



**RYKADAN CAPITAL LIMITED**

**宏基資本有限公司**

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

**(Stock code : 2288)**

Interim Report **2020**



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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

LO Hoi Wah, Heywood

#### AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

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

### INVESTOR RELATIONS CONTACT

Think Alliance Group

Unit 1205-06, 12/F

FWD Financial Centre

308-320 Des Voeux Road Central

Hong Kong



# Management Discussion and Analysis

## OVERVIEW

The Group faced an increasingly challenging operating environment during the six-month period ended 30 September 2020, with the global economy falling into recession as a result of the COVID-19 pandemic. Nevertheless, the Group successfully monetised a number of its overseas development projects as it continued to develop its property development business and asset, investment and fund management business in line with its strategy.

During the six-month period under review, the Group exited projects in the People's Republic of China (the "PRC"), the United Kingdom (the "U.K.") and the United States of America (the "U.S.A."), with its other luxury residential and retail property projects in the U.S.A. having progressed to the design and development stage. In Hong Kong, the Group is currently focusing on two promising real estate redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project. Both projects are continuing to progress well along the construction stage, despite the ongoing pandemic.

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.

As of 30 September 2020, the Group's investments included commercial, industrial and residential property developments in Hong Kong and the U.S.A.. It also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2020, the Group's total assets were valued at HK\$1,805 million (31 March 2020: HK\$1,804 million), of which HK\$1,141 million (31 March 2020: HK\$1,207 million) were current assets, approximately 3.04 times (31 March 2020: 2.65 times) of current liabilities. Equity attributable to the equity shareholders of the Company was HK\$1,375 million (31 March 2020: HK\$1,323 million).

# Management Discussion and Analysis

## OVERALL PERFORMANCE

The Group's consolidated revenue for the six-month period under review amounted to HK\$152 million (six-month period ended 30 September 2019: HK\$42 million). The increase in revenue was attributable to the exit and monetisation of property redevelopment projects in the U.K. and the U.S.A., complemented by income generated from the Group's asset, investment and fund management business. The gross profit and gross profit margin were HK\$16 million (six-month period ended 30 September 2019: HK\$22 million) and 10.5% (six-month period ended 30 September 2019: 52.1%) respectively.

The Group recorded a profit of HK\$61 million for the six-month period under review (six-month period ended 30 September 2019: loss of HK\$31 million). The profit attributable to equity shareholders of the Company was HK\$34 million (six-month period ended 30 September 2019: loss attributable to equity shareholders of the Company of HK\$27 million). The profit was mostly attributable to a gain on disposal of interest in a subsidiary and net foreign exchange gains from Renminbi and British Pound during the period.

Basic and diluted earnings per share for the six-month period ended 30 September 2020 was HK7.0 cents (six-month period ended 30 September 2019: basic and diluted loss per share of HK5.6 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2020.

## MATERIAL ACQUISITION AND DISPOSAL

In May 2020, the Group acquired 2.53% of the partnership interest in Rykadan Real Estate Fund LP at a consideration of HK\$17,500,000. Upon completion of the acquisition, the partnership interest indirectly held by the Group has increased from 1% to approximately 3.53%. *(For details, please refer to note 8 to the unaudited interim financial report).*

In September 2020, the Group disposed of its entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect non-wholly owned subsidiary of the Company, and the shareholder's loan owed by Bestlinkage to Power City Investments Limited, a 59%-owned indirect subsidiary of the Company, for an aggregate consideration of RMB338,180,000. *(For details, please refer to note 14 to the unaudited interim financial report).*

# Management Discussion and Analysis

## INVESTMENT PORTFOLIO

As at 30 September 2020, the Group's bank deposits and cash was HK\$565 million (31 March 2020: HK\$242 million), representing 31.3% (31 March 2020: 13.4%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2020.

### Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2020	Total gross floor area <i>(Note)</i>	Attributable gross floor area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Completed and being marketed to buyers	3,973 square feet	3,973 square feet
Monterey Park Towne Centre Project	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	189,656 square feet	189,656 square feet
Singing Wood Project	960 Singing Wood Drive, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in December 2020	9,124 square feet	9,124 square feet
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 June 2022	49,019 square feet	1,740 square feet
Wong Chuk Hang Project	23 Wong Chuk Hang Road, Hong Kong	Commercial and retail property	22.82%	Under construction. Expected to be completed in March 2022	107,208 square feet	24,465 square feet
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Completed. Remaining 1 workshop, 2 floors and various car parking spaces being marketed to buyers	6,495 square feet	6,495 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:**

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

# Management Discussion and Analysis

## Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Distribution of construction and interior decorative materials	87%
Quarella Holdings Limited	A joint venture, producer of quartz and marble-based engineered stone composite surfaces products	43,5%
RS Hospitality Private Limited ("RS Hospitality")	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 monetised a number of overseas development projects, including handover of the 265 Naomi Project in Arcadia, the U.S.A. and the successful divestment of the Shoreditch Project prior to the U.K.'s second COVID-19 lock-down and deadline of Brexit negotiations.

In Hong Kong, the construction of two commercial and retail redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project – are proceeding smoothly, despite the ongoing COVID-19 pandemic. Both projects are expected to be completed in the first half of 2022 without further disruptions.

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 redeveloped 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 the U.S.A., the Monterey Park Towne Centre Project is currently in the design approval and planning phase, while the Winston Project and the Singing Wood Project are either approaching completion or being marketed to buyers.

In addition to the projects and initiatives outlined above, the Group will continue to seek attractive opportunities and evaluate its projects on hand with a view of materialising these investments at an appropriate time.

### **Property Investment**

The Group holds several properties in Hong Kong 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 earning rental income.

In Bhutan, the Group invests in a 24-suite boutique resort located in Bhutan's Punakha Valley, operated by RS Hospitality.

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

As at 30 September 2020, Q-Stone Building Materials Limited, the Group's subsidiary that engages in distribution of construction and interior decorative materials business, had minimal contracts on hand as the Group had shifted the majority of its outstanding orders to Quarella Holdings Limited, a joint venture of the Group.

Quarella was established over 50 years ago and currently is a world leader in the design and manufacturing of quartz and marble-based engineered stone composite surfaces products, with factories and research and development centres in Italy. Its products are used in many prominent hotels, airports, train stations, commercial buildings and shopping malls around the world.



## Management Discussion and Analysis

Quarella's business in the U.S.A. is still expanding, and its management plans to explore new opportunities in Australia, Europe and South-East Asia after the COVID-19 pandemic.

### **DIRECT IMPACT OF COVID-19**

The global COVID-19 pandemic continued to impact certain parts of the Group's business directly during the six-month period ended 30 September 2020.

Quarella's manufacturing operations in Italy was temporarily suspended under the country's shutdown from the beginning of the six-month period under review until early May 2020 when operations recommenced.

The Group's share of operational income from RS Hospitality was significantly impacted by a tourism ban in Bhutan that was in force for the entire six-month period under review. However, this income represents a minimal part of the Group's overall business. As of the date of this report, RS Hospitality expects its operational income to remain impacted until the removal of the tourism ban.

As of 30 September 2020, the financial impact of the COVID-19 pandemic on the Group is not material.



## Management Discussion and Analysis

### OUTLOOK

The global economic downturn resulting from the COVID-19 pandemic will weaken the confidence of potential investors in the short-to-medium term. However, the Group remains cautiously optimistic about the potential resiliency and prospects of its real estate development portfolio. In particular, the Group believes the underlying strength of the commercial and industrial property markets in Hong Kong will continue to be jointly supported by government policies to revitalise local industrial districts and the continued movement of multinational firms from traditional CBDs to emerging CBDs where the Group focuses.

Outside of the short-to-medium term impact of the COVID-19 pandemic, the Group has a cautious but positive outlook for its investment portfolio in the U.S.A..

With low-interest rates likely to remain in place amidst supportive government policies, including the announcement of new pilot reform policies in the People's Republic of China's Greater Bay Area ("GBA"), in the foreseeable future, the Group will continue to seek high-potential and larger-scale projects in Hong Kong, overseas markets and the GBA, 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, investment and fund management business to further diversify its investment portfolio and perform for its shareholders and project investors.

In order to provide an opportunity for its shareholders to dispose of part of their shares in the Company at a premium to the prevailing market price, the Company enlisted Dongxing Securities (Hong Kong) Company Limited to buy-back for cancellation up to 102,000,000 ordinary shares in the Company, representing approximately 21.36% of the total issued shares of the Company, at the price of HK\$0.68 per share. This conditional offer (the "Offer") was approved by the Company's shareholders at an Extraordinary General Meeting held on 23 November 2020.

The business and management of the Group will remain unchanged and the Company's listing on The Stock Exchange of Hong Kong Limited will be maintained upon completion of the Offer. The Group will continue to maintain the above proactive but prudent strategy to support its 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 2020, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 14.6% (31 March 2020: 16.9%). 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 Nil (31 March 2020: 5.0%) as the Group has net cash of HK\$302 million as at 30 September 2020 (31 March 2020: net debts of HK\$67 million).

As of 30 September 2020, the total bank borrowings of the Group amounted to HK\$263 million (31 March 2020: HK\$305 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. 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 2020, the Group's current assets and current liabilities were HK\$1,141 million (31 March 2020: HK\$1,207 million) and HK\$375 million (31 March 2020: HK\$455 million) respectively. The Group's current ratio increased to 3.04 (31 March 2020: 2.65). 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

## **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 16 and 18 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 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 continues to adopt 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 the impact of the COVID-19 pandemic and 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 credit risk exposure of the Group at a very low level.

## **Employees and Remuneration Policies**

As at 30 September 2020, the total number of employees of the Group is 28 (31 March 2020: 29). The Group is committed to the concept of fair and responsible remuneration for its executive members and prescribed officers in line with the Company's and individual performance, market trends and in the context of overall employee remuneration. Total remuneration for employees (including the directors' remuneration) was HK\$13 million for the period (six-month period ended 30 September 2019: HK\$15 million).

# Consolidated Income Statement

For the six-month period ended 30 September 2020 – Unaudited  
(Expressed in Hong Kong dollars)

	Note	Six-month period ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	151,838	41,820
Cost of sales and services		(135,866)	(20,017)
<b>Gross profit</b>		<b>15,972</b>	21,803
Other revenue		1,818	6,737
Other net income/(loss)		10,960	(14,934)
Gain on disposal of interest in a subsidiary	14	46,657	–
Selling and marketing expenses		(3,002)	(1,813)
Administrative and other operating expenses		(20,364)	(23,628)
<b>Profit/(loss) from operations</b>		<b>52,041</b>	(11,835)
Decrease in fair value of investment properties		(1,420)	(889)
Finance costs	4(a)	(3,989)	(6,992)
Share of profit of associates		111	1,260
Share of profit/(loss) of joint ventures		14,248	(11,910)
<b>Profit/(loss) before taxation</b>	4	<b>60,991</b>	(30,366)
Income tax	5	–	(441)
<b>Profit/(loss) for the period</b>		<b>60,991</b>	(30,807)
<b>Attributable to:</b>			
– Equity shareholders of the Company		33,533	(26,817)
– Non-controlling interests		27,458	(3,990)
<b>Profit/(loss) for the period</b>		<b>60,991</b>	(30,807)
<b>Earnings/(loss) per share</b>	6		
Basic and diluted		7.0 cents	(5.6) cents

The notes on pages 20 to 43 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 13(a).

# Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2020 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		30 September 2020 HK\$'000	2019 HK\$'000
<b>Profit/(loss) for the period</b>		<b>60,991</b>	(30,807)
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		<b>7,630</b>	(10,567)
– Release of translation reserve upon disposal of interest in a subsidiary	14	<b>17,721</b>	–
– Share of translation reserve of joint ventures		<b>3,339</b>	(2,401)
		<b>28,690</b>	(12,968)
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)
<b>Other comprehensive income for the period</b>		<b>28,690</b>	(13,968)
<b>Total comprehensive income for the period</b>		<b>89,681</b>	(44,775)
<b>Attributable to:</b>			
– Equity shareholders of the Company		<b>51,457</b>	(36,507)
– Non-controlling interests		<b>38,224</b>	(8,268)
<b>Total comprehensive income for the period</b>		<b>89,681</b>	(44,775)

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

# Consolidated Statement of Financial Position

At 30 September 2020

(Expressed in Hong Kong dollars)

	Note	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	7	160,820	162,240
Other properties, plant and equipment		39,038	39,901
Right-of-use assets		–	9
Interests in associates	8	228,253	205,862
Interests in joint ventures	9	236,453	188,953
Financial assets measured at fair value through other comprehensive income		–	–
		<b>664,564</b>	596,965
<b>Current assets</b>			
Properties for sale		383,768	478,610
Inventories		9,371	9,815
Trade receivables	10	73,850	82,450
Other receivables, deposits and prepayments		109,267	64,553
Bank deposits and cash on hand		564,597	242,093
		<b>1,140,853</b>	877,521
Assets classified as held-for-sale		–	329,211
		<b>1,140,853</b>	1,206,732

# Consolidated Statement of Financial Position

At 30 September 2020

(Expressed in Hong Kong dollars)

		At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	11	31,549	20,523
Contract liabilities		2,540	585
Lease liabilities		–	9
Bank loans	12	262,825	296,331
Loans from non-controlling shareholders		76,738	78,482
Current tax liabilities		1,306	1,307
		<b>374,958</b>	397,237
Liabilities directly associated with assets classified as held-for-sale		–	57,310
		<b>374,958</b>	454,547
<b>Net current assets</b>		<b>765,895</b>	752,185
<b>Total assets less current liabilities</b>		<b>1,430,459</b>	1,349,150
<b>Non-current liability</b>			
Bank loans	12	–	8,372
<b>NET ASSETS</b>		<b>1,430,459</b>	1,340,778
<b>CAPITAL AND RESERVES</b>			
Share capital		4,774	4,774
Reserves	13(b)	1,370,068	1,318,611
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,374,842</b>	1,323,385
Non-controlling interests		55,617	17,393
<b>TOTAL EQUITY</b>		<b>1,430,459</b>	1,340,778

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 2020 – Unaudited

(Expressed in Hong Kong dollars)

## Attributable to equity shareholders of the Company

	Share capital	Share premium	Statutory reserve	Translation reserve	Actuarial reserve	Other reserve	Revaluation reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020	4,774	469,130	4,433	(20,378)	(322)	35,440	11,474	(15,850)	834,684	1,323,385	17,393	1,340,778
<b>Changes in equity for the six-month period ended 30 September 2020:</b>												
Profit for the period	-	-	-	-	-	-	-	-	33,533	33,533	27,458	60,991
Other comprehensive income	-	-	-	17,924	-	-	-	-	-	17,924	10,766	28,690
Total comprehensive income for the period	-	-	-	17,924	-	-	-	-	33,533	51,457	38,224	89,681
At 30 September 2020	4,774	469,130	4,433	(2,454)	(322)	35,440	11,474	(15,850)	868,217	1,374,842	55,617	1,430,459

# Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2020 – Unaudited

(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company

Note	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Actuarial reserve HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Fair value	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
								reserve (non-recycling) HK\$'000				
<b>At 1 April 2019</b>	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
<b>Changes in equity for the six-month period ended 30 September 2019:</b>												
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)
<b>At 30 September 2019</b>	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

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 2020 – Unaudited

(Expressed in Hong Kong dollars)

	Note	Six-month period ended	
		2020	2019
		HK\$'000	HK\$'000
<b>Operating activities</b>			
Cash generated from/(used in) operations		151,956	(26,077)
Income tax refunded, net		–	372
<b>Net cash generated from/(used in) operating activities</b>		<b>151,956</b>	<b>(25,705)</b>
<b>Investing activities</b>			
Increase in amounts due from associates		(3,226)	(3,611)
Increase in amount due from a joint venture		(29,913)	(201,344)
Dividend received from an associate		–	5,200
Dividend received from a joint venture		–	970
Acquisition of additional interest in an associate	8	(17,500)	–
Capital contributions to associates		(1,554)	–
Proceeds from disposal of interest in a subsidiary	14	259,184	–
Decrease in restricted deposit		3,974	–
Other cash flows generated from investing activities		177	5,941
<b>Net cash generated from/(used in) investing activities</b>		<b>211,142</b>	<b>(192,844)</b>
<b>Financing activities</b>			
Proceeds from new bank loans		8,669	133,174
Repayments of bank loans		(50,541)	(147,420)
Repayments to non-controlling shareholders		(1,008)	–
Capital element of lease rentals paid		(9)	(55)
Other cash flows generated from financing activities		–	361
<b>Net cash used in financing activities</b>		<b>(42,889)</b>	<b>(13,940)</b>

# Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2020 – Unaudited  
(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>320,209</b>	(232,489)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>242,361</b>	431,602
<b>Effect of foreign exchange rate changes</b>	<b>2,027</b>	(1,653)
<b>Cash and cash equivalents at the end of the period</b>	<b>564,597</b>	197,460
<b>Deposits and cash comprise:</b>		
– Deposit with bank	–	3,929
– Cash at bank and on hand	<b>564,597</b>	197,460
	<b>564,597</b>	201,389
Less: Restricted deposit	–	(3,929)
<b>Cash and cash equivalents in the condensed consolidated cash flow statement</b>	<b>564,597</b>	197,460

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 2020

(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 25 November 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 2020 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 17 June 2020.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new amendments to HKFRSs and revised conceptual framework that are first effective for the current accounting period of the Group.

- HKFRS 3 Amendments, *Definition of a Business*
- HKAS 1 and HKAS 8 Amendments, *Definition of Material*
- HKAS 39, HKFRS 7 and HKFRS 9 Amendments, *Hedge Accounting*
- Conceptual Framework for Financial Reporting 2018, *Revised Conceptual Framework for Financial Reporting*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard and amendments to existing standards that are not yet effective for the current accounting period.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 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:

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
– Sales of completed properties	<b>131,904</b>	16,950
– Distribution of construction and interior decorative materials	<b>590</b>	7,619
– Asset, investment and fund management income	<b>7,485</b>	6,309
– Property management fee and utility income	<b>5,492</b>	3,294
	<b>145,471</b>	34,172
<b>Revenue from other source</b>		
– Rental income	<b>6,367</b>	7,648
	<b>151,838</b>	41,820
<b>Disaggregated by geographical location of customers</b>		
– Hong Kong	<b>14,959</b>	25,821
– The People's Republic of China (the "PRC")	<b>10,395</b>	13,529
– The United States of America (the "U.S.A.")	<b>32,775</b>	–
– The United Kingdom (the "U.K.")	<b>93,709</b>	2,470
	<b>151,838</b>	41,820

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### a) Revenue (continued)

#### (i) *Disaggregation of revenue (continued)*

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

For the period ended 30 September 2020, the Group's customer base is diversified and includes only two customers (six-month period ended 30 September 2019: no customer) whose transactions have exceeded 10% of the Group's revenue.

For the period ended 30 September 2020, revenue from sales of completed properties to the two customers in the U.K. and the U.S.A. amounted to approximately HK\$93,709,000 and HK\$32,775,000 respectively.

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

At 30 September 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$24,650,000 (31 March 2020: HK\$64,829,000). 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 24 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 2020

(Expressed in Hong Kong dollars)

## 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 2020 HK\$'000	At 31 March 2020 HK\$'000
Within one year	3,819	2,459
After one year but within five years	1,647	1,765
	<b>5,466</b>	<b>4,224</b>

### (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 and the U.S.A. (six-month period ended 30 September 2019: Hong Kong, the U.K. and 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 (six-month period ended 30 September 2019: Hong Kong and the P.R.C.).
- 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 2020

(Expressed in Hong Kong dollars)

## 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 2020

	Property development HK\$'000	Property investment HK\$'000	Asset, investment and fund management HK\$'000	Distribution of construction and interior decorative materials HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	131,904	-	-	590	-	132,494
Over time	-	5,492	7,485	-	-	12,977
<b>Revenue from other source</b>	-	6,367	-	-	-	6,367
External revenue	131,904	11,859	7,485	590	-	151,838
Inter-segment revenue	-	1,775	-	-	(1,775)	-
<b>Total</b>	<b>131,904</b>	<b>13,634</b>	<b>7,485</b>	<b>590</b>	<b>(1,775)</b>	<b>151,838</b>
Segment profit/(loss) from operations	170	5,308	3,107	(551)	-	8,034
Corporate expenses						(14,048)
Corporate income						11,398
Gain on disposal of interest in a subsidiary						46,657
Decrease in fair value of investment properties						(1,420)
Finance costs						(3,989)
Share of profit of associates						111
Share of profit of joint ventures						14,248
<b>Profit before taxation</b>						<b>60,991</b>

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(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 2019

	Property development HK\$'000	Property investment HK\$'000	Asset, investment and fund management HK\$'000	Distribution of construction and interior decorative materials HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	16,950	-	-	7,619	-	24,569
Over time	-	3,294	6,309	-	-	9,603
<b>Revenue from other source</b>	-	7,648	-	-	-	7,648
External revenue	16,950	10,942	6,309	7,619	-	41,820
Inter-segment revenue	-	1,775	-	-	(1,775)	-
<b>Total</b>	<b>16,950</b>	<b>12,717</b>	<b>6,309</b>	<b>7,619</b>	<b>(1,775)</b>	<b>41,820</b>
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 of associates						1,260
Share of 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 2020

(Expressed in Hong Kong dollars)

## 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 2020 HK\$'000	At 31 March 2020 HK\$'000
<b>Segment assets</b>		
Property development	<b>387,461</b>	487,847
Property investment	<b>161,231</b>	162,730
Asset, investment and fund management	<b>8,203</b>	68,944
Distribution of construction and interior decorative materials	<b>77,409</b>	82,300
<b>Total segment assets</b>	<b>634,304</b>	801,821
Other properties, plant and equipment	<b>38,519</b>	39,241
Right-of-use assets	–	9
Interests in associates	<b>228,253</b>	205,862
Interests in joint ventures	<b>236,453</b>	188,953
Financial assets measured at fair value through other comprehensive income	–	–
Other receivables, deposits and prepayments	<b>103,291</b>	408
Bank deposits and cash on hand	<b>564,597</b>	238,192
Assets classified as held-for-sale	–	329,211
<b>Total consolidated assets of the Group</b>	<b>1,805,417</b>	1,803,697

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(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)

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
<b>Segment liabilities</b>		
Property development	<b>84,405</b>	79,948
Property investment	<b>71,125</b>	65,171
Asset, investment and fund management	<b>2,586</b>	978
Distribution of construction and interior decorative materials	<b>3,769</b>	3,942
<b>Total segment liabilities</b>	<b>161,885</b>	150,039
Other payables	<b>8,835</b>	3,759
Lease liabilities	–	9
Bank loans	<b>127,500</b>	173,320
Loans from non-controlling shareholders	<b>76,738</b>	78,482
Liabilities directly associated with assets classified as held-for-sale	–	57,310
<b>Total consolidated liabilities of the Group</b>	<b>374,958</b>	462,919

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 4 PROFIT/(LOSS) BEFORE TAXATION

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

	Six-month period ended	
	2020	2019
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans	4,195	7,173
Interest on loan from a non-controlling shareholder	117	128
Interest on lease liabilities	–	2
Less: interest expenses capitalised into properties under development for sale (Note (i))	(323)	(311)
	<b>3,989</b>	<b>6,992</b>
<b>(b) Expenses by nature</b>		
Cost of properties for recognised sales	127,785	8,605
Cost of inventories	434	4,818
Direct cost for management services provided (Note (iii))	3,472	3,107
Direct outgoings of rental, property management fee and utilities	4,175	3,487
Operating lease payment in respect of leased properties	899	1,010
Depreciation of:		
– Other properties, plant and equipment	922	943
– Right-of-use assets	9	56
Impairment loss of trade receivables	483	–
Net foreign exchange (gains)/losses	(10,121)	15,095

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 4 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

Notes:

- (i) Interest was capitalised at an average annual rate of approximately 5.0% (six-month period ended 30 September 2019: 5.0%).
- (ii) Direct cost for management services provided includes HK\$3,264,000 (six-month period ended 30 September 2019: HK\$2,911,000) relating to staff costs.

## 5 INCOME TAX

	Six-month period ended	
	2020	2019
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
– Provision for the period	–	704
– Under-provision in respect of prior year	7	–
	<b>7</b>	704
PRC Enterprise Income Tax (“EIT”)		
– Provision for the period	–	89
– Over-provision in respect of prior year	(7)	(380)
	<b>(7)</b>	(291)
	–	413
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	28
	–	441

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 5 INCOME TAX (CONTINUED)

The provision for Hong Kong Profits Tax is calculated at 16.5% (six-month period ended 30 September 2019: 16.5%) of the estimated assessable profits for the six-month period ended 30 September 2020.

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 2019: 25%) for the six-month period ended 30 September 2020.

## 6 EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$33,533,000 (six-month period ended 30 September 2019: loss of HK\$26,817,000) and 477,447,000 (six-month period ended 30 September 2019: 477,447,000) ordinary shares in issue during the interim period.

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

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2020 and 30 September 2019.

## 7 INVESTMENT PROPERTIES

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
At the beginning of the period/year	<b>162,240</b>	512,845
Decrease in fair value of investment properties	<b>(1,420)</b>	(13,471)
Transfer to assets classified as held-for-sale	–	(316,515)
Exchange adjustments	–	(20,619)
At the end of the period/year	<b>160,820</b>	162,240

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 8 INTERESTS IN ASSOCIATES

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
Share of net assets	<b>21,933</b>	2,380
Amounts due from associates	<b>210,578</b>	207,352
Share of net liabilities	<b>(4,258)</b>	(3,870)
	<b>206,320</b>	203,482
	<b>228,253</b>	205,862
Dividend received from an associate	–	19,240

During the period ended 30 September 2020, the Group acquired approximately 2.53% partnership interest in Rykadan Real Estate Fund LP (“RREFLP”) at a consideration of HK\$17,500,000. Total commitment of capital contributions in respect of the partnership interest is HK\$23,000,000, of which HK\$19,500,000 had been paid, and the remaining capital contribution of HK\$3,500,000 will be payable to RREFLP by the Group. Upon completion of the acquisition, the partnership interest in RREFLP held by the Group has increased from 1% to approximately 3.53%. RREFLP and the Group own 80% and 20% respectively of the direct interest of Fastest Runner Limited, an associate of the Group, which was formed for the single purpose to redevelop a property located in Hong Kong. The Group’s effective interest in Fastest Runner Limited has therefore increased from approximately 20.80% to approximately 22.82% as a result of the acquisition.

At 30 September 2020 and 31 March 2020, the amounts due from associates are interest-free and unsecured. 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

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 9 INTERESTS IN JOINT VENTURES

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
Share of net assets	<b>13,595</b>	14,002
Amount due from a joint venture	<b>253,116</b>	223,203
Share of net liabilities	<b>(30,258)</b>	(48,252)
	<b>222,858</b>	174,951
	<b>236,453</b>	188,953
Dividend received from a joint venture	–	2,384

At 30 September 2020, the amount due from a joint venture is interest-free and unsecured. The amount is not expected to be recovered within the next twelve months from the end of the reporting period and it is neither past due nor impaired.

At 31 March 2020, the amount due from a joint venture of HK\$190,000,000 is interest bearing at 4.5% per annum over 3-month Hong Kong Interbank Offer Rate and unsecured while the remaining balance of HK\$33,203,000 is interest-free and unsecured. 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

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 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:

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
1 – 30 days	<b>9,583</b>	10,474
31 – 60 days	<b>368</b>	928
61 – 90 days	<b>1,588</b>	5,530
Over 90 days	<b>62,311</b>	65,518
	<b>73,850</b>	82,450

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2020: 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, management 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 receivables from existing customers is reviewed by the Group regularly.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 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:

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
1 – 30 days	3,716	2,756
31 – 60 days	–	79
61 – 90 days	–	–
Over 90 days	35	37
	<b>3,751</b>	<b>2,872</b>

## 12 BANK LOANS

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

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
<b>Current liabilities</b>		
Portion of bank loans due for repayment within one year – secured	102,418	78,649
Portion of bank loans due for repayment after one year which contain a repayment on demand clause – secured	160,407	217,682
	<b>262,825</b>	<b>296,331</b>
<b>Non-current liability</b>		
Bank loans – secured	–	8,372

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 12 BANK LOANS (CONTINUED)

At 30 September 2020, the secured bank loans are due for repayment as follows:

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
Portion of bank loans due for repayment within one year – secured	<b>102,418</b>	78,649
Bank loans due for repayment after one year (Notes (e) and (f)):		
After one year but within two years – secured	<b>62,882</b>	123,701
After two years but within five years – secured	<b>73,084</b>	74,450
After five years – secured	<b>24,441</b>	27,903
	<b>160,407</b>	226,054
	<b>262,825</b>	304,703

Notes:

- (a) At 30 September 2020, bank loans drawn in Hong Kong bear interest at rates ranging from 1.5% to 3.0% (31 March 2020: 1.5% to 3.0%) per annum over Hong Kong Interbank Offer Rate. The interests are repriced every month.
- (b) At 30 September 2020, bank loan drawn in the U.S.A. bears interest at 5.0% (31 March 2020: 5.0%) per annum.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 12 BANK LOANS (CONTINUED)

Notes: (continued)

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

	<b>At 30 September 2020 HK\$'000</b>	At 31 March 2020 HK\$'000
Investment properties	<b>158,720</b>	160,140
Buildings	<b>38,207</b>	38,921
Properties for sale	<b>109,682</b>	100,575
	<b>306,609</b>	299,636

Such banking facilities amounted to HK\$341,462,000 (31 March 2020: HK\$392,017,000) were utilised to the extent of HK\$262,825,000 at 30 September 2020 (31 March 2020: HK\$304,703,000).

- (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 2020 and 30 September 2019.

- (e) The amounts due are based on the scheduled repayment dates set out in bank loan agreements and ignored 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

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 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 2020 (six-month period ended 30 September 2019: HK\$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year, approved during the period.

	<b>Six-month period ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved during the interim period, of HK\$Nil per share (six-month period ended 30 September 2019: HK 6 cents per share)	–	28,647

### (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.

#### (iii) **Translation reserve**

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

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 13 RESERVES AND DIVIDEND (CONTINUED)

### (b) Nature and purpose of reserves (continued)

#### (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 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)

The 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.

## 14 DISPOSAL OF INTEREST IN A SUBSIDIARY

The Group has entered into a new framework agreement dated 13 June 2019 with Shanghai Medicilon Inc. (the "Purchaser"), an independent third party, to dispose of the entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect subsidiary of the Company and the shareholder's loan owing by Bestlinkage to the Group (collectively referred to the "Disposal") at an aggregate consideration of RMB338,180,000 (equivalent to HK\$383,955,000), subject to adjustment. Bestlinkage is a property investment holding company and its major asset is its legal and beneficial interest in Kailong Nanhui Business Park, an industrial complex located in Shanghai, the PRC.

At 31 March 2020, certain conditions precedent pursuant to the Disposal were fulfilled which included the approvals at the shareholders' meetings of the Company and the Purchaser respectively. The previous framework agreement and property sale and purchase agreement were automatically terminated upon the new framework agreement became effective. Given that the formal sale and purchase agreement in relation to the Disposal was yet to be signed at 31 March 2020 and the discussion and negotiation with the Purchaser for finalising the terms and arrangements of the Disposal were in progress, the assets and liabilities of Bestlinkage were classified as "Assets classified as held-for-sale" and "Liabilities directly associated with assets classified as held-for-sale" in the Group's consolidated statement of financial position at 31 March 2020 in accordance with HKFRS 5, *Non-current assets held-for-sale and discontinued operations*.

On 30 September 2020, the Disposal was completed and Bestlinkage ceased to be a subsidiary of the Group.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 14 DISPOSAL OF INTEREST IN A SUBSIDIARY (CONTINUED)

The net assets of Bestlinkage as at the date of the Disposal were as follows:

	HK\$'000
<b>Net assets disposed of:</b>	
Investment properties	329,122
Trade receivables	10,803
Other receivables, deposits and prepayments	895
Bank deposits and cash on hand	4,902
Trade and other payables	(36,295)
Amount due to immediate holding company	(91,390)
Deferred tax liabilities	(19,129)
	<hr/>
	198,908
	<hr/> <hr/>
	HK\$'000
Consideration received in cash	281,127
Consideration receivable	102,828
	<hr/>
Total consideration	383,955
Less: Repayment to immediate holding company	(91,390)
Net assets disposed of	(198,908)
Release of translation reserve	(17,721)
Costs directly attributable to the Disposal	(29,279)
	<hr/>
Gain on disposal of interest in a subsidiary	46,657
	<hr/> <hr/>
	HK\$'000
<b>Net cash inflow on the Disposal:</b>	
Consideration received in cash	281,127
Bank deposits and cash disposed of	(4,902)
Costs directly attributable to the Disposal paid	(17,041)
	<hr/>
Net cash inflow on the Disposal for the period	259,184
	<hr/> <hr/>

During the six-month period ended 30 September 2020, the Purchaser settled HK\$281,127,000 and the remaining balance of the consideration amounted to HK\$102,828,000 is included in other receivables, deposits and prepayments at 30 September 2020.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 15 MATERIAL RELATED PARTY TRANSACTIONS

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

	Six-month period ended	
	2020	2019
	HK\$'000	HK\$'000
Asset management expense to a related company	(201)	(193)
Investment advisory fee expense to a related company	(201)	(193)
Investment management income from associates	3,848	3,837
Project management income from associates	3,110	1,938
Rental and building management income from a related company	87	256
Rental and building management income from joint ventures	–	390
Purchase of construction materials from a joint venture	–	(1,134)
Sale of construction materials to a joint venture	550	41
Trade receivables from associates	8,053	15,100
Trade receivable from a joint venture	43,388	40,596
Trade receivable from a related company	–	4,863
Trade payable to a joint venture	–	(3,563)
Rental deposit received from a joint venture	–	(135)
Rental deposit received from a related company	–	(108)
Contract liabilities to associates	(1,410)	(420)

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 15 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	
	2020	2019
	HK\$'000	HK\$'000
Salaries and short-term employee benefits	7,297	9,893
Post-employment benefits	45	54
	<b>7,342</b>	<b>9,947</b>

## 16 CAPITAL COMMITMENTS

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

	At 30 September 2020	At 31 March 2020
	HK\$'000	HK\$'000
Authorised but not contracted for	699,712	722,813
Contracted for	43,584	50,835
	<b>743,296</b>	<b>773,648</b>

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

## 17 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 2020 and 31 March 2020.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2020

(Expressed in Hong Kong dollars)

## 18 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries, an associate and a joint venture of HK\$383,851,000 (31 March 2020: HK\$383,877,000), HK\$20,000,000 (31 March 2020: HK\$Nil) and HK\$34,400,000 (31 March 2020: HK\$54,400,000) respectively. Such banking facilities were utilised by its subsidiaries, the associate and the joint venture to the extent of HK\$135,325,000 (31 March 2020: HK\$131,382,000), HK\$Nil (31 March 2020: HK\$Nil) and HK\$Nil (31 March 2020: HK\$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.

At 30 September 2020 and 31 March 2020, the Group did not recognise any liabilities in respect of each corporate financial guarantee as the amounts of loss allowance estimated under the expected credit loss model were insignificant.

## 19 NON-ADJUSTING EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 September 2020, the Company announced that a conditional offer (the "Offer") would be made by Dongxing Securities (Hong Kong) Company Limited on behalf of the Company, subject to the fulfilment of certain conditions, to buy-back for cancellation up to 102,000,000 ordinary shares in the Company ("Maximum Number of Shares"), representing approximately 21.36% of the total issued shares of the Company at the offer price of HK\$0.68 per share. The shares to be bought-back by the Company shall not exceed the Maximum Number of Shares and there shall be no minimum number of shares proposed to be bought-back under the Offer. The consideration for the Offer, being a total of HK\$69,360,000 if the Offer is accepted in full, will be paid in cash, which will be funded by internal resources of the Group.

The Offer was approved by the Company's shareholders at an extraordinary general meeting held on 23 November 2020. However, the Offer has not been completed. The details of the Offer are referred to the announcement of the Company dated 28 September 2020 and the offer document of the Company dated 30 October 2020.

## 20 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 25 November 2020.

## 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 2020.

### 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 <sup>(1)</sup>	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	87,604,000	18.35
	Long	Beneficial owner	33,700,000	7.05
			<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 the sole director of Tiger Crown Limited and Rykadan Holdings 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 and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement. Hence, CHAN William is also deemed to be interested in the 87,604,000 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.

## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS

Up to the date of this report, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
HSBC International Trustee Limited	Long	Corporate trustee <sup>(1)(2)</sup>	218,408,000	45.74
Rykadan Holdings Limited	Long	Interest in a controlled corporation <sup>(1)(2)</sup>	218,408,000	45.74
Tiger Crown Limited <sup>(1)</sup>	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest <sup>(2)</sup>	121,304,000	25.40
			218,408,000	45.74
Scenemay Holdings Limited	Long	Beneficial owner	87,604,000	18.35
	Long	Other interest <sup>(2)</sup>	130,804,000	27.39
			218,408,000	45.74
LI Chu Kwan	Long	Interest in a controlled corporation <sup>(3)</sup>	87,604,000	18.35
	Long	Other interest <sup>(2)</sup>	130,804,000	27.39
			218,408,000	45.74
LI Wing Yin	Long	Interest in a controlled corporation <sup>(3)</sup>	87,604,000	18.35
	Long	Other interest <sup>(2)</sup>	130,804,000	27.39
			218,408,000	45.74

## Corporate Governance and Other Information

### Notes:

1. Tiger Crown Limited is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. Each of HSBC International Trustee Limited and Rykadan Holdings Limited is therefore deemed to be interested in the 97,104,000 shares of the Company beneficially owned by Tiger Crown Limited as well as the 121,304,000 shares of the Company in which Tiger Crown Limited is deemed to be interested as described in Note 2 below.
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 and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement.
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 87,604,000 shares of the Company beneficially 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.



## Corporate Governance and Other Information

### SHARE OPTION SCHEME

As at 30 September 2020, 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 provision 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.

## Corporate Governance and Other Information

### **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 to the Listing Rules.

Having made specific enquiries, all of the directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the interim reporting period.

### **DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES**

The information as required to disclose under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company's 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 2020, the Group has advanced to Quarella Group Limited ("QGL") loans in the aggregate amount of HK\$220,000,000 for the working capital of QGL, which is interest-free since 1 April 2020, unsecured and repayable by written notice demand by the Company, the interest receivable on loans to QGL until 31 March 2020 of HK\$33,116,000 and guarantee issued by the Group in favour of banks in respect of banking facilities granted to QGL for an amount to HK\$34,400,000.

As at 30 September 2020, an aggregate sum of HK\$186,445,000 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.

## 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 2020 are presented as follows:

	HK\$'000
Non-current assets	450,678
Current assets	2,234,774
Current liabilities	(1,889,848)
Non-current liabilities	(877,964)
	<hr/>
Net liabilities	(82,360)
	<hr/> <hr/>
Share capital	9
Reserves	(82,369)
	<hr/>
Capital and reserves	(82,360)
	<hr/> <hr/>

As at 30 September 2020, the Group's attributable accumulated losses in these affiliated companies amounted to HK\$34,330,000.

### AUDIT COMMITTEE REVIEW

The Audit Committee comprises 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*