



RYKADAN CAPITAL LIMITED
宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code : 2288)



Interim Report **2019**

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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

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 54, 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 continued to further develop its property development business and asset, investment and fund management business during the six-month period under review. In addition to directly funding high-potential real estate redevelopment projects, the Group commenced real estate projects in partnership with institutional investors through private equity funds managed by its asset, investment and fund management business.

The Group is currently focusing on two promising real estate redevelopment projects in Hong Kong – the Wong Chuk Hang Project and the Jaffe Road Project, both located in emerging business districts. Both projects are progressing well along the construction stage. Meanwhile, the Group continued to market its overseas property projects in the United Kingdom (the “U.K.”) and in the United States of America (the “U.S.A.”) during the six-month period under review.

In line with its strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon, the Group is prudently exploring promising local and overseas residential, industrial and commercial properties and projects that meet its investment mandate and complement its existing portfolio. It also continues to leverage on its asset, investment and fund management business to tap a broader base of development capital, while generating recurring fee income throughout the life of its various real estate development projects.

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 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 2019, the Group’s total assets were valued at HK\$1,967 million (31 March 2019: HK\$2,024 million), of which HK\$827 million (31 March 2019: HK\$1,052 million) were current assets, approximately 1.48 times (31 March 2019: 1.94 times) of current liabilities. Equity attributable to the owners of the Company was HK\$1,374 million (31 March 2019: HK\$1,439 million).

Management Discussion and Analysis

OVERALL PERFORMANCE

The Group's consolidated revenue for the six-month period amounted to HK\$42 million (six-month period ended 30 September 2018: HK\$52 million). Decrease in revenue was attributable to shifting the majority of the revenue from the distribution of construction and interior decorative materials business to the joint ventures of the Group. Such effect was slightly offset by recognising income from the sales of completed properties during the six-month period ended 30 September 2019. The gross profit and gross profit margin were HK\$22 million (six-month period ended 30 September 2018: HK\$23 million) and 52.1% (six-month period ended 30 September 2018: 43.8%) respectively.

Loss for the period was HK\$31 million (six-month period ended 30 September 2018: HK\$50 million). Loss attributable to equity shareholders of the Company was HK\$27 million (six-month period ended 30 September 2018: HK\$44 million).

The loss was mostly attributable to the decrease in revenue as aforementioned, net foreign exchange losses from Renminbi and British Pound during the period, as well as losses incurred by joint ventures.

Basic and diluted loss per share for the six-month period ended 30 September 2019 was HK5.6 cents (six-month period ended 30 September 2018: HK9.2 cents per share).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2019.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the period.

INVESTMENT PORTFOLIO

As of 30 September 2019, the Group's bank deposits and cash was HK\$201 million (31 March 2019: HK\$436 million), representing 10.2% (31 March 2019: 21.5%) of the Group's total assets.

The following table shows the Group's investments as of 30 September 2019.

Management Discussion and Analysis

Real estate investments

Investment	Location	Type	Group		Total gross floor area (Note 1)	Attributable gross floor area
			interest	Status as of 30/9/2019		
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in January 2020	3,973 square feet	3,973 square feet
265 Naomi Project	265 W Naomi Avenue, Arcadia, CA 91007, the U.S.A.	Residential property	100%	Completed and being marketed to buyer	8,064 square feet	8,064 square feet
263 Naomi Project	263 W Naomi Avenue, Arcadia, CA 91007, the U.S.A.	Residential property	100%	Completed. Handed over in November 2019	8,010 square feet	8,010 square feet
Monterey Park Towne Centre	100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA 91755, the U.S.A.	Residential and retail property	100%	Under planning	189,663 square feet	189,663 square feet
Singing Wood Project	960 Singing Wood Drive, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under planning	9,124 square feet	9,124 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	10,939 square feet
Kailong Nanhui Business Park ("Business Park") (Note 2)	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	30,911 square metres
Jaffe Road Project	216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, Hong Kong	Commercial and retail property	3.55%	Under construction. Expected to be completed in December 2021	48,997 square feet	1,739 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	22,298 square feet

Management Discussion and Analysis

Investment	Location	Type	Group interest	Status as of 30/9/2019	Total gross	
					floor area (Note 1)	Attributable gross floor area
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Completed. Remaining 5 workshops, 2 floors and various car parking spaces being marketed to buyers	7,359 square feet	7,359 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	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

Note 1: Gross floor area is calculated on the Group's development plans, which may be subject to change.

Note 2: In June 2019, a new framework agreement has been entered between the Group and the purchaser, an independent third party, by way of disposal of the entire equity interests in Bestlinkage NHI Co., Ltd, an indirect subsidiary of the Company, as a result of the re-assessment and further negotiation on the deal structure for the disposal of the entire Business Park. Details of such proposed disposal were disclosed in the circular of the Company dated 23 August 2019.

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	A joint venture, 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/Asset, investment and fund management

During the six-month period under review, the Group completed construction of the 263 Naomi Project and the 265 Naomi Project in Arcadia, the U.S.A., in which the former will be delivered in November 2019 while the latter is currently being marketed to prospective buyers. The Group's Monterey Park Towne Centre redevelopment project in the U.S.A. is currently at the design approval and planning phase. The construction of the Group's two commercial and retail redevelopment projects in Hong Kong – namely the Wong Chuk Hang Project and the Jaffe Road Project are progressing well.

Each of the Wong Chuk Hang Project and the Jaffe Road Project is jointly-funded by the Group and a private equity fund managed by the Group's asset, investment and fund management business and is being developed jointly in accordance with the mandate of the respective fund. The Group continues 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. It is also seeking new investors and potential projects to further develop its asset, investment and fund management business.

Management Discussion and Analysis

The Group also continues to provide property development management services for the Wong Chuk Hang Project and the Jaffe Road Project via its wholly-owned subsidiary, Rykadan Project Management Limited. These services are provided with service fees at a fixed percentage of the actual total construction costs.

In addition to the projects and initiatives outlined above, the Group will keep on seeking new opportunities, while assessing its projects on hand with a view of materialising investments at appropriate time.

Property investment

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

In Hong Kong, the Group retains 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 Business Park as of 30 September 2019. Following an Extraordinary General Meeting held in September 2019, the Company's shareholders approved a new framework agreement with an independent third party. The previous framework agreement and property sale and purchase agreement has been terminated and the new framework agreement has become effective.

In Bhutan, the Group invests 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

As of 30 September 2019, Q-Stone Building Materials Limited ("Q-Stone"), the Group's subsidiary that engages in distribution of construction and interior decorative materials business, had minimal contracts on hand as the Group has shifted the majority of its outstanding orders to Quarella Holdings Limited, a joint-venture partner of the Group.

Quarella was established over 50 years ago and currently is a world leader in the production of quartz and marble-based engineered stone composite surfaces products with factories and research and development 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.

Management Discussion and Analysis

While Quarella's business in the U.S.A. is currently expanding, its management are proactively seeking new opportunities in Australia, Europe and South-East Asia.

OUTLOOK

Despite the uncertain geopolitical and macroeconomic environment, including the recent social unrest in Hong Kong and the ongoing U.S.A.-PRC trade tensions, the Group remains positive towards the prospects of its existing real estate development portfolio.

The Group remains cautiously optimistic about the underlying strength of the commercial and industrial property markets in Hong Kong, which could benefit from ongoing trends including favourable government policies to revitalise local industrial districts, as well as the continuing movement of multinational firms out of the traditional CBD area into emerging CBD districts in Hong Kong where the Group is focused.

The Group is cautiously optimistic about the outlook for its investment portfolio in the U.S.A., although the short-to-medium term prospects may be impacted by the upcoming 2020 United States Presidential Election. In the meantime, the Group is closely monitoring the impact of the upcoming elections in the U.K., as well as the implications of Brexit, but continues to see opportunities that are worth considering in this market.

Taking advantage of the low interest rate environment and supportive government policies, the Group will continue to seek high-potential and larger-scale projects in Hong Kong, overseas markets and the PRC's Greater Bay Area, combining the capital contributions from its asset, investment and fund management business together with its other existing resources.

The Group will strive for opportunities to expand its asset management business to further diversify its investment portfolios and deliver quality performance to its shareholders and project investors.

The above proactive but cautious strategy will be maintained to support the Group's future performance and create further value for its shareholders.

Management Discussion and Analysis

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 upon internally generated funds and bank borrowings to finance its operations and expansion.

As of 30 September 2019, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 16.5% (31 March 2019: 16.7%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was 9.2% (31 March 2019: Nil) as the Group has net debts of HK\$127 million as of 30 September 2019 (31 March 2019: net cash of HK\$93 million).

As of 30 September 2019, the total bank borrowings of the Group amounted to HK\$324 million (31 March 2019: HK\$338 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, the property development projects and investment in Quarella. The total bank borrowings were secured by investment properties, properties for sale and buildings held for own use. Further costs for developing the property redevelopment projects and the Quarella business will be financed by unutilised banking facilities or internally generated funds.

As of 30 September 2019, the Group's current assets and current liabilities were HK\$827 million (31 March 2019: HK\$1,052 million) and HK\$558 million (31 March 2019: HK\$541 million) respectively. The Group's current ratio decreased to 1.48 (31 March 2019: 1.94). 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.

Management Discussion and Analysis

Pledged 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 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, management of the Group will monitor the fluctuation in 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 policies, the 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 2019, the total number of employees of the Group is 28 (31 March 2019: 27). 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\$15 million for the period (six-month period ended 30 September 2018: HK\$14 million).

Consolidated Income Statement

For the six-month period ended 30 September 2019 – Unaudited
(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		30 September 2019	2018
		\$'000	(Note) \$'000
Revenue	3	41,820	51,673
Cost of sales and services		(20,017)	(29,030)
Gross profit		21,803	22,643
Other revenue		6,737	7,321
Other net loss		(14,934)	(28,644)
Selling and marketing expenses		(1,813)	(1,499)
Administrative and other operating expenses		(23,628)	(23,824)
Loss from operations		(11,835)	(24,003)
(Decrease)/increase in fair value of investment properties		(889)	6,553
Finance costs	4(a)	(6,992)	(12,232)
Share of profit less losses of associates		1,260	(5,167)
Share of profit less loss of joint ventures		(11,910)	(13,346)
Loss before taxation	4	(30,366)	(48,195)
Income tax	5	(441)	(2,111)
Loss for the period		(30,807)	(50,306)
Attributable to:			
Equity shareholders of the Company		(26,817)	(43,849)
Non-controlling interests		(3,990)	(6,457)
Loss for the period		(30,807)	(50,306)
Loss per share	6		
Basic and diluted		(5.6) cents	(9.2) cents

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 20 to 43 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 2019 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September	
	2019	2018
		(Note)
	\$'000	\$'000
Loss for the period	(30,807)	(50,306)
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	(10,567)	(20,278)
– Share of translation reserve of joint ventures	(2,401)	(4,401)
	(12,968)	(24,679)
Item that will not be reclassified subsequently to profit or loss:		
– Financial assets measured at fair value through other comprehensive income – movement in fair value reserve (non-recycling)	(1,000)	–
Other comprehensive income for the period	(13,968)	(24,679)
Total comprehensive income for the period	(44,775)	(74,985)
Attributable to:		
Equity shareholders of the Company	(36,507)	(60,593)
Non-controlling interests	(8,268)	(14,392)
Total comprehensive income for the period	(44,775)	(74,985)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 20 to 43 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2019

(Expressed in Hong Kong dollars)

	Note	At 30 September 2019 (Unaudited) \$'000	At 31 March 2019 (Audited) (Note) \$'000
Non-current assets			
Investment properties	7	495,441	512,845
Other properties, plant and equipment		40,821	41,407
Right-of-use assets		65	–
Interests in associates	8	215,532	215,861
Interests in joint ventures	9	387,406	201,343
Financial assets measured at fair value through other comprehensive income		–	1,000
		1,139,265	972,456
Current assets			
Properties for sale		502,622	469,236
Inventories		9,386	12,935
Trade receivables	10	98,403	104,012
Other receivables, deposits and prepayments		15,472	29,911
Bank deposits and cash on hand		201,389	435,767
		827,272	1,051,861

Consolidated Statement of Financial Position

At 30 September 2019

(Expressed in Hong Kong dollars)

	Note	At 30 September 2019 (Unaudited) \$'000	At 31 March 2019 (Audited) (Note) \$'000
Current liabilities			
Trade and other payables	11	73,555	72,540
Contract liabilities		5,774	5,277
Lease liabilities		66	–
Bank loans	12	324,154	338,459
Loans from non-controlling shareholders		78,542	78,218
Dividend payable		28,647	–
Taxation payable		47,735	46,954
		558,473	541,448
Net current assets		268,799	510,413
Total assets less current liabilities		1,408,064	1,482,869
Non-current liability			
Deferred tax liability		12,052	13,435
NET ASSETS		1,396,012	1,469,434
CAPITAL AND RESERVES			
Share capital		4,774	4,774
Reserves	13	1,369,358	1,434,512
Total equity attributable to equity shareholders of the Company		1,374,132	1,439,286
Non-controlling interests		21,880	30,148
TOTAL EQUITY		1,396,012	1,469,434

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 20 to 43 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2019 – 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	Fair value reserve	Retained profits \$'000	Total \$'000	Non-controlling interests	Total equity \$'000
								(non-recycling) \$'000			\$'000	
At 1 April 2019	4,774	469,130	4,433	(11,270)	(694)	35,440	11,474	(14,651)	940,650	1,439,286	30,148	1,469,434
Changes in equity for the six-month period ended 30 September 2019:												
Loss for the period	-	-	-	-	-	-	-	-	(26,817)	(26,817)	(3,990)	(30,807)
Other comprehensive income	-	-	-	(8,690)	-	-	-	(1,000)	-	(9,690)	(4,278)	(13,968)
Total comprehensive income for the period	-	-	-	(8,690)	-	-	-	(1,000)	(26,817)	(36,507)	(8,268)	(44,775)
Dividend declared in respect of the previous financial year	13(a)	-	-	-	-	-	-	-	(28,647)	(28,647)	-	(28,647)
At 30 September 2019	4,774	469,130	4,433	(19,960)	(694)	35,440	11,474	(15,651)	885,186	1,374,132	21,880	1,396,012

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2019 – Unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
Note	Share capital	Share premium	Statutory reserve	Translation reserve	Actuarial reserve	Other reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
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 (Note)	4,774	469,130	4,433	(15,148)	(647)	35,440	11,474	566,844	1,076,300	28,995	1,105,295	

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 20 to 43 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2019 – Unaudited

(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September	
	2019	2018
		(Note)
	\$'000	\$'000
Operating activities		
Cash (used in)/generated from operations	(26,077)	34,559
Income tax refund/(paid), net	372	(3,334)
Net cash (used in)/generated from operating activities	(25,705)	31,225
Investing activities		
Increase in amounts due from associates	(3,611)	(21,126)
Increase in amounts due from joint ventures	(201,344)	(5,863)
Dividend received from an associate	5,200	–
Dividend received from a joint venture	970	1,192
Other cash flows generated from investing activities	5,941	5,715
Net cash used in investing activities	(192,844)	(20,082)
Financing activities		
Proceeds from new bank loans	133,174	164,969
Repayments of bank loans	(147,420)	(318,695)
Dividend paid	–	(14,323)
Capital element of lease rentals paid	(55)	–
Other cash flows generated from financing activities	361	328
Net cash used in financing activities	(13,940)	(167,721)

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2019 – Unaudited
(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September 2019	2018 (Note)
	\$'000	\$'000
Net decrease in cash and cash equivalents	(232,489)	(156,578)
Cash and cash equivalents at the beginning of the period	431,602	374,511
Effect of foreign exchange rate changes	(1,653)	(3,878)
Cash and cash equivalents at the end of the period	197,460	214,055
Deposits and cash comprise:		
– Deposits with banks	3,929	24,591
– Cash at bank and on hand	197,460	214,055
	201,389	238,646
Less: Pledged bank deposits	–	(20,429)
Restricted deposits	(3,929)	(4,162)
	(3,929)	(24,591)
Cash and cash equivalents in the condensed consolidated cash flow statement	197,460	214,055

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 20 to 43 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 2019 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 12 June 2019.

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(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

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

HKFRS 16, *Leases*

HKFRS 16 has resulted in almost all leases being recognised in the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has adopted HKFRS 16 from 1 April 2019 and has not restated comparative information for the six-month reporting period ended 30 September 2018 and at 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position at 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 1 April 2019 was 4 % per annum.

	At 31 March 2019 \$'000
Operating lease commitments disclosed at 31 March 2019 (Audited)	853
Discounted using lessee's incremental borrowing rate at 1 April 2019	850
Less: short-term leases recognised on a straight-line basis as expense	(729)
Lease liabilities recognised at 1 April 2019	121
Analysed into:	
Current lease liabilities	112
Non-current lease liabilities	9
	121

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED) HKFRS 16, Leases (continued)

The associated right-of-use assets were measured at the amount equal to the lease liabilities relating to that lease recognised in the consolidated statement of financial position.

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 April 2019:

- a. Lease liabilities increased by \$121,000
- b. Right-of-use assets increased by \$121,000

Right-of-use assets mainly represent warehouses leased by the Group.

The Group is not required to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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.

Notes to the Unaudited Interim Financial Report

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3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six-month period ended	
	30 September 2019	2018
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of completed properties	16,950	–
– Distribution of construction and interior decorative materials	7,619	35,793
– Asset, investment and fund management income	6,309	6,527
– Property management fee and utility income	3,294	2,254
	34,172	44,574
Revenue from other sources		
– Rental income	7,648	7,099
	41,820	51,673
Disaggregated by geographical location of customers		
– Hong Kong	25,821	11,495
– The People's Republic of China (the "PRC")	13,529	37,550
– Others	2,470	2,628
	41,820	51,673

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

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For the six-month period ended 30 September 2019

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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) *Disaggregation of revenue (continued)*

For the period ended 30 September 2019, the Group's customer base is diversified and no customers (six-month period ended 30 September 2018: three customers) whose 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 the three customers amounted to approximately \$19,936,000, \$6,678,000 and \$6,194,000 respectively.

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

At 30 September 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is \$78,301,000 (31 March 2019: \$61,440,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties for sale, distribution of construction and interior decorative materials and provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future, when (i) the properties are assigned to the customers; (ii) the customers take possession of and accept the products; or (iii) the relevant services are provided to the customers, which are expected to occur within the next 12 to 42 months.

The amount discussed above does not include any amounts of incentive bonuses that the Group may earn in the future by meeting the conditions set out in the Group's contracts with customers for the provision of asset, investment and fund management, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those incentive bonuses.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(iii) Total future minimum lease payment receivable by the Group

Total minimum lease payment under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Within one year	9,215	9,236
After one year but within five years	22,134	24,705
After five years	14,006	17,394
	45,355	51,335

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). To be consistent with the way how 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 properties with a focus on development projects in prime locations in Hong Kong, the United Kingdom and the United States of America (the "U.S.A.").
- Property investment – This segment derives its revenue from leasing of premises included in the Group's investment properties portfolio in Hong Kong and the PRC.
- Asset, investment and fund management – This segment derives its revenue from investing in and managing a portfolio of real estates in Hong Kong.
- Distribution of construction and interior decorative materials – This segment derives its revenue from distribution of stone composite surfaces products in the Greater China region.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Segment results

For the six-month period ended 30 September 2019

	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	16,950	-	-	7,619	-	24,569
Over time	-	10,942	6,309	-	-	17,251
External revenue	16,950	10,942	6,309	7,619	-	41,820
Inter-segment revenue	-	1,775	-	-	(1,775)	-
Total	16,950	12,717	6,309	7,619	(1,775)	41,820
Segment profit from operations	6,360	5,920	959	801	-	14,040
Corporate expenses						(32,388)
Corporate income						6,513
Decrease in fair value of investment properties						(889)
Finance costs						(6,992)
Share of profit less losses of associates						1,260
Share of profit less loss of joint ventures						(11,910)
Loss before taxation						(30,366)

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

Segment results (continued)

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)

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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 2019	At 31 March 2019
	\$'000	(Note) \$'000
Segment assets		
Property development	515,118	482,353
Property investment	502,682	518,535
Asset, investment and fund management	15,349	32,633
Distribution of construction and interior decorative materials	89,256	99,622
Total segment assets	1,122,405	1,133,143
Other properties, plant and equipment	39,967	40,436
Right-of-use assets	65	–
Interests in associates	215,532	215,861
Interests in joint ventures	387,406	201,343
Financial assets measured at fair value through other comprehensive income	–	1,000
Other receivables, deposits and prepayments	3,702	932
Bank deposits and cash on hand	197,460	431,602
Total consolidated assets of the Group	1,966,537	2,024,317

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

(Expressed in Hong Kong dollars)

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 2019	At 31 March 2019 (Note)
	\$'000	\$'000
Segment liabilities		
Property development	132,724	105,543
Property investment	104,054	107,764
Asset, investment and fund management	2,977	1,195
Distribution of construction and interior decorative materials	8,003	24,054
Total segment liabilities	247,758	238,556
Other payables	6,800	4,674
Lease liabilities	66	–
Bank loans	196,660	220,000
Loans from non-controlling shareholders	78,542	78,218
Dividend payable	28,647	–
Deferred tax liability	12,052	13,435
Total consolidated liabilities of the Group	570,525	554,883

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

(Expressed in Hong Kong dollars)

4 LOSS BEFORE TAXATION

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

	Six-month period ended	
	30 September	
	2019	2018
		(Note (iii))
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans	7,173	13,184
Interest on loan from a non-controlling shareholder	128	129
Interest on lease liabilities	2	–
Less: interest expenses capitalised into properties under development for sale (Note (i))	(311)	(1,081)
	6,992	12,232
(b) Other items		
Cost of properties recognised for sales	8,605	–
Cost of inventories	4,818	24,385
Direct cost for management services provided (Note (ii))	3,107	2,455
Rental, property management fee and utility income receivable from investment properties less direct outgoings of \$3,487,000 (six-month period ended 30 September 2018: \$2,190,000)	7,455	7,163
Depreciation of other properties, plant and equipment	943	1,536
Depreciation of right-of-use assets	56	–
Loss on disposal of other properties, plant and equipment	–	2
Impairment loss of trade receivables	–	695
Net foreign exchange losses	15,095	28,693
Interest income on loans to joint ventures	(6,286)	(6,038)
Interest income on bank deposits	(31)	(64)

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2019

(Expressed in Hong Kong dollars)

4 LOSS BEFORE TAXATION (CONTINUED)

Notes:

- (i) Interest was capitalised at an average annual rate of approximately 5.0% (six-month period ended 30 September 2018: 2.9%).
- (ii) Direct cost for management services provided includes \$2,911,000 (six-month period ended 30 September 2018: \$2,231,000) relating to staff costs.
- (iii) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5 INCOME TAX

	Six-month period ended	
	30 September	
	2019	2018
	\$'000	\$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	704	94
– Under-provision in respect of prior year	–	22
	704	116
PRC Enterprise Income Tax (“EIT”)		
– Provision for the period	89	1,992
– Over-provision in respect of prior year	(380)	–
	(291)	1,992
	413	2,108
Deferred tax		
– Origination and reversal of temporary differences	28	3
	441	2,111

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5 INCOME TAX (CONTINUED)

The provision for Hong Kong Profits Tax is calculated at 16.5% (six-month period ended 30 September 2018: 16.5%) of the estimated assessable profits for the six-month period ended 30 September 2019.

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 2018: 25%) for the six-month period ended 30 September 2019.

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of \$26,817,000 (six-month period ended 30 September 2018: \$43,849,000) and 477,447,000 (six-month period ended 30 September 2018: 477,447,000) ordinary shares in issue during the interim periods.

(b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2019 and 30 September 2018.

7 INVESTMENT PROPERTIES

	2019 \$'000	2018 \$'000
At the beginning of the period/year	512,845	529,716
Additions	–	297
Revaluation (deficit)/surplus	(889)	5,585
Exchange adjustments	(16,515)	(22,753)
At the end of the period/year	495,441	512,845

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8 INTERESTS IN ASSOCIATES

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Share of net assets	15,534	19,868
Amounts due from associates	201,637	198,026
Share of net liabilities	(1,639)	(2,033)
	199,998	195,993
	215,532	215,861
Dividend received from an associate	5,200	103,309

At 30 September 2019 and 31 March 2019, 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.

Notes to the Unaudited Interim Financial Report

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9 INTERESTS IN JOINT VENTURES

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Share of net assets	14,990	15,140
Amounts due from joint ventures	411,978	210,634
Share of net liabilities	(39,562)	(24,431)
	372,416	186,203
	387,406	201,343
Dividend received from a joint venture	970	1,192

At 30 September 2019, the amount due from a joint venture of \$190,000,000 (31 March 2019: \$190,000,000) is interest bearing at 4.5% per annum over 3-month Hong Kong Interbank Offer Rate, unsecured and has no fixed terms of repayment while the remaining balance of \$221,978,000 (31 March 2019: \$20,634,000) 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.

Notes to the Unaudited Interim Financial Report

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10 TRADE RECEIVABLES

At 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	At 31 March
	2019	2019
	\$'000	\$'000
1-30 days	3,506	11,151
31-60 days	2,227	9,954
61-90 days	1,366	3,437
Over 90 days	91,304	79,470
	98,403	104,012

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2019: 90 days) after the issuance of invoices, except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, rental income which are receivable in the month the tenants use the premises and property management fee and utility income and asset, investment and fund management income which are receivable in the month the Group provides the services.

Before accepting any new customers of the distribution of construction and interior decorative materials business, the Group assesses the potential customers' credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

Notes to the Unaudited Interim Financial Report

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11 TRADE AND OTHER PAYABLES

At 30 September 2019, included in trade and other payables are trade payables of \$11,212,000 (31 March 2019: \$6,566,000) and the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
1-30 days	7,596	2,783
31-60 days	6	–
61-90 days	–	–
Over 90 days	3,610	3,783
	11,212	6,566

12 BANK LOANS

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

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Current liabilities		
Portion of bank loans due for repayment within 1 year	79,416	102,119
Portion of bank loans due for repayment after 1 year which contain a repayment on demand clause	244,738	236,340
	324,154	338,459

Notes to the Unaudited Interim Financial Report

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12 BANK LOANS (CONTINUED)

At 30 September 2019, the bank loans are due for repayment as follows:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Portion of bank loans due for repayment within 1 year	79,416	102,119
Bank loans due for repayment after 1 year (Notes (e) and (f)):		
After 1 year but within 2 years	85,256	75,454
After 2 years but within 5 years	128,256	126,403
After 5 years	31,226	34,483
	244,738	236,340
	324,154	338,459

At 30 September 2019, the secured bank loans and unsecured bank loans are as follows:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Secured bank loans	324,154	323,459
Unsecured bank loans	–	15,000
	324,154	338,459

Notes:

- (a) At 30 September 2019, bank loans drawn in Hong Kong bear interest at rates ranging from 1.5% to 3.0% (31 March 2019: 1.8% to 3.0%) per annum over the Hong Kong Interbank Offer Rate. The interests are repriced every one to three months.
- (b) At 31 March 2019, bank loans drawn in the U.S.A. bear interest at 5.0% per annum.

Notes to the Unaudited Interim Financial Report

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12 BANK LOANS (CONTINUED)

Notes: (continued)

- (c) As of the end of the reporting period, certain of the banking facilities of the Group were secured by mortgages over:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Investment properties	173,720	173,720
Buildings held for own use	39,635	40,350
Properties for sale	69,513	69,222
	282,868	283,292

Such banking facilities amounted to \$389,153,000 (31 March 2019: \$396,052,000) were utilised to the extent of \$324,154,000 at 30 September 2019 (31 March 2019: \$323,459,000).

- (d) 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 utilised facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

None of the covenants relating to the utilised facilities had been breached for the six-month periods ended 30 September 2019 and 30 September 2018.

- (e) The amounts due are based on the scheduled repayment dates set out in bank loan agreements and ignore the effect of any repayment on demand clause.
- (f) Certain of the Group's bank loan agreements contain clauses which give the lenders the right at their 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 so long as the Group continues to meet the scheduled repayment obligations.

Notes to the Unaudited Interim Financial Report

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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 2019 (six-month period ended 30 September 2018: \$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and/or paid during the period.

	Six-month period ended	
	30 September	2018
	2019	2018
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the interim period, of 6 cents per share (six-month period ended 30 September 2018: approved and paid of 3 cents per share)	28,647	14,323

(b) Nature and purpose of 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 the subsidiaries' 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.

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For the six-month period ended 30 September 2019

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13 RESERVES AND DIVIDEND (CONTINUED)

(b) Nature and purpose of reserves (continued)

(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 of to non-controlling shareholders respectively.

(iv) *Revaluation reserve*

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

(v) *Fair value reserve (non-recycling)*

Fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.

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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 2019 \$'000	2018 \$'000
Asset management expense to a related company	(193)	(203)
Investment advisory fee expense to a related company	(193)	(203)
Asset management income from a related company	534	–
Investment management fee income from associates	3,837	3,451
Project management fee income from associates	1,938	2,655
Rental and building management fee income from a related company	256	256
Rental and building management fee income from joint ventures	390	548
Purchase of construction materials from a joint venture	(1,134)	(623)
Sale of construction materials to a joint venture	41	144
Sale of construction materials to related companies	–	3,086
Trade receivables from associates	15,100	–
Trade receivables from joint ventures	40,596	39,641
Trade receivables from related companies	4,863	8,473
Trade payable to a joint venture	(3,563)	(3,652)
Rental deposit received from a joint venture	(135)	(135)
Rental deposit received from a related party	(108)	(108)
Contract liability to an associate	(420)	–
Contract liability to a related party	(635)	–
Deposits received from sale of properties to related parties of a key management personnel	–	(5,202)

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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 2019	2018
	\$'000	\$'000
Salaries and short-term employee benefits	9,893	9,783
Post-employment benefits	54	54
	9,947	9,837

15 CAPITAL COMMITMENTS

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

	At 30 September 2019	At 31 March 2019
	\$'000	\$'000
Authorised but not contracted for	664,307	696,314
Contracted for	37,296	38,763
	701,603	735,077

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 2019 and 31 March 2019.

Notes to the Unaudited Interim Financial Report

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(Expressed in Hong Kong dollars)

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 \$393,496,000 (31 March 2019: \$393,426,000) and \$20,000,000 (31 March 2019: \$20,000,000) respectively. Such banking facilities were utilised by its subsidiaries and the joint venture to the extent of \$127,494,000 (31 March 2019: \$120,674,000), 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 Euro Nil (equivalent to \$Nil) (31 March 2019: Euro250,000 (equivalent to \$2,215,000)), and \$20,000,000 (31 March 2019: \$20,000,000) 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 16 at 1 April 2019 using the modified retrospective approach. Under this approach, 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 28 November 2019.

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 2019.

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 in shares, underlying shares and debentures of the Company or any of 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
			<hr/> 218,408,000	<hr/> 45.74
NG Tak Kwan	Long	Beneficial owner	63,024,000	13.20
LO Hoi Wah, Heywood	Long	Beneficial owner	302,000	0.06

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. CHAN William is also a director of Tiger Crown Limited.
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 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.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS

Up to the date of this report, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO 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
			<hr/> 194,208,000	<hr/> 40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest ⁽²⁾	97,104,000	20.34
			<hr/> 194,208,000	<hr/> 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
			<hr/> 194,208,000	<hr/> 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
			<hr/> 194,208,000	<hr/> 40.68

Corporate Governance and Other Information

Notes:

1. Tiger Crown, which beneficially owned 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust. CHAN William is also a director of Tiger Crown Limited.
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, in which the scheme has expired on 3 August 2019. As at 30 September 2019, 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 and A.6.7 of the CG Code, details of which are set out below:

Mr. Chan William (“Mr. Chan”) has been appointed as Chief Executive Officer of the Company on 1 July 2012 and is now both the Chairman and the Chief Executive Officer of the Company, and that the functions of the Chairman and the Chief Executive Officer in the Company’s strategic planning and development process overlap. These constitute a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in-depth knowledge of Mr. Chan of the operations of the Group and of the property development and real estate/asset management business, his extensive business network and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Chan to assume the roles of Chairman and Chief Executive Officer at this time and that such arrangement be subject to review by the Board from time to time.

Under code provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings of the Company. One independent non-executive director was absent from the last annual general meeting and extraordinary general meeting held on 25 September 2019 due to other business commitments.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office or employment, is likely to possess inside information in relation to the Company or its securities) of the Group (the “Securities Code”) with terms no less exacting than that of the Model Code as 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.

Corporate Governance and Other Information

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 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 2019, the Company has advanced to Quarella Group Limited ("QGL") loans in the aggregate amount of HK\$190,000,000 for the working capital of QGL, which are 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 Company, the interest receivable on loans to QGL of HK\$26,597,000 and guarantees was issued by the Company to a bank in respect of banking facilities granted for an amount of HK\$20,000,000.

As at 30 September 2019, an aggregate sum of HK\$175,225,000 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.

As at 30 September 2019, the Group has advanced to Worth Celestial Limited an aggregate amount of HK\$195,378,000 for the purpose of acquiring two buildings located in Hong Kong. The advances are non-interest bearing, unsecured and repayable on demand and were made pursuant to the terms of the joint venture arrangement.

Corporate Governance and Other Information

(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 2019 are presented as follows:

	HK\$'000
Non-current assets	484,771
Current assets	2,204,713
Current liabilities	(1,966,651)
Non-current liabilities	(811,478)
	<hr/>
Net liabilities	(88,645)
	<hr/> <hr/>
Share capital	9
Reserves	(88,654)
	<hr/>
Capital and reserves	(88,645)
	<hr/> <hr/>

As at 30 September 2019, the Group's attributable accumulated losses in these affiliated companies amounted to HK\$40,699,000.

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, with the chairman possessing the appropriate professional qualifications and accounting expertise, 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