



**RYKADAN
CAPITAL**

RYKADAN CAPITAL LIMITED
宏基資本有限公司

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

INTERIM REPORT
2021

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN William

(Chairman and Chief Executive Officer)

YIP Chun Kwok *(Chief Operating Officer)*

LO Hoi Wah, Heywood

(Chief Financial Officer)

Non-executive Director

NG Tak Kwan

Independent Non-executive Directors

HO Kwok Wah, George

TO King Yan, Adam

WONG Hoi Ki

AUDIT COMMITTEE

HO Kwok Wah, George *(Chairman)*

TO King Yan, Adam

WONG Hoi Ki

REMUNERATION COMMITTEE

HO Kwok Wah, George *(Chairman)*

TO King Yan, Adam

WONG Hoi Ki

NOMINATION COMMITTEE

CHAN William *(Chairman)*

HO Kwok Wah, George

WONG Hoi Ki

COMPANY SECRETARY

LUI Man Kit

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

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

Room 1102, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

Management Discussion and Analysis

OVERVIEW

During the six-month period ended 30 September 2021, the Group continued to grapple with ongoing headwinds stemming from the COVID-19 pandemic while moving forward with its property redevelopment projects.

In the United States of America (the “U.S.A.”), the Group exited one redevelopment project and acquired a new property. It also acquired a minority stake in a residential and commercial property redevelopment project in the United Kingdom (the “U.K.”).

In Hong Kong, the Group remained focused on its two promising real estate redevelopments – the Wong Chuk Hang Project located in a gentrifying arts and business district, and the Jaffe Road Project located in an established business district on Hong Kong Island; both of which achieved key construction milestones during the six months under review.

Elsewhere, the Group strived to tap a broader base of development capital by leveraging its asset, investment and fund management business while generating recurring fee income from its asset management business.

Despite the challenging external environment, the Group continued to prudently explore promising property redevelopment and co-investment opportunities in Hong Kong and overseas. The Group’s core strategy is to invest in high-potential investments, grow asset values and realise returns by exiting within a three-to-five-year horizon.

As of 30 September 2021, the Group’s investments included commercial, industrial and residential property developments in Hong Kong, the U.S.A. and the U.K.. It also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2021, the Group’s total assets were valued at HK\$1,479 million (31 March 2021: HK\$1,549 million), of which HK\$678 million (31 March 2021: HK\$852 million) were current assets, approximately 3.28 times (31 March 2021: 3.16 times) of current liabilities. Equity attributable to equity shareholders of the Company was HK\$1,274 million (31 March 2021: HK\$1,277 million).

Management Discussion and Analysis

OVERALL PERFORMANCE

The Group's consolidated revenue for the six-month period under review amounted to HK\$74 million (six-month period ended 30 September 2020: HK\$152 million). The fall in revenue was attributable to a high base after several property redevelopment projects were monetised in the previous financial period, in line with the Group's strategy. The gross profit and gross profit margin were HK\$13 million (six-month period ended 30 September 2020: HK\$16 million) and 17.7% (six-month period ended 30 September 2020: 10.5%) respectively.

The Group recorded a profit of HK\$3 million for the six-month period under review (six-month period ended 30 September 2020: HK\$61 million). The profit attributable to equity shareholders of the Company was HK\$7 million (six-month period ended 30 September 2020: HK\$34 million). The decrease in profit was mainly attributable to the absorption of losses incurred by joint ventures during the period and the absence of a one-off gain arising from disposal of interest in a subsidiary during the period ended 30 September 2020.

Basic and diluted earnings per share for the six-month period ended 30 September 2021 was HK1.8 cents (six-month period ended 30 September 2020: HK7.0 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2021.

MATERIAL ACQUISITION AND DISPOSAL

In September 2021, the Group entered into a subscription agreement which agreed to increase its capital commitment in Rykadan Real Estate Fund LP by HK\$15,750,000. Upon completion of the subscription, the partnership interest indirectly held by the Company has been increased from approximately 3.53% to approximately 5.26%. *(For details, please refer to note 8 to the unaudited interim financial report).*

Management Discussion and Analysis

INVESTMENT PORTFOLIO

As at 30 September 2021, the Group's bank deposits and cash was HK\$169 million (31 March 2021: HK\$370 million), representing 11.4% (31 March 2021: 23.9%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2021.

Real estate investments

| Investment | Location | Type | Group's interest | Status as of 30/9/2021 | 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 | 237,644 square feet | 237,644 square feet |
| Anoakia Project | 701 Anoakia Lane, Arcadia, CA 91006, the U.S.A. | Residential property | 100% | Under planning | 11,335 square feet | 11,335 square feet |
| Broadway Project | 216 – 220 East Broadway, San Gabriel, CA 91776, the U.S.A. | Residential and retail property | 50% | Under planning | 16,740 square feet | 8,370 square feet |
| Graphite Project | Graphite Square, Vauxhall, London SE11, the U.K. | Residential and commercial property | 21.25% | Under construction. Expected to be completed in March 2025 | 27,523 square metres | 5,849 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 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 | 24.21% | Under construction. Expected to be completed in March 2022 | 107,208 square feet | 25,955 square feet |
| Maple Street Project | 124 – 126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon | Industrial property | 100% | Completed. Remaining 2 floors and various car parking spaces being marketed to buyers | 6,323 square feet | 6,323 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 based on the Group's development plans, which may be subject to change.

Management Discussion and Analysis

Other investments

| Investment | Business/type | Group's 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 completed its sale of the Singing Wood Project in Arcadia, California, the U.S.A., further strengthening its overseas development track record. It acquired a new residential property redevelopment project, the Anoakia Project, also located in Arcadia, California. That project alongside the Broadway Project, remains under planning. The Group is continuing to market the completed Winston Project, while the Monterey Park Towne Centre Project remains in the design approval and planning phase following COVID-19 related delays.

In the U.K., the Group acquired a minority stake in the Graphite Project in London's Vauxhall district, which is currently undergoing rapid gentrification with a number of commercial businesses moving to the area.

In Hong Kong, the construction of the two commercial and retail redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project – continued to progress smoothly and are on schedule to be completed in March 2022 and June 2022, respectively.

Each of the Wong Chuk Hang Project and the Jaffe Road Project is jointly funded by the Group and a private equity fund that is managed by the Group's asset, investment and fund management business. The projects are being redeveloped jointly in accordance with the respective fund's mandate. During the six-month period under review, the Group increased its attributable interest in the Wong Chuk Hang Project to approximately 24.21% through a fund subscription agreement.

Management Discussion and Analysis

The Group is continuing to build up its asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects. It is also providing 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 continue to prudently seek and identify new property redevelopment opportunities and regularly evaluate its projects on hand with a view of materialising these investments at an appropriate time.

Property investment

The Group holds several properties as investments 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 stable 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

Quarella, controlled by Quarella Holdings Limited, a joint venture of the Group, 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. Established over 50 years ago, its products are used in many prominent hotels, airports, train stations, commercial buildings and shopping malls around the world.

During the six-month period under review, Quarella saw a progressive recovery in its business, although the pace of recovery will remain contingent on the health of the global economy. It is continuing to explore new growth opportunities in Australia, Europe and South-East Asia.

Management Discussion and Analysis

DIRECT IMPACT OF THE COVID-19 PANDEMIC

A tourism ban in Bhutan remained in force during the entire six-month period under review, significantly impacting the Group's share of operational income from RS Hospitality. 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 2021, the financial impact of the COVID-19 pandemic on the Group is not material.

OUTLOOK

Despite high vaccination rates in many countries around the world, the Group may continue to experience headwinds from sporadic COVID-19 outbreaks in its main markets, continued supply chain disruptions and raw material price inflation. The Group will carefully consider these uncertainties and risks as it continues to seek new high-potential redevelopment projects in Hong Kong, Mainland China and overseas markets, as well as opportunities to expand its asset, investment and fund management business.

The Group remains optimistic about the prospects for its current property redevelopment portfolio. In Hong Kong, the extension of the government's industrial revitalisation policy and gradual economic recovery will continue to support the city's commercial and industrial property markets. Meanwhile, its portfolio in the U.S.A. and the U.K. will continue to be supported by the tailwinds from demand/supply imbalances, low-interest rates and government stimulus policies.

The Group will continue to explore other ways to deliver additional returns to its shareholders, including debt investment opportunities.

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 2021, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 11.6% (31 March 2021: 15.6%). 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 0.2% (31 March 2021: Nil) as the Group has net debts of HK\$2 million as at 30 September 2021 (31 March 2021: net cash of HK\$129 million).

As of 30 September 2021, the total bank borrowings of the Group amounted to HK\$171 million (31 March 2021: HK\$241 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, the property redevelopment projects and the 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 2021, the Group's current assets and current liabilities were HK\$678 million (31 March 2021: HK\$852 million) and HK\$207 million (31 March 2021: HK\$270 million) respectively. The Group's current ratio increased to 3.28 (31 March 2021: 3.16). The internally generated funds, together with unutilised banking facilities will enable the Group to meet its business development needs.

The Group will cautiously seek new investment and development opportunities, while assessing and managing the risks, to maximise shareholders' value.

Management Discussion and Analysis

Pledge of Assets

For the pledge of assets, please refer to note 13 to the unaudited interim financial report.

Capital Commitments and Contingent Liabilities

For the capital commitments and contingent liabilities, please refer to notes 17 and 19 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 Dollar, British Pound, Canadian Dollar and Renminbi.

The Group's bank borrowings have been made at floating rates.

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

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. For loans and other receivables, the Group performs credit assessments before approving loans to applicants and regularly reviews the recoverability of each individual receivable.

Given the impact of the COVID-19 pandemic and tightening credit conditions in Mainland China, the Group's management is closely monitoring and reviewing from time to time its credit policies, the recoverability of trade receivables and the financial position of its customers in order to minimise the credit risk exposure of the Group.

Employees and Remuneration Policies

As at 30 September 2021, the total number of employees of the Group is 26 (31 March 2021: 27). 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\$12 million for the period (six-month period ended 30 September 2020: HK\$13 million).

Consolidated Income Statement

For the six-month period ended 30 September 2021-Unaudited

(Expressed in Hong Kong dollars)

| | Note | Six-month period ended 30 September | |
|--|------|--|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| Revenue | 3 | 73,833 | 151,838 |
| Cost of sales and services | | (60,761) | (135,866) |
| Gross profit | | 13,072 | 15,972 |
| Other revenue | | 5,194 | 1,818 |
| Other net (loss)/income | | (2,084) | 10,960 |
| Gain on disposal of interest in a subsidiary | 15 | – | 46,657 |
| Selling and marketing expenses | | (1,520) | (3,002) |
| Administrative and other operating expenses | | (10,615) | (20,364) |
| Profit from operations | | 4,047 | 52,041 |
| Increase/(decrease) in fair value of investment properties | | 8,380 | (1,420) |
| Finance costs | 4(a) | (2,022) | (3,989) |
| Share of profit of associates | | 458 | 111 |
| Share of (loss)/profit of joint ventures | | (7,141) | 14,248 |
| Profit before taxation | 4 | 3,722 | 60,991 |
| Income tax | 5 | (402) | – |
| Profit for the period | | 3,320 | 60,991 |
| Attributable to: | | | |
| – Equity shareholders of the Company | | 6,602 | 33,533 |
| – Non-controlling interests | | (3,282) | 27,458 |
| Profit for the period | | 3,320 | 60,991 |
| Earnings per share | 6 | | |
| Basic and diluted | | 1.8 cents | 7.0 cents |

The notes on pages 19 to 41 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2021-Unaudited

(Expressed in Hong Kong dollars)

| | Note | Six-month period ended | |
|--|------|------------------------|----------|
| | | 2021 | 2020 |
| | | HK\$'000 | HK\$'000 |
| Profit for the period | | 3,320 | 60,991 |
| 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 | | 474 | 7,630 |
| – Release of translation reserve upon disposal of interest in a subsidiary | 15 | – | 17,721 |
| – Share of translation reserve of joint ventures | | 824 | 3,339 |
| Other comprehensive income for the period | | 1,298 | 28,690 |
| Total comprehensive income for the period | | 4,618 | 89,681 |
| Attributable to: | | | |
| – Equity shareholders of the Company | | 7,742 | 51,457 |
| – Non-controlling interests | | (3,124) | 38,224 |
| Total comprehensive income for the period | | 4,618 | 89,681 |

The notes on pages 19 to 41 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2021 - Unaudited

(Expressed in Hong Kong dollars)

| | | At 30 September 2021 (Unaudited) HK\$'000 | At 31 March 2021 (Audited) HK\$'000 |
|---|----|---|---|
| Non-current assets | | | |
| Investment properties | 7 | 166,620 | 158,240 |
| Other properties, plant and equipment | | 37,289 | 38,106 |
| Interests in associates | 8 | 334,177 | 231,630 |
| Interests in joint ventures | 9 | 262,848 | 269,148 |
| Financial assets measured at fair value through other comprehensive income | | – | – |
| | | 800,934 | 697,124 |
| Current assets | | | |
| Properties for sale | | 388,314 | 402,282 |
| Inventories | | 5,428 | 5,977 |
| Trade receivables | 10 | 18,858 | 36,405 |
| Other receivables, deposits and prepayments | 11 | 96,596 | 37,105 |
| Bank deposits and cash on hand | | 168,975 | 369,788 |
| | | 678,171 | 851,557 |

Consolidated Statement of Financial Position

At 30 September 2021-Unaudited

(Expressed in Hong Kong dollars)

| | Note | At 30 September 2021 (Unaudited) HK\$'000 | At 31 March 2021 (Audited) HK\$'000 |
|--|-------|---|---|
| Current liabilities | | | |
| Trade and other payables | 12 | 34,008 | 27,114 |
| Contract liabilities | | 635 | 280 |
| Bank loans | 13 | 171,039 | 240,991 |
| Current tax liabilities | | 1,255 | 1,483 |
| | | 206,937 | 269,868 |
| Net current assets | | | |
| | | 471,234 | 581,689 |
| NET ASSETS | | | |
| | | 1,272,168 | 1,278,813 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 3,754 | 3,754 |
| Reserves | 14(b) | 1,269,879 | 1,273,400 |
| Total equity attributable to equity shareholders of the Company | | | |
| | | 1,273,633 | 1,277,154 |
| Non-controlling interests | | (1,465) | 1,659 |
| TOTAL EQUITY | | | |
| | | 1,272,168 | 1,278,813 |

The notes on pages 19 to 41 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2021-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 reserve (non-recycling) HK\$'000 | Retained profits HK\$'000 | Non-controlling interests | | Total equity HK\$'000 |
|--|---------------------------|---------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------|---------------------------------|--|------------------------------|---------------------------|----------|--------------------------|
| | | | | | | | | | | Total | HK\$'000 | |
| At 1 April 2021 | 3,754 | 400,859 | 4,433 | (1,769) | (371) | 35,440 | 11,474 | (15,850) | 839,184 | 1,277,154 | 1,659 | 1,278,813 |
| Changes in equity for the six-month period ended 30 September 2021: | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 6,602 | 6,602 | (3,282) | 3,320 |
| Other comprehensive income | - | - | - | 1,140 | - | - | - | - | - | 1,140 | 158 | 1,298 |
| Total comprehensive income for the period | - | - | - | 1,140 | - | - | - | - | 6,602 | 7,742 | (3,124) | 4,618 |
| Dividend paid | 14(a) | - | - | - | - | - | - | - | (11,263) | (11,263) | - | (11,263) |
| At 30 September 2021 | 3,754 | 400,859 | 4,433 | (629) | (371) | 35,440 | 11,474 | (15,850) | 834,523 | 1,273,633 | (1,465) | 1,272,168 |

Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2021-Unaudited

(Expressed in Hong Kong dollars)

| | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|--|--|---------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------|---------------------------------|--|------------------------------|-------------------|---------------------------------------|--------------------------|
| | 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 reserve (non-recycling) HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity 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 |
| Changes in equity for the six-month period ended 30 September 2020: | | | | | | | | | | | | |
| 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 |

The notes on pages 19 to 41 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2021-Unaudited

(Expressed in Hong Kong dollars)

| | Six-month period ended | |
|---|------------------------|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Operating activities | | |
| Cash (used in)/generated from operations | (32,377) | 151,956 |
| Income tax paid | (1,011) | – |
| Net cash (used in)/generated from operating activities | (33,388) | 151,956 |
| Investing activities | | |
| Advances to associates | (82,100) | (3,226) |
| Advances to joint ventures | – | (29,913) |
| Acquisition of additional interest in an associate | – | (17,500) |
| Capital contributions to associates | (4,239) | (1,554) |
| Proceeds from disposal of interest in a subsidiary | – | 259,184 |
| Decrease in restricted deposit | – | 3,974 |
| Other cash flows generated from investing activities | 262 | 177 |
| Net cash (used in)/generated from investing activities | (86,077) | 211,142 |
| Financing activities | | |
| Proceeds from new bank loans | 12,919 | 8,669 |
| Repayments of bank loans | (82,905) | (50,541) |
| Repayments to non-controlling shareholders | – | (1,008) |
| Capital element of lease rentals paid | – | (9) |
| Dividend paid | (11,263) | – |
| Net cash used in financing activities | (81,249) | (42,889) |

Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 September 2021-Unaudited
(Expressed in Hong Kong dollars)

| | Six-month period ended | |
|---|------------------------|----------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Net (decrease)/increase in cash and cash equivalents | (200,714) | 320,209 |
| Cash and cash equivalents at the beginning of the period | 369,788 | 242,361 |
| Effect of foreign exchange rate changes | (99) | 2,027 |
| Cash and cash equivalents at the end of the period | 168,975 | 564,597 |

The notes on pages 19 to 41 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 24 June 2021.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new amendments to HKFRSs that are first effective for the current accounting period of the Group.

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

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 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 2021

(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:

| | Six-month period ended | |
|---|-------------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| – Sales of completed properties | 63,614 | 131,904 |
| – Distribution of construction and interior decorative materials | – | 590 |
| – Asset, investment and fund management income | 7,507 | 7,485 |
| – Property management fee and utility income | 269 | 5,492 |
| | 71,390 | 145,471 |
| Revenue from other source | | |
| – Rental income | 2,443 | 6,367 |
| | 73,833 | 151,838 |
| Disaggregated by geographical location of customers | | |
| – Hong Kong | 10,219 | 14,959 |
| – The People's Republic of China (the "PRC") | – | 10,395 |
| – The United States of America (the "U.S.A.") | 63,614 | 32,775 |
| – The United Kingdom (the "U.K.") | – | 93,709 |
| | 73,833 | 151,838 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(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 2021, the Group's customer base is diversified and includes only one customer (six-month period ended 30 September 2020: two customers) whose transaction has exceeded 10% of the Group's revenue.

For the period ended 30 September 2021, revenue from sales of completed properties to the customer in the U.S.A. was approximately HK\$63,614,000.

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$6,827,000 (31 March 2021: HK\$14,425,000). This amount represents revenue expected to be recognised in the future from provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future when the relevant services are provided to the customers, which are expected to occur within the next 20 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 2021

(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 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--------------------------------------|-------------------------------------|---------------------------------|
| Within one year | 1,596 | 3,466 |
| After one year but within five years | 288 | 504 |
| | 1,884 | 3,970 |

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

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For the six-month period ended 30 September 2021

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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 2021

| | 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 |
|---|-------------------------------------|------------------------------------|--|--|-------------------------|-------------------|
| Disaggregated by timing of revenue recognition | | | | | | |
| Point in time | 63,614 | - | - | - | - | 63,614 |
| Over time | - | 269 | 7,507 | - | - | 7,776 |
| Revenue from other source | - | 2,443 | - | - | - | 2,443 |
| External revenue | 63,614 | 2,712 | 7,507 | - | - | 73,833 |
| Inter-segment revenue | - | 1,775 | - | - | (1,775) | - |
| Total | 63,614 | 4,487 | 7,507 | - | (1,775) | 73,833 |
| Segment profit/(loss) from operations | 8,781 | 612 | (37) | (401) | - | 8,955 |
| Corporate expenses | | | | | | (9,882) |
| Corporate income | | | | | | 4,974 |
| Increase in fair value of investment properties | | | | | | 8,380 |
| Finance costs | | | | | | (2,022) |
| Share of profit of associates | | | | | | 458 |
| Share of loss of joint ventures | | | | | | (7,141) |
| Profit before taxation | | | | | | 3,722 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(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 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 |
|---|-------------------------------------|------------------------------------|--|--|-------------------------|-------------------|
| Disaggregated by timing of revenue recognition | | | | | | |
| Point in time | 131,904 | - | - | 590 | - | 132,494 |
| Over time | - | 5,492 | 7,485 | - | - | 12,977 |
| Revenue from other source | - | 6,367 | - | - | - | 6,367 |
| External revenue | 131,904 | 11,859 | 7,485 | 590 | - | 151,838 |
| Inter-segment revenue | - | 1,775 | - | - | (1,775) | - |
| Total | 131,904 | 13,634 | 7,485 | 590 | (1,775) | 151,838 |
| 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 |
| Profit before taxation | | | | | | 60,991 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(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 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--|--|---------------------------------|
| Segment assets | | |
| Property development | 388,626 | 402,626 |
| Property investment | 167,098 | 158,818 |
| Asset, investment and fund management | 15,419 | 12,233 |
| Distribution of construction and interior decorative materials | 14,231 | 34,819 |
| Total segment assets | 585,374 | 608,496 |
| Other properties, plant and equipment | 37,013 | 37,768 |
| Interests in associates | 334,177 | 231,630 |
| Interests in joint ventures | 262,848 | 269,148 |
| Financial assets measured at fair value through other comprehensive income | – | – |
| Other receivables, deposits and prepayments | 90,718 | 31,851 |
| Bank deposits and cash on hand | 168,975 | 369,788 |
| Total consolidated assets of the Group | 1,479,105 | 1,548,681 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(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 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--|--|---------------------------------|
| Segment liabilities | | |
| Property development | 59,579 | 83,624 |
| Property investment | 55,499 | 58,677 |
| Asset, investment and fund management | 16,524 | 667 |
| Distribution of construction and interior decorative materials | 3,806 | 3,881 |
| Total segment liabilities | 135,408 | 146,849 |
| Other payables | 8,981 | 18,019 |
| Bank loans | 62,500 | 105,000 |
| Current tax liabilities | 48 | – |
| Total consolidated liabilities of the Group | 206,937 | 269,868 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

4 PROFIT BEFORE TAXATION

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

| | Six-month period ended | |
|---|-------------------------------|----------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| (a) Finance costs | | |
| Interest on bank loans | 2,114 | 4,195 |
| Interest on loan from a non-controlling shareholder | – | 117 |
| Less: interest expenses capitalised into properties under development for sale (Note (i)) | (92) | (323) |
| | 2,022 | 3,989 |
| (b) Expenses by nature | | |
| Cost of properties for recognised sales | 53,551 | 127,785 |
| Cost of inventories | – | 434 |
| Direct cost for management services provided (Note (ii)) | 6,679 | 3,472 |
| Direct outgoings of rental, property management fee and utilities | 531 | 4,175 |
| Operating lease payment in respect of leased properties | 451 | 899 |
| Depreciation of: | | |
| – Other properties, plant and equipment | 842 | 922 |
| – Right-of-use assets | – | 9 |
| Impairment loss of trade receivables | – | 483 |
| Net foreign exchange losses/(gains) | 2,084 | (10,121) |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

4 PROFIT BEFORE TAXATION (CONTINUED)

Notes:

- (i) Interest was capitalised at an average annual rate of approximately 5.0% (six-month period ended 30 September 2020: 5.0%).
- (ii) Direct cost for management services provided includes HK\$6,679,000 (six-month period ended 30 September 2020: HK\$3,264,000) relating to staff costs.

5 INCOME TAX

| | Six-month period ended | |
|--|----------------------------------|------------------|
| | 30 September 2021 HK\$'000 | 2020 HK\$'000 |
| Current tax | | |
| Hong Kong Profits Tax | | |
| – Provision for the period | 48 | – |
| – Under-provision in respect of prior year | – | 7 |
| | 48 | 7 |
| PRC Enterprise Income Tax (“EIT”) | | |
| – Over-provision in respect of prior year | – | (7) |
| | – | (7) |
| Overseas tax | | |
| – Provision for the period | 300 | – |
| – Under-provision in respect of prior year | 54 | – |
| | 354 | – |
| | 402 | – |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

5 INCOME TAX (CONTINUED)

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six-month period ended 30 September 2021.

No provision for Hong Kong Profits Tax has been made in these consolidated financial statements as the Group did not have any assessable profit 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 2020: 25%) for the six-month period ended 30 September 2021.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$6,602,000 (six-month period ended 30 September 2020: HK\$33,533,000) and 375,447,000 (six-month period ended 30 September 2020: 477,447,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2021 and 30 September 2020.

7 INVESTMENT PROPERTIES

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--|--|---------------------------------|
| At the beginning of the period/year | 158,240 | 162,240 |
| Increase/(decrease) in fair value of investment properties | 8,380 | (4,000) |
| At the end of the period/year | 166,620 | 158,240 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

8 INTERESTS IN ASSOCIATES

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|---|--|---------------------------------|
| Share of net assets | 39,941 | 19,947 |
| Amounts due from associates (<i>Note (c)</i>) | 297,673 | 215,573 |
| Share of net liabilities | (3,437) | (3,890) |
| | 294,236 | 211,683 |
| | 334,177 | 231,630 |
| Dividend received from an associate | - | 2,600 |

Notes:

- (a) On 14 July 2021, Brisk City Developments Limited ("Brisk City"), an indirect wholly-owned subsidiary of the Company, Excel Arrow Limited and Ocean Field Industries Limited which are independent third parties of the Company (collectively, the "Independent Third-party Co-investors"), acquired 25%, 25% and 50% equity interest in Graphite Square Investment Holding Limited ("GSIH") with cash consideration of HK\$53,125, HK\$53,125 and HK\$106,250, respectively. Given that the Group is able to exercise significant influence over GSIH since it has the power to appoint one out of four directors of GSIH pursuant to the shareholders' agreement entered between Brisk City and the Independent Third-party Co-investors, the 25% equity interest in GSIH is accounted for as interest in an associate in the consolidated financial statements using equity method.

On 18 August 2021, GSIH entered into a partnership agreement with Graphite Square Holdings Limited to form Graphite Square LLP. Pursuant to the partnership agreement, GSIH holds 85% partnership interest in Graphite Square LLP which was formed with the sole purpose of the development of a property located in the U.K..

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

8 INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

- (b) During the period ended 30 September 2021, the Group entered into a subscription agreement pursuant to which it has agreed to increase its capital commitment in Rykadan Real Estate Fund LP ("RREFLP") by HK\$15,750,000 (representing approximately 1.73% of the total capital commitments to RREFLP of all partners of RREFLP).

Upon completion of the subscription, the partnership interest in RREFLP indirectly held by the Company has increased from approximately 3.53% to approximately 5.26%. The Group's effective interest in Fastest Runner Limited has therefore increased from approximately 22.82% to approximately 24.21% as a result of the subscription. Such subscription amount was paid to RREFLP subsequent to the end of the reporting period.

- (c) At 30 September 2021 and 31 March 2021, 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.

9 INTERESTS IN JOINT VENTURES

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|---------------------------------|--|---------------------------------|
| Share of net assets | 12,844 | 13,249 |
| Amounts due from joint ventures | 282,493 | 282,476 |
| Share of net liabilities | (32,489) | (26,577) |
| | 250,004 | 255,899 |
| | 262,848 | 269,148 |

At 30 September 2021 and 31 March 2021, the amount due from a joint venture of HK\$9,377,000 (31 March 2021: HK\$9,360,000) is interest bearing at 5.5% per annum and unsecured while the remaining balance of HK\$273,116,000 (31 March 2021: HK\$273,116,000) 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.

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10 TRADE RECEIVABLES

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

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--------------|--|---------------------------------|
| 1-30 days | 3,447 | 3,484 |
| 31-60 days | 1,068 | 790 |
| 61-90 days | 504 | 699 |
| Over 90 days | 13,839 | 31,432 |
| | 18,858 | 36,405 |

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2021: 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 receivables from existing customers is reviewed by the Group regularly.

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|-----------------------------|--|---------------------------------|
| Deposits and prepayments | 33,400 | 1,506 |
| Loans and other receivables | 63,196 | 35,599 |
| | 96,596 | 37,105 |

Notes to the Unaudited Interim Financial Report

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12 TRADE AND OTHER PAYABLES

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

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|--------------|--|---------------------------------|
| 1-30 days | 1,233 | 962 |
| 31-60 days | – | – |
| 61-90 days | – | – |
| Over 90 days | 36 | 36 |
| | 1,269 | 998 |

13 BANK LOANS

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

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|---|--|---------------------------------|
| Current liabilities | | |
| Portion of bank loans due for repayment within one year – secured | 72,968 | 137,978 |
| Portion of bank loans due for repayment after one year which contain a repayment on demand clause – secured | 98,071 | 103,013 |
| | 171,039 | 240,991 |

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

13 BANK LOANS (CONTINUED)

At 30 September 2021, the secured bank loans are due for repayment as follows:

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|---|-------------------------------------|---------------------------------|
| Portion of bank loans due for repayment within one year – secured | 72,968 | 137,978 |
| Bank loans due for repayment after one year (Notes (e) and (f)): | | |
| After one year but within two years – secured | 10,468 | 10,426 |
| After two years but within five years – secured | 70,293 | 71,689 |
| After five years – secured | 17,310 | 20,898 |
| | 98,071 | 103,013 |
| | 171,039 | 240,991 |

Notes:

- At 30 September 2021, bank loans drawn in Hong Kong bear interest at rates ranging from 1.5% to 2.3% (31 March 2021: 1.5% to 2.3%) per annum over Hong Kong Interbank Offer Rate. The interests are repriced every one to three months (31 March 2021: every month).
- At 31 March 2021, bank loan drawn in the U.S.A. bears interest at 5.0% per annum.
- As of the end of the reporting period, certain of the banking facilities of the Group were secured by mortgages over:

| | At 30 September 2021 HK\$'000 | At 31 March 2021 HK\$'000 |
|-----------------------|-------------------------------------|---------------------------------|
| Investment properties | 164,520 | 156,240 |
| Buildings | 36,780 | 37,494 |
| Properties for sale | 69,769 | 115,435 |
| | 271,069 | 309,169 |

Such banking facilities amounted to HK\$226,039,000 (31 March 2021: HK\$314,247,000) were utilised to the extent of HK\$171,039,000 at 30 September 2021 (31 March 2021: HK\$240,991,000).

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(Expressed in Hong Kong dollars)

13 BANK LOANS (CONTINUED)

Notes: (Continued)

- (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 2021 and 30 September 2020.

- (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 immediate repayment for so long as the Group continues to meet the scheduled repayment obligations.

14 RESERVES AND DIVIDEND

(a) Dividend

- (i) The board of directors does not recommend the payment of an interim dividend for the six-month period ended 30 September 2021 (six-month period ended 30 September 2020: HK\$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the period.

| | Six-month period ended 30 September | |
|---|--|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Final dividend in respect of the previous financial year of HK3 cents per share (six-month period ended 30 September 2020: HK\$Nil per share) | 11,263 | – |

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14 RESERVES AND DIVIDEND (CONTINUED)

(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.

(ii) Translation reserve

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

(iii) Other reserve

Other reserve comprises the differences between the consideration and carrying amount of net assets attributable to the addition and reduction of interests in subsidiaries being acquired from and disposed to non-controlling shareholders respectively.

(iv) Revaluation reserve

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

(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.

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15 DISPOSAL OF INTEREST IN A SUBSIDIARY

On 30 September 2020, the Group disposed of its entire equity interest in Bestlinkage NHI Co., Ltd. ("Bestlinkage"). Upon the completion of the disposal, Bestlinkage ceased to be a subsidiary of the Group.

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

| | |
|---|-------------|
| | HK\$'000 |
| Net assets disposed of: | |
| Investment properties | 329,122 |
| Trade receivables | 10,794 |
| Other receivables, deposits and prepayments | 189 |
| Bank deposits and cash on hand | 4,908 |
| Trade and other payables | (36,245) |
| Amount due to immediate holding company | (91,390) |
| Deferred tax liabilities | (19,129) |
| | <hr/> |
| | 198,249 |
| | <hr/> <hr/> |
| | HK\$'000 |
| Fair value of consideration | 383,296 |
| Less: Repayment to immediate holding company | (91,390) |
| Net assets disposed of | (198,249) |
| 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 |
| Net cash inflow on the disposal: | |
| Consideration received in cash | 374,149 |
| Bank deposits and cash disposed of | (4,908) |
| Costs directly attributable to the disposal paid | (17,041) |
| | <hr/> |
| Net cash inflow on the disposal for the year ended 31 March 2021 | 352,200 |
| | <hr/> <hr/> |

During the period ended 30 September 2021, the purchaser settled the remaining balance of HK\$9,147,000.

Notes to the Unaudited Interim Financial Report

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16 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 | |
|---|-------------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Asset management expense to a related company (<i>Note (i)</i>) | – | (201) |
| Investment management expense to a related company (<i>Note (i)</i>) | – | (201) |
| Investment management income from associates | 3,848 | 3,848 |
| Project management income from associates | 3,128 | 3,110 |
| Management fee income from a joint venture | 210 | 210 |
| Rental and building management income from a related company (<i>Note (ii)</i>) | – | 87 |
| Rental and building management income from an associate | 280 | – |
| Sale of construction materials to a joint venture | – | 550 |
| Trade receivables from associates, net of loss allowance | 16,121 | 8,053 |
| Trade receivable from a joint venture, net of loss allowance | 6,367 | 43,388 |
| Rental deposit received from an associate | 80 | – |
| Contract liabilities to associates | – | (1,410) |

Notes:

- (i) A director of certain subsidiaries of the Company is also a key management personnel of these entities. Such transactions constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).
- (ii) Directors of the Company are also directors of this entity. Such transaction constituted connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. However, this transaction is exempt from the disclosure requirements in Chapter 14A of the Listing Rules as it is below the de minimis threshold under Rule 14A.76(1).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

16 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 | |
|---|--|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Salaries and short-term employee benefits | 8,078 | 7,297 |
| Post-employment benefits | 54 | 45 |
| | 8,132 | 7,342 |

17 CAPITAL COMMITMENTS

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

| | At 30 September 2021 | At 31 March 2021 |
|-----------------------------------|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| Authorised but not contracted for | 932,976 | 927,993 |
| Contracted for | 229,110 | 62,198 |
| | 1,162,086 | 990,191 |

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

18 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 2021 and 31 March 2021.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 September 2021

(Expressed in Hong Kong dollars)

19 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 and an associate of HK\$161,000,000 (31 March 2021: HK\$384,107,000) and HK\$20,000,000 (31 March 2021: HK\$20,000,000) respectively. Such banking facilities were utilised by the subsidiaries and the associate to the extent of HK\$108,539,000 (31 March 2021: HK\$135,991,000) and HK\$Nil (31 March 2021: HK\$Nil) respectively.

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

At 30 September 2021 and 31 March 2021, 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.

20 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 25 November 2021.

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 2021.

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

Up to the date of this report, the interests and short positions of each director and chief executive of the Company in the 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")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

| Name | Long/Short position | Capacity | Number of shares | Approximate percentage of the issued share capital of the Company |
|---------------------|---------------------|---|-------------------|---|
| CHAN William | Long | Interest in a controlled corporation ⁽¹⁾ | 97,104,000 | 25.86 |
| | Long | Other interest ⁽²⁾ | 18,153,211 | 4.83 |
| | Long | Beneficial owner | 33,700,000 | 8.98 |
| | | | <hr/> 148,957,211 | <hr/> 39.67 |
| NG Tak Kwan | Long | Beneficial owner | 63,024,000 | 16.79 |
| LO Hoi Wah, Heywood | Long | Beneficial owner | 64,166 | 0.02 |

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 CHAN William. 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 18,153,211 shares of the Company owned by Scenemay Holdings Limited.
3. All the shares of the Company shown in the table above are ordinary shares.

Save as disclosed above, up to the date of this report, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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:

| Name | Long/Short position | Capacity | Number of shares | Approximate percentage of the issued share capital of the Company |
|------------------------------------|---------------------|--|-------------------|---|
| Rykadan Holdings Limited | Long | Interest in a controlled corporation ⁽¹⁾⁽²⁾ | 148,957,211 | 39.67 |
| Tiger Crown Limited ⁽¹⁾ | Long | Beneficial owner | 97,104,000 | 25.86 |
| | Long | Other interest ⁽²⁾ | 51,853,211 | 13.81 |
| | | | <hr/> 148,957,211 | <hr/> 39.67 |
| Scenemay Holdings Limited | Long | Beneficial owner | 18,153,211 | 4.83 |
| | Long | Other interest ⁽²⁾ | 130,804,000 | 34.84 |
| | | | <hr/> 148,957,211 | <hr/> 39.67 |
| LI Chu Kwan | Long | Interest in a controlled corporation ⁽³⁾ | 18,153,211 | 4.83 |
| | Long | Other interest ⁽²⁾ | 130,804,000 | 34.84 |
| | | | <hr/> 148,957,211 | <hr/> 39.67 |
| LI Wing Yin | Long | Interest in a controlled corporation ⁽³⁾ | 18,153,211 | 4.83 |
| | Long | Other interest ⁽²⁾ | 130,804,000 | 34.84 |
| | | | <hr/> 148,957,211 | <hr/> 39.67 |

Corporate Governance and Other Information

Notes:

1. Tiger Crown Limited is 100% owned by Rykadan Holdings Limited which in turn is 100% held by CHAN William. 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 51,853,211 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 18,153,211 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, so far as is known to any director and chief executive of the Company, 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

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

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float throughout the interim reporting period as required under the Listing Rules.

CORPORATE GOVERNANCE

During the period, the Company had followed the principles and complied with all applicable code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the deviations from code provisions A.2.1 of the CG Code, details of which are set out below:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code 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 2021, the Company had advanced to Quarella Group Limited ("QGL") loans in the aggregate amount of HK\$240,000,000 for the working capital of QGL, which is non-interest bearing since 1 April 2020, unsecured and be repayable by written notice demand by the Company and the interest receivable on loans to QGL is HK\$33,116,000.

As at 30 September 2021, an aggregate sum of HK\$216,390,000 had been 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 ("the Property") 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. In addition, a guarantee amounted to HK\$20,000,000 has been issued by the Company to secure a banking facility granted to the subsidiary of Fastest Runner Limited which holds the Property. Such banking facility was obtained for the purpose of application to the Lands Department of the Hong Kong Government for the pre-sale consent in relation to the Property.

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 2021 are presented as follows:

| | HK\$'000 |
|-------------------------|-------------|
| Non-current assets | 686,593 |
| Current assets | 2,729,129 |
| Current liabilities | (3,257,997) |
| Non-current liabilities | (239,416) |
| | <hr/> |
| Net liabilities | (81,691) |
| | <hr/> <hr/> |
| Share capital | 221 |
| Reserves | (81,912) |
| | <hr/> |
| Capital and reserves | (81,691) |
| | <hr/> <hr/> |

As at 30 September 2021, the Group's attributable accumulated losses in these affiliated companies amounted to HK\$36,055,000.

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

Hong Kong, 25 November 2021