being marketed to tenants	52,304 square metres	N/A	30,911 square metres

Investment	Location	Type	Group interest	Status as of 30/9/2018	Total gross floor area (Note)	Total land area	Attributable gross floor/ land area
Jaffe Road Project	216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, Hong Kong	Commercial and retail property	3.55%	Under planning	N/A	3,266 square feet	116 square feet
Wong Chuk Hang Project	23 Wong Chuk Hang Road, Hong Kong	Commercial and retail property	20.8%	Under construction. Expected to be completed in March 2022	107,202 square feet	N/A	22,298 square feet
Maple Street Project	124-126, 130,132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Expected to be handed over in November 2018	86,400 square feet	N/A	86,400 square feet
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)	13,467 square feet	N/A	13,467 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

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

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 24-suite boutique resort in Bhutan	50%

SUMMARY AND REVIEW OF INVESTMENTS

Property Development/Asset, Investment and Fund Management

The Group continues to move a number of its property development projects closer to completion and monetisation, with its other projects progressing well into the planning and design approval phases.

Highlights included topping out for both the Maple Street Project and the Wing Hong Street Project, which are on schedule to be completed by December 2018. Construction of the Le Roy Project and the 263 and 265 Naomi Projects in Arcadia, the U.S.A. are also scheduled to be completed by December 2018 and January 2019 respectively.

Following the launch of the Rykadan Real Estate Prospect Fund LP in April 2018, the Group's asset, investment and fund management business acquired a high-potential real estate project in Jaffe Road, Wanchai (the "Jaffe Road Project"), which will be jointly developed with the Group, in accordance with its mandate. The Group is continuing to develop the internal structure and add personnel to the asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects.

The Group also continues to provide property development management services for the Wing Hong Street Project, the Wong Chuk Hang Project and the Jaffe Road Project via its wholly-owned subsidiaries, Rykadan Management Services Limited and Rykadan Project Management Limtied. These services are provided under a progressive fee structure linked to cost-saving performance or at a fixed percentage of the actual total construction costs.

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

Property Investment

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

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

In the PRC, the Group remains invested in the Kailong Nanhui Business Park as of 30 September 2018. As of 30 September 2018, the Group and the purchaser are in process of re-assessing and further negotiating the deal structure in order for the sale to go through due to difficulties encountered in obtaining approval from the relevant authorities. The Group will issue an announcement and circular at the appropriate time, if required.

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

Distribution of Construction and Interior Decorative Materials

The Group is a joint venture partner in Quarella Holdings Limited, a world leader in the production of quartz and marble-based engineered stone composite surfaces products. During the interim period, the Group focuses on integrating and improving its production in Europe, as well as the sales and distribution of its products around the world, particularly in China and countries involved in the Belt and Road Initiative.

Quarella was established over 50 years ago and currently has factories and R&D centres in Italy. Its products are used in a number of prominent hotels, airports, train stations, commercial buildings and shopping malls in markets around the world.

Except for Quarella, the Group continues to expand the brand portfolio of its construction and interior decorative materials subsidiary, Q-Stone Building Materials Limited ("Q-Stone"), while also exploring potential markets outside of the PRC. As at 30 September 2018, Q-Stone had contracts on hand worth HK$4 million.

OUTLOOK

Despite continued uncertainty in the macroeconomic environment, resulting particularly from rising interest rates and weaker market sentiment caused by escalating U.S.-China trade tensions, the Group remains cautiously optimistic about the prospects for the commercial and industrial property markets in Hong Kong.

Increased connectivity between Hong Kong and the Greater Bay Area following the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge will continue to drive long-term demand, with the Group continuing to seek redevelopment opportunities in areas surrounding infrastructure hubs with good revitalisation potential.

The long-term prospects of the Group's portfolio in the U.S.A. remain solid, despite uncertain risks associated with the rising interest rates. International capital flows, particularly from Asia, has continued to dominate investment inflows into high-end residential housing, particularly in California where will continue to be supported by strong wage and economic growth in the U.S.A..

Combining the capital contributions from the asset, investment and fund management business together with its existing resources, the Group will tap new high-potential and larger-scale projects as opportunities become available. The Group will continue to expand its asset, investment and fund management business, led by its experienced management team and business partners, to further diversify its investment portfolio and deliver consistent performance to shareholders and investors.

The prospects for the Group's construction and interior decorative materials business is improving as management focuses on further streamlining its sales, distribution and production efficiency. The Group is also expanding the brand portfolio of its material distribution business to a number of high-growth countries involved in the Belt and Road Initiative as they benefit from economic growth and increased foreign direct investment.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The Group adheres to the principle of prudent financial management to minimise financial and operational risks across its various business units in Hong Kong and overseas. In order to implement this principle, the control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong.

The Group mainly relies on internally generated funds and bank borrowings to finance its operations and expansion.

As of 30 September 2018, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 28.6% (31 March 2018: 31.5%). 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 43.0% (31 March 2018: 39.5%) as the Group has net debts of HK$463 million as at 30 September 2018 (31 March 2018: HK$456 million).

As of 30 September 2018, the total bank borrowings of the Group amounted to HK$677 million (31 March 2018: HK$831 million). The bank borrowings were mainly used to finance the retaining of two floors of Rykadan Capital Tower, Hong Kong and the United States property development projects and investment of Quarella. Of the total bank borrowings, bank loans of HK$517 million were secured by the investment properties, properties for sale, buildings held for own use and pledged bank deposit, of which HK$24 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 projects or internally generated funds.

As of 30 September 2018, the Group's current assets and current liabilities were HK$1,351 million (31 March 2018: HK$1,602 million) and HK$1,248 million (31 March 2018: HK$1,244 million) respectively. The Group's current ratio decreased to 1.08 (31 March 2018: 1.29). 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 interim financial report.

Capital Commitments and Contingent Liabilities

For the capital commitments and contingent liabilities, please refer to Notes 15 and 17 to the unaudited 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 EUR, United States Dollars, British Pounds and Renminbi.

Certain of the Group's bank borrowings have been made at floating rates.

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

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. The Group's major customers are institutional organisations and reputable property developers. Therefore, the Group is not exposed to significant credit risk.

Given tightening credit conditions in the PRC, the Group's management is closely monitoring and reviewing from time to time the credit policy, recoverability of trade receivables and 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 2018, the total number of employees of the Group is 31 (31 March 2018: 31). 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 2017: HK$14 million).

Consolidated Income Statement

For the six-month period ended 30 September 2018 – Unaudited

(Expressed in Hong Kong dollars)

		Six-month period ended 30 September	
		2018	2017
			(Note)
	Note	**$'000**	$'000
Revenue	*3*	**51,673**	155,326
Cost of sales and services		**(29,030)**	(105,793)
Gross profit		**22,643**	49,533
Other revenue		**7,321**	3,882
Other net (loss)/income		**(28,644)**	20,294
Selling and marketing expenses		**(1,499)**	(8,960)
Administrative and other operating expenses		**(23,824)**	(24,314)
(Loss)/profit from operations		**(24,003)**	40,435
Increase in fair value of investment properties		**6,553**	12,863
Finance costs	*4(a)*	**(12,232)**	(4,767)
Share of losses of associates		**(5,167)**	–
Share of profit less loss of joint ventures		**(13,346)**	1,544
(Loss)/profit before taxation	*4*	**(48,195)**	50,075
Income tax	*5*	**(2,111)**	(3,812)
(Loss)/profit for the period		**(50,306)**	46,263
Attributable to:			
– Equity shareholders of the Company		**(43,849)**	45,647
– Non-controlling interests		**(6,457)**	616
(Loss)/profit for the period		**(50,306)**	46,263
(Loss)/earnings per share	*6*		
Basic and diluted		**(9.2) cents**	9.6 cents

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 19 to 51 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2018 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September 2018 $'000	2017 (Note) $'000
(Loss)/profit for the period		**(50,306)**	46,263
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		**(20,278)**	6,397
– Share of translation reserve of joint ventures		**(4,401)**	1,678
		(24,679)	8,075
Item that will not be reclassified subsequently to profit or loss:			
– Surplus on revaluation of buildings held for own use upon transfer out to investment properties	7	**–**	11,474
Other comprehensive income for the period		**(24,679)**	19,549
Total comprehensive income for the period		**(74,985)**	65,812
Attributable to:			
– Equity shareholders of the Company		**(60,593)**	61,738
– Non-controlling interests		**(14,392)**	4,074
Total comprehensive income for the period		**(74,985)**	65,812

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 19 to 51 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2018

(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 (Unaudited) $'000	At 31 March 2018 (Audited) *(Note)* $'000
Non-current assets			
Investment properties	*7*	**505,363**	529,716
Other properties, plant and equipment		**42,599**	44,155
Interests in associates	*8*	**234,976**	218,885
Interests in joint ventures	*9*	**214,766**	227,860
Other receivables, deposits and prepayments		**–**	310
Financial assets measured at fair value through other comprehensive income		**15,651**	–
Available-for-sale equity securities		**–**	15,651
Deferred tax assets		**1,002**	1,002
		1,014,357	1,037,579
Current assets			
Properties for sale		**864,996**	724,948
Inventories		**16,636**	36,682
Trade receivables	*10*	**117,242**	115,225
Other receivables, deposits and prepayments		**63,835**	133,796
Amounts due from associates	*8*	**2,242**	3,267
Cash held by stakeholders		**47,614**	188,325
Bank deposits and cash on hand		**238,646**	399,434
		1,351,211	1,601,677

Consolidated Statement of Financial Position

At 30 September 2018

(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 (Unaudited) $'000	At 31 March 2018 (Audited) *(Note)* $'000
Current liabilities			
Trade and other payables	*11*	**98,411**	126,130
Deposits received from sale of properties		**387,884**	385,051
Bank loans	*12*	**676,774**	646,740
Loans from non-controlling shareholders		**77,796**	77,559
Taxation payable		**6,712**	8,033
		1,247,577	1,243,513
Net current assets		**103,634**	358,164
Total assets less current liabilities		**1,117,991**	1,395,743
Non-current liabilities			
Bank loans	*12*	**–**	183,826
Deferred tax liabilities		**12,696**	15,111
		12,696	198,937
NET ASSETS		**1,105,295**	1,196,806
CAPITAL AND RESERVES			
Share capital		**4,774**	4,774
Reserves	*13*	**1,071,526**	1,148,359
Total equity attributable to equity shareholders of the Company		**1,076,300**	1,153,133
Non-controlling interests		**28,995**	43,673
TOTAL EQUITY		**1,105,295**	1,196,806

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 19 to 51 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2018 – Unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Statutory reserve $'000	Translation reserve $'000	Actuarial reserve $'000	Other reserve $'000	Revaluation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 31 March 2018		**4,774**	**469,130**	**4,433**	**1,596**	**(647)**	**35,440**	**11,474**	**626,933**	**1,153,133**	**43,673**	**1,196,806**
Impact on initial application of HKFRS 9	2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,917)**	**(1,917)**	**(286)**	**(2,203)**
At 1 April 2018		**4,774**	**469,130**	**4,433**	**1,596**	**(647)**	**35,440**	**11,474**	**625,016**	**1,151,216**	**43,387**	**1,194,603**
Changes in equity for the six-month period ended 30 September 2018:												
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,849)**	**(43,849)**	**(6,457)**	**(50,306)**
Other comprehensive income		**-**	**-**	**-**	**(16,744)**	**-**	**-**	**-**	**-**	**(16,744)**	**(7,935)**	**(24,679)**
Total comprehensive income for the period		**-**	**-**	**-**	**(16,744)**	**-**	**-**	**-**	**(43,849)**	**(60,593)**	**(14,392)**	**(74,985)**
Dividend paid	*13(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,323)**	**(14,323)**	**-**	**(14,323)**
At 30 September 2018		**4,774**	**469,130**	**4,433**	**(15,148)**	**(647)**	**35,440**	**11,474**	**566,844**	**1,076,300**	**28,995**	**1,105,295**
At 1 April 2017		4,774	469,130	4,433	(11,464)	-	35,440	-	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		-	-	-	4,617	-	-	11,474	-	16,091	3,458	19,549
Total comprehensive income for the period		-	-	-	4,617	-	-	11,474	45,647	61,738	4,074	65,812
Dividend paid	*13(a)*	-	-	-	-	-	-	-	(14,323)	(14,323)	-	(14,323)
At 30 September 2017 *(Note)*		4,774	469,130	4,433	(6,847)	-	35,440	11,474	641,460	1,159,864	36,141	1,196,005

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 19 to 51 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2018 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended 30 September 2018	2017
		(Note)
	$'000	$'000
Operating activities		
Cash generated from operations	**34,559**	70,738
Income tax paid	**(3,334)**	(2,748)
Net cash generated from operating activities	**31,225**	67,990
Investing activities		
(Increase)/decrease in amounts due from associates	**(21,126)**	24,979
Increase in amounts due from joint ventures	**(5,863)**	(143,024)
Other cash flows generated from investing activities	**6,907**	4,009
Net cash used in investing activities	**(20,082)**	(114,036)
Financing activities		
Proceeds from new bank loans	**164,969**	157,133
Repayments of bank loans	**(318,695)**	(67,476)
Dividend paid	**(14,323)**	(14,323)
Other cash flows generated from financing activities	**328**	601
Net cash (used in)/generated from financing activities	**(167,721)**	75,935
Net (decrease)/increase in cash and cash equivalents	**(156,578)**	29,889
Cash and cash equivalents at the beginning of the period	**374,511**	124,299
Effect of foreign exchange rate changes	**(3,878)**	4,214
Cash and cash equivalents at the end of the period	**214,055**	158,402

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2018 – Unaudited

(Expressed in Hong Kong dollars)

	At 30 September	
	2018	2017
		(Note)
	$'000	$'000
Deposits and cash comprise:		
– Deposits with banks	**24,591**	1,839
– Cash at bank and on hand	**214,055**	158,402
	238,646	160,241
Less: Pledged bank deposits	**(20,429)**	–
Restricted deposits	**(4,162)**	(1,839)
	(24,591)	(1,839)
Cash and cash equivalents in the condensed consolidated cash flow statement	**214,055**	158,402

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 19 to 51 form part of this interim financial report.

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 2018.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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.

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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 Standard 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 2018 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 2018 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 8 June 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to significant financing benefit obtained from customers. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (continued)

	At 31 March 2018 $'000	Impact on initial application of HKFRS 9 *(Note 2(b))* $'000	At 1 April 2018 $'000
Investment properties	529,716	–	529,716
Other properties, plant and equipment	44,155	–	44,155
Interests in associates	218,885	–	218,885
Interests in joint ventures	227,860	–	227,860
Other receivables, deposits and prepayments	310	–	310
Financial assets measured at fair value through other comprehensive income	–	15,651	15,651
Available-for-sale equity securities	15,651	(15,651)	–
Deferred tax assets	1,002	–	1,002
Non-current assets	**1,037,579**	**–**	**1,037,579**
Properties for sale	724,948	–	724,948
Inventories	36,682	–	36,682
Trade receivables	115,225	(2,203)	113,022
Other receivables, deposits and prepayments	133,796	–	133,796
Amounts due from associates	3,267	–	3,267
Cash held by stakeholders	188,325	–	188,325
Bank deposits and cash on hand	399,434	–	399,434
Current assets	**1,601,677**	**(2,203)**	**1,599,474**
Trade and other payables	126,130	–	126,130
Deposits received from sale of properties	385,051	–	385,051
Bank loans	646,740	–	646,740
Loans from non-controlling shareholders	77,559	–	77,559
Taxation payable	8,033	–	8,033
Current liabilities	**1,243,513**	**–**	**1,243,513**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (continued)

	At 31 March 2018 $'000	Impact on initial application of HKFRS 9 *(Note 2(b))* $'000	At 1 April 2018 $'000
Net current assets	**358,164**	**(2,203)**	**355,961**
Total assets less current liabilities	**1,395,743**	**(2,203)**	**1,393,540**
Bank loans	183,826	–	183,826
Deferred tax liabilities	15,111	–	15,111
Non-current liabilities	**198,937**	**–**	**198,937**
Net assets	**1,196,806**	**(2,203)**	**1,194,603**
Capital and reserves			
Share capital	4,774	–	4,774
Reserves	1,148,359	(1,917)	1,146,442
Total equity attributable to equity shareholders of the Company	**1,153,133**	**(1,917)**	**1,151,216**
Non-controlling interests	43,673	(286)	43,387
Total equity	**1,196,806**	**(2,203)**	**1,194,603**

Further details of these changes are set out in sub-sections (b) of this note.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and non-controlling interests at 1 April 2018.

	$'000
Retained profits	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in retained profits at 1 April 2018	(1,917)
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 April 2018	(286)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement category for available-for-sale equity securities under HKAS 39 and reconciles the carrying amount of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 $'000	Reclassification $'000	Remeasurement $'000	HKFRS 9 carrying amount at 1 April 2018 $'000
Financial assets measured at FVOCI (non-recycling)				
Equity securities	–	15,651	–	15,651
Financial assets classified as available-for-sale under HKAS 39 *(note)*	15,651	(15,651)	–	–

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible and designated at FVOCI by the Group. At 1 April 2018, the Group designated its investment in equity securities at FVOCI (non-recycling).

The measurement categories for all financial liabilities remain the same.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including amounts due from associates and joint ventures, trade receivables, other receivables, deposits and prepayments, cash held by stakeholders and bank deposits and cash on hand).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade receivables and other receivables, deposits and prepayments: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to $2,203,000, which decreased retained profits by $1,917,000 and non-controlling interests by $286,000 at 1 April 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 at 1 April 2018.

	$'000
Loss allowance at 31 March 2018 under HKAS 39	20,974
Additional credit loss recognised at 1 April 2018 on trade receivables	2,203
Loss allowance at 1 April 2018 under HKFRS 9	23,177

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and non-controlling interests at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for revenue from construction contracts.

The details of the nature and effect of the changes on previous accounting policies are set out below:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(i) Timing of revenue recognition

Previously, revenue arising from the provision of services was recognised over time, whereas revenue from the sale of properties and distribution of construction and interior decorative materials was generally recognised at a single point in time when the risks and rewards of ownership had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from provision of services, sale of properties and distribution of construction and interior decorative materials.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when properties are marketed by the Group while the properties are still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

This change in accounting policy does not have a material impact on opening balances at 1 April 2018.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major product or service lines and geographical location of customers are as follows:

	Six-month period ended 30 September	
	2018	2017
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product or service lines		
– Sales of completed properties	**–**	86,877
– Distribution of construction and interior decorative materials	**35,793**	64,138
– Asset, investment and fund management income	**6,527**	–
	42,320	151,015
Revenue from other source		
– Rental income	**9,353**	4,311
	51,673	155,326
Disaggregated by geographical location of customers		
– Hong Kong	**11,495**	88,602
– The People's Republic of China (the "PRC")	**37,550**	66,724
– Others	**2,628**	–
	51,673	155,326

Disaggregation of revenue from contracts with customers by timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (continued)

The Group's customer base is diversified and includes only three customers (six-month period ended 30 September 2017: two customers) with whom transactions have exceeded 10% of the Group's revenue.

For the period ended 30 September 2018, revenue from distribution of construction and interior decorative materials to three customers amounted to approximately $19,936,000, $6,678,000 and $6,194,000 respectively.

For the period ended 30 September 2017, revenue from sales of completed properties to one customer amounted to approximately $81,800,000 and distribution of construction and interior decorative materials to another customer, including sales to entities which are known to the Group to be under common control of this customer, was $17,268,000.

(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 presented the following four 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.").

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

– Asset, investment and fund management – This segment derives its revenue from investing in and managing a portfolio of real estates in Hong Kong.

– Property investment – This segment derives its revenue from leasing of premises included in the Group's investment properties portfolio in Hong Kong and the PRC.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

During the period, as a result of the expansion of the asset, investment and fund management operation, the asset, investment and fund management is identified as a separate reportable segment for resources allocation and performance assessment by the chief operating decision maker. Accordingly, the prior year segment information for comparative purpose is restated.

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

Segment results

For the six-month period ended 30 September 2018

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Elimination $'000	Total $'000
Disaggregated by timing of revenue recognition						
Point in time	-	-	-	35,793	-	35,793
Over time	-	9,353	6,527	-	-	15,880
External revenue	-	9,353	6,527	35,793	-	51,673
Inter-segment revenue	-	1,775	1,441	-	(3,216)	-
Total	-	11,128	7,968	35,793	(3,216)	51,673
Segment (loss)/profit from operations	(353)	5,144	1,380	6,785	-	12,956
Corporate expenses						(43,112)
Corporate income						6,153
Increase in fair value of investment properties						6,553
Finance costs						(12,232)
Share of losses of associates						(5,167)
Share of profit less loss of joint ventures						(13,346)
Loss before taxation						(48,195)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

Segment results (continued)

For the six-month period ended 30 September 2017 (Restated)

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Elimination $'000	Total $'000
Disaggregated by timing of revenue recognition						
Point in time	86,877	–	–	64,138	–	151,015
Over time	–	4,311	–	–	–	4,311
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)	310	10,475	–	33,151
Corporate expenses						(16,281)
Corporate income						23,565
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

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:

	At 30 September 2018 $'000	At 31 March 2018 (Restated) $'000
Segment assets		
Property development	**956,421**	954,101
Property investment	**509,090**	531,987
Asset, investment and fund management	**3,033**	188
Distribution of construction and interior decorative materials	**134,461**	153,228
Total segment assets	**1,603,005**	1,639,504
Other properties, plant and equipment	**42,136**	43,575
Interests in associates	**234,976**	218,885
Interests in joint ventures	**214,766**	227,860
Financial assets measured at fair value through other comprehensive income	**15,651**	–
Available-for-sale equity securities	**–**	15,651
Deferred tax assets	**1,002**	1,002
Other receivables, deposits and prepayments	**17,730**	94,994
Amounts due from associates	**2,242**	3,267
Bank deposits and cash on hand	**234,060**	394,518
Total consolidated assets of the Group	**2,365,568**	2,639,256

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

Segment assets and liabilities (continued)

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

	At 30 September 2018	At 31 March 2018 (Restated)
	$'000	$'000
Segment liabilities		
Property development	**461,287**	640,296
Property investment	**110,667**	117,926
Asset, investment and fund management	**155**	1,279
Distribution of construction and interior decorative materials	**33,058**	35,232
Total segment liabilities	**605,167**	794,733
Other payables	**4,614**	5,047
Bank loans	**560,000**	550,000
Loans from non-controlling shareholders	**77,796**	77,559
Deferred tax liabilities	**12,696**	15,111
Total consolidated liabilities of the Group	**1,260,273**	1,442,450

4 (LOSS)/PROFIT BEFORE TAXATION

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

	Six-month period ended 30 September 2018 $'000	2017 $'000
(a) Finance costs		
Interest on bank loans	**13,184**	6,327
Interest on loan from a non-controlling shareholder	**129**	90
Less: interest expenses capitalised into properties under development for sale *(note)*	**(1,081)**	(1,650)
	12,232	4,767

Note: Interest was capitalised at an average annual rate of approximately 2.88% (six-month period ended 30 September 2017: 2.38%).

	Six-month period ended 30 September 2018 $'000	2017 $'000
(b) Other items		
Cost of properties for recognised sales	**–**	57,762
Cost of inventories	**24,385**	46,176
Cost of management services	**2,455**	–
Rental receivable from investment properties less direct outgoings of $2,190,000 (six-month period ended 30 September 2017: $1,855,000)	**7,163**	2,456
Depreciation of other properties, plant and equipment	**1,536**	2,103
Loss on disposal of other properties, plant and equipment	**2**	–
Impairment loss of trade receivables	**695**	–
Net foreign exchange losses/(gains)	**28,693**	(20,305)
Interest income on loans to joint ventures	**(6,038)**	(3,199)
Interest income on bank deposits	**(64)**	(60)

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

5 INCOME TAX

	Six-month period ended 30 September 2018 $'000	2017 $'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**94**	4,100
– Under/(over)-provision in respect of prior year	**22**	(4)
	116	4,096
PRC Enterprise Income Tax ("EIT")	**1,992**	1,190
	2,108	5,286
Deferred tax		
– Origination and reversal of temporary differences	**3**	(1,474)
	2,111	3,812

The provision for Hong Kong Profits Tax is calculated at 8.25% (six-month period ended 30 September 2017: 16.5%) of the estimated assessable profits up to $2,000,000 and 16.5% (six-month period ended 30 September 2017: 16.5%) of any part of estimated assessable profits over $2,000,000 for the six-month period ended 30 September 2018.

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 2017: 25%) for the six-month period ended 30 September 2018.

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

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $43,849,000 (six-month period ended 30 September 2017: profit of $45,647,000) and 477,447,000 (six-month period ended 30 September 2017: 477,447,000) ordinary shares in issue during the interim periods.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2018 and 30 September 2017.

7 INVESTMENT PROPERTIES

	2018	2017
	$'000	$'000
At the beginning of the period/year	**529,716**	458,773
Additions	**358**	223
Transfers	**–**	19,300
Revaluation surplus	**6,553**	17,300
Exchange adjustments	**(31,264)**	34,120
At the end of the period/year	**505,363**	529,716

During the year ended 31 March 2018, a certain portion of buildings held for own use in Hong Kong at carrying value of $7,826,000 was transferred from "other properties, plant and equipment" to "investment properties" as a result of change in 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.

8 INTERESTS IN ASSOCIATES

	At 30 September 2018 $'000	At 31 March 2018 $'000
Share of net liabilities *(note (a))*	**(5,167)**	–
Amounts due from associates (non-current portion) *(note (b))*	**240,143**	218,885
	234,976	218,885
Amounts due from associates (current portion) *(note (c))*	**2,242**	3,267

Notes:

(a) At 30 September 2018, 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 $Nil (six-month period ended 30 September 2017: $1,089,000) and $Nil (31 March 2018: $4,520,000) respectively.

At 30 September 2018, the Group's unrecognised share of losses of associates, Fastest Runner Limited and its subsidiaries for the current period and for the period cumulatively, amounted to $Nil (six-month period ended 30 September 2017: $Nil) and $Nil (31 March 2018: $861,000) respectively.

At 30 September 2018, the Group's unrecognised share of losses of associates, Rykadan Real Estate Fund LP and its subsidiaries, for the current period and for the period cumulatively, amounted to $Nil (six-month period ended 30 September 2017: $Nil) and $Nil (31 March 2018: $76,000) respectively.

(b) At 30 September 2018 and 31 March 2018, the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

(c) At 30 September 2018 and 31 March 2018, the amounts due from associates are unsecured, interest-free and recoverable on demand.

9 INTERESTS IN JOINT VENTURES

	At 30 September 2018 $'000	At 31 March 2018 $'000
Share of net assets	**4,505**	23,444
Amounts due from joint ventures	**210,261**	204,416
	214,766	227,860
Dividends received from a joint venture	**1,192**	1,981

At 30 September 2018, the amounts due from joint ventures of $190,000,000 (31 March 2018: $190,000,000) and $6,371,000 (31 March 2018: $6,389,000) 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 $13,890,000 (31 March 2018: $8,027,000) is interest-free, unsecured and has no fixed terms of repayment. All amounts are not expected to be recoverable within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

10 TRADE RECEIVABLES

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

	At 30 September 2018 $'000	At 31 March 2018 *(Note)* $'000
1-30 days	**10,638**	14,370
31-60 days	**2,876**	41,555
61-90 days	**6,853**	2,668
Over 90 days	**96,875**	56,632
	117,242	115,225

Note: The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2018: 90 days), except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, management service income and rental income which are receivable in the month the customers/tenants receive the services or use the premises.

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 2018 $'000	At 31 March 2018 $'000
1-30 days	**24,046**	37,652
31-60 days	**–**	1
61-90 days	**–**	76
Over 90 days	**3,693**	5
	27,739	37,734

12 BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Current liabilities		
Portion of bank loans due for repayment within 1 year	**104,097**	197,762
Portion of bank loans due for repayment after 1 year which contain a repayment on demand clause	**572,677**	448,978
	676,774	646,740
Non-current liabilities		
Bank loans	**–**	183,826

12 BANK LOANS (CONTINUED)

At 30 September 2018, the bank loans are due for repayment as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Portion of bank loans due for repayment within 1 year	**104,097**	197,762
Bank loans due for repayment after 1 year *(note (f))*		
After 1 year but within 2 years	**386,233**	547,521
After 2 years but within 5 years	**148,720**	44,364
After 5 years	**37,724**	40,919
	572,677	632,804
	676,774	830,566

At 30 September 2018, the secured bank loans and unsecured bank loans are as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Secured bank loans	**516,774**	669,819
Unsecured bank loans	**160,000**	160,747
	676,774	830,566

Notes:

(a) At 30 September 2018, bank loans drawn in Hong Kong bear interest at rates ranging from 1.8% to 3% (31 March 2018: 1.8% to 3%) per annum over the Hong Kong Interbank Offer Rate or London Interbank Offer Rate. The interests are repriced every one to three months.

(b) At 30 September 2018, bank loans drawn in the U.S.A. bear interest at 5% (31 March 2018: 5%) per annum.

(c) At 30 September 2018, bank loans drawn in Macau bears interest at 1% (31 March 2018: 1%) per annum below the Macau's Prime Lending Rate.

12 BANK LOANS (CONTINUED)

Note: (continued)

(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 2018 $'000	At 31 March 2018 $'000
Investment properties	**174,540**	168,300
Buildings held for own use	**41,062**	41,778
Properties for sale	**550,445**	405,969
Pledged bank deposits	**20,429**	20,429
	786,476	636,476

Such banking facilities amounted to $738,327,000 (31 March 2018: $923,438,000) were utilised to the extent of $656,234,000 at 30 September 2018 (31 March 2018: $693,826,000).

(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 was 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 2018 and 30 September 2017.

(f) The amounts due are based on the scheduled repayment dates set out in loan agreements and ignored the effect of any repayment on demand clause.

(g) Certain of the Group's loan agreements contain clauses which give the lenders the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.

The Group does not consider it probable that banks will exercise their discretion to demand repayment for so long as the Group continues to meet the scheduled repayment obligations.

13 RESERVES AND DIVIDEND

(a) Dividend

(i) The board of directors (the "Board") does not recommend the payment of an interim dividend for the six-month period ended 30 September 2018 (six-month period ended 30 September 2017: $Nil per share).

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the period.

	Six-month period ended 30 September	
	2018	2017
	$'000	$'000
Final dividend in respect of the previous financial year of 3 cents per share (six-month period ended 30 September 2017: 3 cents per share)	**14,323**	14,323

(b) Nature and purpose reserves

(i) Statutory reserve

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

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) Other reserve

Other reserve comprises 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 interests respectively.

(iv) Revaluation reserve

Revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of land and buildings held for own use.

14 MATERIAL RELATED PARTY TRANSACTIONS

(a) Apart from 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	
	2018	2017
	$'000	$'000
Asset management expense to a related company	**(203)**	(193)
Investment advisory fee expense to a related company	**(203)**	(195)
Investment management fee income from associates	**3,451**	–
Project management fee income from associates	**2,655**	600
Rental and building management fee income from a related company	**256**	256
Rental and building management fee income from joint ventures	**548**	373
Purchase of construction materials from joint ventures	**(623)**	(40,334)
Sales of construction materials to a joint venture	**144**	98
Sales of construction materials to related companies	**3,086**	–
Rental deposit received from a joint venture	**135**	135
Rental deposit received from a related company	**108**	108
Trade receivable from a joint venture	**39,641**	117
Trade receivables from related companies	**8,473**	–
Trade payables to joint ventures	**(3,652)**	(4,936)
Deposits received from sale of properties to related parties of a key management personnel	**5,202**	520

14 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2018	2017
	$'000	$'000
Salaries and short-term employee benefits	**9,783**	9,616
Post-employment benefits	**54**	63
	9,837	9,679

15 CAPITAL COMMITMENTS

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

	At 30 September 2018	At 31 March 2018
	$'000	$'000
Authorised but not contracted for	**573,735**	429,492
Contracted for	**21,105**	144,805
	594,840	574,297

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development 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 at 30 September 2018 and 31 March 2018.

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 and a joint venture of $585,773,000 (31 March 2018: $885,959,000) and $20,000,000 (31 March 2018: $Nil) respectively. Such banking facilities were utilised by its subsidiaries and the joint venture to the extent of $258,518,000 (31 March 2018: $308,170,000), including the bank guarantee in favour of a utility service provider to secure the payment obligation of a subsidiary of the joint venture for an amount up to EUR250,000 (equivalent to $2,284,000) (31 March 2018: EUR370,000 (equivalent to $3,597,000)), and $12,500,000 (31 March 2018: $Nil) respectively.

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.

18 COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

19 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 29 November 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2018.

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

Up to the date of this report, the interests and short positions of the directors and chief executives of the Company and their associates in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange 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	24,200,000	5.06
			218,408,000	45.74
NG Tak Kwan	Long	Beneficial owner	63,024,000	13.20
LO Hoi Wah, Heywood	Long	Beneficial owner	302,000	0.06

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.

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
	Long	Other interest (2)	97,104,000	20.34
			194,208,000	40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	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

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 2018, 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

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 be disclosed under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company's advances to entities and the financial assistance and guarantees to affiliated companies provided by the Company are as follows:

(a) Advances to entities

As at 30 September 2018, the Group has advanced to Quarella Group Limited ("QGL") loans in the aggregate amount of HK$190,000,000 for the working capital of QGL, which is carried at interest of 3-month Hong Kong Interbank Offer Rate plus a margin of 4.5% per annum, unsecured and be repaid by written notice demand by the Company, the interest receivable on loans to QGL of HK$13,890,000, and guarantees have been issued by the Group to a bank in respect of banking facilities of HK$20,000,000 and in favour of a utility service provider to secure the payment obligation of a subsidiary of QGL for an amount up to Euros 250,000 (equivalent to HK$2,284,000).

As at 30 September 2018, an aggregate sum of HK$169,550,000 was advanced by the Group to Fastest Runner Limited for the purpose of acquiring the property located at No. 23 Wong Chuk Hang Road, Hong Kong and financing its development and general working capital. The advances are non-interest bearing, unsecured and do not have fixed terms of repayment and were made pro rata to the percentage of shareholding of the relevant subsidiary of the Group in Fastest Runner Limited.

(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 2018 are presented as follows:

	HK$'000
Non-current assets	227,731
Current assets	3,342,442
Current liabilities	(2,857,200)
Non-current liabilities	(751,210)
	(38,237)
Share capital	2
Reserves	(38,239)
Capital and reserves	(38,237)

As at 30 September 2018, the Group's share of net liabilities in those affiliated companies amounted to HK$14,013,000.

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