Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the "**Board**") of Blue River Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2021.

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2021

		Unaudited Six-months ended 30 September	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue			
Sales and services income	*3*	**4,557,122**	166,154
Interest income	*3*	**18,879**	23,237
Others	*3*	**6,790**	2,087
		4,582,791	191,478
Cost of sales		**(4,361,761)**	(106,812)
Gross profit		**221,030**	84,666
Other income	*5*	**145,957**	4,023
Administrative expenses		**(255,042)**	(50,648)
Distribution and selling expenses		**(13,986)**	(19,402)
Other gains and losses	*6*	**195,653**	22,074
Fair value changes of financial assets measured at fair value through profit or loss ("**FVPL**")	*7*	**(1,169,467)**	272,828
Other expenses		**(2,008)**	(4,852)
Impairment loss recognised on financial assets and contract assets, net	*8*	**(14,876)**	(74,930)
Write-down of stock of properties	*17*	**(116,895)**	(547,348)
Finance costs	*9*	**(28,718)**	(9,485)
Gain on disposal of subsidiaries		**—**	140,964
Fair value changes of investment properties	*15*	**(232,570)**	(191,899)
Share of results of associates		**(719)**	32,296
Share of results of joint ventures		**(1,599)**	(7,638)
Loss before taxation	*10*	**(1,273,240)**	(349,351)
Taxation	*11*	**196,867**	211,604
Loss for the period		**(1,076,373)**	(137,747)
Loss for the period attributable to:			
Owners of the Company		**(1,037,010)**	(33,671)
Non-controlling interests		**(39,363)**	(104,076)
		(1,076,373)	(137,747)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	*12*	**(93.9)**	(3.1)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Unaudited Six-months ended 30 September **2021** *HK$'000*	2020 *HK$'000*
Loss for the period	**(1,076,373)**	(137,747)
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Item that will not be reclassified to profit or loss		
Change in fair value of financial assets measured at fair value through other comprehensive income ("**FVOCI**"), net of tax	**(50,201)**	(18,978)
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising from translation of foreign operations	**23,847**	65,677
Share of exchange differences of associates and joint ventures	**(130)**	5,963
Reclassification adjustment on disposal of subsidiaries	**—**	36,854
Reclassification adjustment on deemed disposal of an associate and a joint venture	**11,524**	—
Other comprehensive (expense) income for the period	**(14,960)**	89,516
Total comprehensive expense for the period	**(1,091,333)**	(48,231)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(1,057,149)**	43,167
Non-controlling interests	**(34,184)**	(91,398)
	(1,091,333)	(48,231)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2021

	Notes	**Unaudited 30.9.2021 *HK$'000***	Audited 31.3.2021 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**455,174**	318,147
Right-of-use assets	*14*	**148,374**	66,623
Investment properties	*15*	**764,227**	784,733
Project under development		**180,699**	177,919
Goodwill		**97,626**	—
Intangible assets		**369,823**	2,811
Interests in associates		**190,441**	564,898
Interests in joint ventures		**19,663**	108,837
Financial assets measured at FVOCI	*16*	**318,080**	239,905
Financial assets measured at FVPL	*22*	**98,901**	—
Loan receivables	*18*	**—**	15,200
		2,643,008	2,279,073
CURRENT ASSETS			
Stock of properties	*17*	**812,801**	909,828
Inventories of finished goods		**1,179**	1,380
Loan receivables	*18*	**232,756**	56,520
Amounts due from associates		**5,820**	—
Amounts due from joint ventures		**1,508**	1,196
Amounts due from joint operations/other partners of joint operations		**120,563**	—
Amounts due from former subsidiaries in liquidation	*19*	**—**	1,130,151
Trade and other receivables	*20*	**2,685,775**	451,312
Contract assets	*21*	**4,344,844**	—
Financial assets measured at FVPL	*22*	**425,695**	1,561,702
Taxation recoverable		**4,895**	—
Pledged bank deposits and restricted cash		**41,602**	7,012
Short-term bank deposits		**108,916**	10,901
Bank balances and cash		**794,414**	171,370
		9,580,768	4,301,372

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2021

	Notes	Unaudited 30.9.2021 HK$'000	Audited 31.3.2021 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*23*	**5,510,076**	149,962
Contract liabilities	*21*	**335,073**	637
Lease liabilities		**42,239**	6,772
Amounts due to former subsidiaries in liquidation	*19*	**45,681**	1,130,151
Amounts due to a joint venture		**60**	—
Amounts due to joint operations/other partners of joint operations		**90,453**	—
Amounts due to non-controlling interests		**105,045**	103,565
Taxation payable		**29,830**	3,505
Bank and other borrowings	*24*	**1,705,301**	229,349
		7,863,758	1,623,941
NET CURRENT ASSETS		**1,717,010**	2,677,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,360,018**	4,956,504
NON-CURRENT LIABILITIES			
Bank and other borrowings	*24*	**211,298**	171,361
Lease liabilities		**66,171**	12,476
Deferred tax liabilities		**422,465**	539,861
Obligations in excess of interests in associates		**2,162**	—
		702,096	723,698
NET ASSETS		**3,657,922**	4,232,806
CAPITAL AND RESERVES			
Share capital	*25*	**110,392**	110,392
Reserves		**2,731,353**	3,788,502
Equity attributable to owners of the Company		**2,841,745**	3,898,894
Non-controlling interests		**816,177**	333,912
TOTAL EQUITY		**3,657,922**	4,232,806

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2021

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	HK$'000
Net cash used in operating activities	**(31,918)**	(74,927)
Net cash generated from investing activities	**762,216**	450,409
Net cash (used in) generated from financing activities	**(13,642)**	20,698
Net increase in cash and cash equivalents	**716,656**	396,180
Effect of foreign exchange rate changes	**4,403**	10,322
Cash and cash equivalents brought forward	**182,271**	387,785
Cash and cash equivalents carried forward	**903,330**	794,287
Analysis of the balances of cash and cash equivalents		
Short-term bank deposits	**108,916**	423,650
Bank balances and cash	**794,414**	370,637
	903,330	794,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Blue River Holdings Limited (the "**Company**") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

The Company and its subsidiaries (together the "**Group**") is principally engaged in, *inter alia*, the comprehensive engineering and property-related services through Paul Y. Engineering Group Limited, land and property development in the People's Republic of China (the "**PRC**"), investment in association with ports and infrastructure development and operation of logistics facilities in the PRC, as well as securities trading and investment, and provision of loan financing services.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those adopted in the Group's annual financial statements for the year ended 31 March 2021 except for the application of the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

In addition, Paul Y. Engineering Group Limited ("**Paul Y. Engineering**") became a non-wholly owned subsidiary of the Group during the current period (as detailed in Note 26) and accordingly, certain additional accounting policies described below are adopted by the Group:

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount (higher of value in use and fair value less costs of disposal) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a prorata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash generating units) retained.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

<u>Revenue from contracts with customers (construction contracts and property development management services)</u>

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(i) Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation
Input method
The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

(ii) Variable consideration
For contracts that contain variable consideration in relation to the variation works and claims for prolongation, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers (construction contracts and property development management services) - Continued

(ii) Variable consideration - Continued

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(iii) Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

(iv) Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers (construction contracts and property development management services) - Continued

(v) Performance obligations for contracts with customers

The Group provides management contracting services and property development management services to customers. Revenue from such services is recognised as a performance obligation satisfied over time using input method as the Group's performance creates or enhances an asset that the customer controls as the Group performs.

The Group's certain construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. In addition, the Group requires certain customers to provide upfront deposits or advance payments for construction works, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount received.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones or the value of construction work has been agreed with the customers. The contract assets are transferred to trade debtors when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction works from the customers.

Retention held by customers, prior to expiration of defect liability period, are classified as contract assets or liabilities, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount is reclassified to trade debtors when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

3. REVENUE

Revenue is analysed as follows:

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Sales and services income:		
Income from construction contracts	**4,500,696**	—
Income from property development management services	**576**	—
Income from port related services	**905**	20,724
Sale of LPG and CNG products	**54,945**	40,840
Sale of properties	**—**	104,590
	4,557,122	166,154
Interest income:		
Interest income from loan receivables	**3,065**	10,298
Interest income from financial assets measured at FVPL		
- investments in debt instruments held for trading	**10,573**	12,939
- investments in convertible bonds	**5,241**	—
	18,879	23,237
Others:		
Property rental income	**4,465**	324
Dividend income from financial assets measured at FVPL		
- investments in equity instruments held for trading	**2,325**	1,763
	6,790	2,087
	4,582,791	191,478

Revenue from contracts with customers includes (i) income from construction contracts, property development management services and port related services that are recognised over time and (ii) revenue from sale of properties and liquefied petroleum gas ("**LPG**") and compressed natural gas ("**CNG**") products that are recognised at a point in time.

4. SEGMENT INFORMATION

The operating segments of the Group are determined based on information reported to executive directors, the Group's chief operating decision makers, for the purposes of resources allocation and performance assessment.

The information focuses more specifically on the strategic operation and development of each business unit and its performance is evaluated through organising business units with similar economic characteristics into an operating segment.

Upon the completion of the disposal of the certain subsidiaries in last year, the Company restructured its internal organisations. The ports development segment, which was previously separate reported, was grouped as part of the ports and logistics segment, while "Treasury" segment was renamed as "Financial services". In addition, the management contracting and property development management businesses of Paul Y. Engineering, which became a subsidiary of the Group on 1 June 2021, were accounted in the "Engineering" segment.

The operating and reportable segments for the current period are changed as follows:

Engineering	- Building construction, civil engineering, property development management, project management and facilities management services
Ports and logistics	- Ports development, operation of ports, LPG, CNG and liquefied natural gas ("**LNG**") distribution and logistics businesses
Property	- Development, investment, sale and leasing of real estate properties, developed land and land under development and projects under development
Securities	- Investment and trading of securities
Financial services	- Provision of loan financing, financial related services and cash management

In preparation of the condensed consolidated financial statements, the segment information for the six months ended 30 September 2020 and at 31 March 2021 have been restated to conform with the current period's presentation.

The Company assesses the performance of the operating segments based on a measure of earnings or loss before interest expense and tax ("**EBIT**" or "**LBIT**") and earnings or loss before interest expense, tax, depreciation and amortisation ("**EBITDA**" or "**LBITDA**").

4. SEGMENT INFORMATION – CONTINUED

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment for the period under review:

For the six months ended 30 September 2021 (Unaudited)

	Engineering *HK$'000*	**Ports and logistics** *HK$'000*	**Property** *HK$'000*	**Securities** *HK$'000*	**Financial services** *HK$'000*	**Segment total and consolidated** *HK$'000*
Revenue	**4,501,272**	**55,850**	**4,465**	**12,898**	**8,306**	**4,582,791**
EBITDA (LBITDA)*	**265,379**	**(10,184)**	**(377,265)**	**(1,157,652)**	**(6,196)**	**(1,285,918)**
Depreciation and amortisation**	**(25,802)**	**(6,070)**	**(2,281)**	**—**	**—**	**(34,153)**
Segment results – EBIT (LBIT)	**239,577**	**(16,254)**	**(379,546)**	**(1,157,652)**	**(6,196)**	**(1,320,071)**
Corporate and other expenses***						**(69,508)**
Net exchange gain						**3,867**
Distribution from former subsidiaries in liquidation						**141,190**
Finance costs						**(28,718)**
Loss before taxation						**(1,273,240)**
Taxation						**196,867**
Loss for the period						**(1,076,373)**

For the six months ended 30 September 2020 (Unaudited)

	Engineering *HK$'000*	Ports and logistics *HK$'000*	Property *HK$'000*	Securities *HK$'000*	Financial services *HK$'000*	Segment total and consolidated *HK$'000*
Revenue	—	61,564	104,914	14,702	10,298	191,478
EBITDA (LBITDA)*	32,276	159,486	(713,681)	286,824	(63,861)	(298,956)
Depreciation and amortisation**	—	(13,671)	(1,134)	(297)	(297)	(15,399)
Segment results – EBIT (LBIT)	32,276	145,815	(714,815)	286,527	(64,158)	(314,355)
Corporate and other expenses***						(47,672)
Net exchange gain						22,161
Finance costs						(9,485)
Loss before taxation						(349,351)
Taxation						211,604
Loss for the period						(137,747)

* Gain on remeasurement of interest in Paul Y. Engineering to fair value of approximately HK$212,227,000 (2020: Nil) has been recognised in the Engineering segment for the six months ended 30 September 2021.

Gain on disposal of subsidiaries of approximately HK$140,964,000 (2021: Nil) had been recognised in the ports and logistics operating segment for the six months ended 30 September 2020.

** Includes depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets.

*** Represents mainly unallocated administrative expenses and includes unallocated depreciation of approximately HK$4,960,000 (2020: HK$4,515,000).

4. SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

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

At 30 September 2021 (Unaudited)

	Engineering *HK$'000*	**Ports and logistics** *HK$'000*	**Property** *HK$'000*	**Securities** *HK$'000*	**Financial services** *HK$'000*	**Segment total and consolidated** *HK$'000*
ASSETS						
Segment assets	**8,665,681**	**332,783**	**2,187,688**	**505,743**	**464,636**	**12,156,531**
Unallocated assets*						**67,245**
Consolidated total assets						**12,223,776**
LIABILITIES						
Segment liabilities	**7,552,204**	**28,701**	**908,829**	**84**	**66**	**8,489,884**
Unallocated liabilities*						**75,970**
Consolidated total liabilities						**8,565,854**

At 31 March 2021 (Audited and restated)

	Engineering *HK$'000*	Ports and logistics *HK$'000*	Property *HK$'000*	Securities *HK$'000*	Financial services *HK$'000*	Segment total and consolidated *HK$'000*
ASSETS						
Segment assets	366,965	501,189	2,426,286	1,793,521	313,883	5,401,844
Unallocated assets*						1,178,601
Consolidated total assets						6,580,445
LIABILITIES						
Segment liabilities	—	66,651	984,953	103,374	41,726	1,196,704
Unallocated liabilities*						1,150,935
Consolidated total liabilities						2,347,639

* As at 30 September 2021, unallocated assets include amounts due from former subsidiaries in liquidation of nil (31.3.2021: HK$1,130,151,000), while the unallocated liabilities include amounts due to former subsidiaries in liquidation of approximately HK$45,681,000 (31.3.2021: HK$1,130,151,000).

Segment assets and liabilities comprise assets and liabilities of the operating subsidiaries, as well as certain interests in associates, joint ventures and investments in equity instruments that are engaged in relevant segmental businesses. Accordingly, segment assets exclude corporate assets which are mainly certain bank balances and cash, interests in joint ventures, right-of-use assets and other receivables, and segment liabilities exclude corporate liabilities which are mainly certain other payables and lease liabilities.

For the purpose of resources allocation and assessment of segment performance, deferred tax liabilities are allocated to segment liabilities but the related deferred tax credit/charge are not reported to the executive directors of the Company as part of segment results.

5. OTHER INCOME

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Bank and other interest income	**1,055**	1,390
Rental income from short-term leasing of stock of properties	**814**	612
Distributions from former subsidiaries in liquidation *(Note 19)*	**141,190**	—
Sundry income	**2,898**	2,021
	145,957	4,023

6. OTHER GAINS AND LOSSES

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Net exchange gain	**3,867**	22,161
Gain on deemed disposal of interests in an associate and a joint venture		
- Gain on remeasurement of interest in an associate to fair value *(Note 26)*	**212,227**	—
- Release of exchange deficit *(Note 26)*	**(11,524)**	—
	200,703	—
Impairment loss on property, plant and equipment	**(20,000)**	—
Gain (loss) on disposal of property, plant and equipment	**11,079**	(87)
Others	**4**	—
	195,653	22,074

7. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FVPL

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
(Loss) gain on changes in fair value of investments in debt instruments held for trading	**(120,438)**	22,445
(Loss) gain on changes in fair value of investments in equity instruments held for trading	**(1,047,921)**	250,383
Loss on changes in fair value of investments in convertible bonds	**(1,108)**	—
	(1,169,467)	272,828

8. IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AND CONTRACT ASSETS, NET

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Impairment loss reversed (recognised) on loan receivables	**1,310**	(42,005)
Impairment loss recognised on contract assets and trade and other receivables (including interest receivables)	**(3,149)**	(27,675)
Impairment loss recognised on amounts due from associates	**(13,037)**	(5,250)
	(14,876)	(74,930)

9. FINANCE COSTS

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Borrowing costs on:		
Bank borrowings	**23,209**	14,384
Imputed interest expense on lease liabilities	**1,672**	436
Other borrowings	**3,837**	—
	28,718	14,820
Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**—**	(4,994)
Amount capitalised in respect of properties under development for sale (included in stock of properties)	**—**	(341)
	28,718	9,485

10. LOSS BEFORE TAXATION

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Amortisation of intangible assets:		
Amount provided for the period	**48**	45
Less: Amount capitalised in respect of properties under development for sale (included in stock of properties)	**—**	(22)
	48	23
Cost of inventories recognised as an expense	**38,557**	27,129
Cost of stock of properties sold	**—**	69,368
Depreciation of property, plant and equipment:		
Amount provided for the period	**18,945**	14,325
Less: Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(12)**	(2)
Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(79)**	(11)
Amount capitalised in respect of investment properties under development	**(6)**	(5)
	18,848	14,307
Depreciation of right-of-use assets:		
Amount provided for the period	**20,217**	5,687
Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**—**	(103)
	20,217	5,584

11. TAXATION

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Taxation charge (credit) comprises:		
Current tax:		
Hong Kong	**22**	—
The PRC	**290**	31,088
Macau	**245**	—
	557	31,088
Under(over)provision in prior periods:		
The PRC	**208**	(81)
Macau	**(259)**	—
	(51)	(81)
Deferred taxation:		
Land Appreciation Tax ("**LAT**")	**(52,682)**	(126,502)
Others	**(144,691)**	(116,109)
	(197,373)	(242,611)
	(196,867)	(211,604)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The tax rate for the Group's subsidiaries in the PRC is 25% for both periods. Taxation arising in Macau is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

For the six months ended 30 September 2020, the taxation arising in the PRC included an income tax charge of approximately HK$29,742,000 (2021: Nil), which represented the PRC income tax charged on the gain on disposal of subsidiaries. The capital gain derived from equity rights transfer by a non-resident enterprise, representing the difference between the consideration and the cost of equity rights, is subject to a tax rate of 10%.

LAT is levied on properties developed by the Group for sale in the PRC, at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including the cost of land all relevant property development expenditures.

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company for the period is based on the following data:

	Unaudited Six-months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	**(1,037,010)**	(33,671)

	Unaudited Six-months ended 30 September	
	2021	2020
	Number of shares	*Number of shares*
Number of ordinary shares for the purpose of calculating basic loss per share	**1,103,916,114**	1,103,916,114

Diluted loss per share is equal to the basic loss per share as the Company does not have any dilutive potential ordinary shares outstanding during both periods.

13. DISTRIBUTION

No dividend was recognised as distribution during both periods. The board of directors of the Company has resolved not to declare any dividend for the six months ended 30 September 2021 (2020: Nil).

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, additions to the Group's property, plant and equipment amounted to approximately HK$26,488,000 (2020: HK$94,241,000), included the addition to construction in progress amounting to approximately HK$7,241,000 (2020: HK$91,469,000), were incurred.

During the period, the Group entered into new lease agreements for the use of land and building, thereby recognised right-of-use assets and lease liabilities of approximately HK$25,974,000 (2020: HK$206,000) and HK$25,943,000 (2020: HK$206,000) respectively.

In addition, property, plant and equipment of approximately HK$144,709,000 and right-of-use assets of approximately HK$75,400,000 have been consolidated into the Group upon the deemed acquisition of subsidiaries during the period as detailed in Note 26.

15. INVESTMENT PROPERTIES

	Leasehold properties in the PRC *HK$'000*	Developed land *HK$'000* *(note a)*	Land under development *HK$'000* *(note b)*	Total *HK$'000*
FAIR VALUE				
At 31 March 2021 (Audited)	54,556	366,864	363,313	784,733
Exchange realignment	3,989	5,848	5,981	15,818
Additions	—	—	980	980
Deemed acquisition of subsidiaries *(Note 26)*	195,266	—	—	195,266
Net decrease in fair value recognised in the condensed consolidated income statement	(56,892)	(48,193)	(127,485)	(232,570)
At 30 September 2021 (Unaudited)	196,919	324,519	242,789	764,227

notes:

(a) In prior years, the Group completed the reclamation of certain land area and obtained the certificate of completion of land reclamation (the "**Certificate**") issued by qualified project engineering and construction manager in respect of certain land area (the "**Formed Land**") in Jiangsu Province, the PRC. Upon obtaining the certificate, such Formed Land held for capital appreciation had been recognised as land held under operating lease and classified and accounted for as investment properties.

(b) In connection with the reclamation of certain land area in Jiangsu Province, the PRC, the Group commenced, but not yet completed, the land leveling process (mainly representing the sand filling work to achieve leveling of the area) (the "**Land Being Formed**"). Upon the commencement of land leveling process, the Land Being Formed that held for rentals and/or capital appreciation as investment properties had been recognised as land under development and classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 September 2021 and 31 March 2021 have been arrived at on the basis of valuations carried out as at those dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The management works closely with the external qualified professional valuer to establish the appropriate valuation and inputs for fair value measurement and reports to the board of directors from period to period.

In determining the fair value of properties in the PRC, the highest and best use of the properties is their current use. The comparison method is adopted under which comparison based on information of recent transacted prices of comparable properties is made. Comparable properties of similar size, characteristic and location are analysed in order to arrive at a fair comparison of capital values.

In determining the fair value of Formed Land, the highest and best use of the Formed Land is for tourist and resort use, which correlates to the zoning of the area for tourist resort by the government. The comparison method is adopted under which comparison based on information of recent transacted prices of comparable lands is made. Comparable lands of similar size, characteristic and location are analysed in order to arrive at a fair comparison of capital values. Certain costs, including government levies and all necessary fees and expenses associated with the change of the Formed Land for tourist and resort use to be charged by the government, which are the best estimate based on the latest information available to the management of the Company, have been considered in arriving the fair value of the Formed Land.

15. INVESTMENT PROPERTIES – CONTINUED

In determining the fair value of Land Being Formed, the same highest and best use and the same comparison method are adopted and valuation has been considered for further costs to be expended for the development of the Land Being Formed into Formed Land. Further costs for completing the land leveling process and other development works as at 30 September 2021 are estimated to be approximately HK$493 million (31.3.2021: HK$480 million).

One of the key inputs used in valuing the investment properties are the market price of comparable lands and properties with an average comparable land price of RMB443 per square metre (31.3.2021: RMB509 per square metre) and average comparable property floor area price ranged from RMB5,000 to RMB7,000 per square metre (31.3.2021: RMB7,000 to RMB7,500 per square metre) respectively, using direct comparison approach and taking into account of the difference in the nature, location and condition. The increase in the market price per square meter of comparable lands and properties would result in an increase in the fair value of the investment properties, and vice versa.

One of the key unobservable inputs is the 20% of saleable land discount on the comparable lands applied by the valuer in valuing the Formed Land and Land Being Formed. A slight change in the saleable land discount used would result in a significant change in fair value measurement of the Formed Land and Land Being Formed, while a slight change in other unobservable inputs in valuing the leasehold properties would have no significant effect to their fair value.

For the Formed Land, the Group may have to obtain certain appropriate certificates for the disposal. Based on past experience, it is considered that there is no material impediment to obtain these certificates for the Group.

16. FINANCIAL ASSETS MEASURED AT FVOCI

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Listed equity securities, at quoted market price in Hong Kong	**107,743**	3,219
PRC unlisted equity securities *(note)*	**210,337**	236,686
	318,080	239,905

note:

The investment in unlisted equity securities represents 9.9% equity interest in Jiangsu YangKou Port Development and Investment Co., Ltd. ("**Yangkou Port Co**"), which is engaged in the business of development of port and related infrastructures. As at 30 September 2021, the investment is stated at fair value of approximately HK$210,337,000 (31.3.2021: HK$236,686,000).

A reasonable estimate of fair value is determined by using valuation techniques appropriate to the market and industry of each investment. Valuation techniques used to support these valuations include the asset-based approach which uses the fair market value of its total assets minus its total liabilities, and the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets or businesses.

In determining the fair value of property assets of Yangkou Port Co under the asset-based approach, the comparison method is adopted under which comparison based on information of recent transacted prices of comparable lands is made. Comparable properties of similar size, characteristic and location are analysed in order to arrive at a fair comparison of capital values.

A key unobservable input being 20% of saleable land discount on comparable lands of Yangkou Port Co to discount the fair value of properties by approximately HK$1,974 million (31.3.2021: HK$2,069 million), has been applied in valuing the properties. A slight increase in the saleable land discount used would result in a significant decrease in fair value measurement of the properties and hence of the unlisted equity securities, and vice versa. A 5% increase in the saleable land discount (i.e. revised to 25%), holding all other variables constant, carrying amount of the properties would decrease by approximately HK$493 million (31.3.2021: HK$517 million), and fair value of the Group's investment in corresponding equity instrument would decrease by approximately HK$17 million (31.3.2021: HK$15 million).

17. STOCK OF PROPERTIES

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Properties under development for sale *(note a)*	**546,602**	560,159
Completed properties held for sale *(note b)*	**266,199**	349,669
	812,801	909,828

notes:

(a) Properties under development for sale are mainly situated in Jiangsu Province, the PRC. They comprise (1) Land Being Formed which is being developed for future sale and (2) Formed Land which is also developed for future sale in the ordinary course of business.

At 30 September 2021, properties under development for sale amounting to approximately HK$297,397,000 (31.3.2021: HK$315,727,000) are carried at net realisable value in which write-down of stock of properties of approximately HK$27,283,000 (2020: HK$403,464,000) has been recognised during the period.

At 30 September 2021, properties under development for sale include Formed Land of approximately HK$277,747,000 (31.3.2021: HK$296,077,000) for which the Group may have to obtain certain appropriate certificates for the disposal of the Formed Land. Based on the past experience, the directors of the Company consider that there is no material impediment to obtain these certificates for the Group.

(b) Completed properties held for sale are situated in Jiangsu Province, the PRC. At 30 September 2021, completed properties held for sale amounting to approximately HK$265,532,000 (31.3.2021: HK$349,012,000) are carried at net realisable value in which write-down of stock of properties of approximately HK$89,612,000 (2020: HK$143,884,000) has been recognised during the period.

The write-down of stock of properties in aggregate of approximately HK$116,895,000 (2020: HK$547,348,000) recognised during the period are mainly attributable to the further decline in net realisable value of the properties as impacted by the uncertainty in the macroeconomic conditions and the government's tightening measures to the PRC property market.

The net realisable values of the properties under development for sale have been arrived on the basis of valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. In determining the net realisable values, the expected proceeds from the sales of properties are deducted by the anticipated costs, including government levies, construction cost and all necessary expenses associated with the completion of property development and applicable selling expenses, which have also taken into account the discount factor of the lengthened sales and development cycle under current regulatory and economic circumstances.

The net realisable value for the completed properties held for sale represents the sales proceeds estimated based on the comparable properties of similar size, characteristic and location under prevailing market condition, less applicable selling expenses.

18. LOAN RECEIVABLES

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
The amounts, net of allowance, include:		
Fixed-rate loan receivables *(note a)*	**55,530**	71,720
Other loan receivables *(note b)*	**177,226**	—
	232,756	71,720
Analysed as:		
Current portion	**232,756**	56,520
Non-current portion	**—**	15,200
	232,756	71,720

notes:

(a) The gross amount of loan receivables of approximately HK$172,300,000 (31.3.2021: HK$189,800,000), before netting off cumulative loss allowance of approximately HK$116,770,000 (31.3.2021: HK$118,080,000), are unsecured, bear fixed interest rates from 5% to 12.5% (31.3.2021: 10% to 12.5%) per annum. Except for an amount of HK$15,200,000 (30.9.2021: Nil) was repayable after one year but within two years as at 31 March 2021, other loan receivables are repayable within one year.

(b) Other loan receivables represent advances made by Paul Y. Engineering to a subsidiary of its former controlling shareholder for its trade balance settlement which is covered by the retention right over the building constructed under the construction contracts. The loan receivables have been consolidated into the Group upon the deemed acquisition of Paul Y. Engineering as detailed in Note 26.

19. AMOUNTS DUE FROM/TO FORMER SUBSIDIARIES IN LIQUIDATION

As at 31 March 2021, the amounts due from/to former subsidiaries in liquidation of approximately HK$1,130 million were classified as current assets and current liabilities respectively as the Group does not have a legally enforceable right to set off these amounts in accordance with section 35 of the Hong Kong Bankruptcy Ordinance.

During the period, the liquidator made cash distribution of approximately HK$98 million and dividend in specie of approximately HK$1,173 million to the Group. In consideration of the Group's acceptance of the dividend in specie, the liquidators assigned approximately HK$1,173 million due to former subsidiaries in liquidation by the Company's subsidiaries (including the amounts due to former subsidiaries in liquidation by Paul Y. Engineering acquired upon deemed acquisition) to the Group to offset the Group's entitlement under the dividend in specie. As the total distributions from the liquidators of approximately HK$1,271 million exceeds the amounts due from former subsidiaries in liquidation of approximately HK$1,130 million by approximately HK$141 million (Note 5), such amount are recognised as other income of the Group for the six months ended 30 September 2021. After the distribution and assignment, there are remaining unassigned amounts of approximately HK$46 million due to former subsidiaries in liquidation as at 30 September 2021.

20. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Trade receivables	**1,779,265**	85,089
Less: Impairment allowance	**(18,791)**	(18,165)
	1,760,474	66,924
Advance payments to sub-contractors	**286,542**	—
Construction and material purchase costs paid on behalf of sub-contractors	**300,336**	—
Receivables from securities brokers	**72,304**	228,461
Disposal consideration receivable	**—**	65,879
Other debtors, deposits and prepayments	**266,119**	90,048
	2,685,775	451,312

Trade receivables mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The Group's credit terms for customers are normally ranging from 60 to 90 days. The Group does not hold any collateral over the balances.

The ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Within 90 days	**667,981**	10,855
More than 90 days and within 180 days	**13,375**	7,205
More than 180 days	**1,079,118**	48,864
	1,760,474	66,924

Included in the trade receivables aged more than 180 days, there is an amount of approximately HK$1,017,986,000 (31.3.2021: Nil) due from a subsidiary of Paul Y. Engineering's former controlling shareholder to Paul Y. Engineering which is covered by the retention right over the building constructed under the construction contracts. The trade receivable has been consolidated into the Group upon the deemed acquisition of Paul Y. Engineering as detailed in Note 26.

A trade receivable of approximately HK$350,000 (31.3.2021: Nil) is included in the amounts due from joint operations/other partners of joint operations, which has a credit period of 90 days on average is aged more than 180 days based on the invoice date at the end of the reporting period.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

	notes	**Unaudited** **30.9.2021** ***HK$'000***	Audited 31.3.2021 *HK$'000*
Retentions held by customers	*(a)*	**1,313,830**	—
Unbilled revenue of construction contracts	*(b)*	**3,249,109**	—
Advances from customers of construction contracts	*(c)*	**(540,205)**	—
Advances from customers of other services contracts		**(2,440)**	(637)
		4,020,294	(637)
Less: Impairment allowance		**(10,523)**	—
		4,009,771	(637)
Analysed as:	*(d)*		
Contract assets		**4,344,844**	—
Contract liabilities		**(335,073)**	(637)
		4,009,771	(637)
Retentions held by customers expected to be settled:			
– within 12 months from the end of the reporting period		**727,022**	—
– after 12 months from the end of the reporting period		**586,808**	—
		1,313,830	—

notes:

(a) Retention held by customers represents the Group's right to consideration for works performed and the rights are conditional upon the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The retention held by customers are transferred to trade debtors when the rights become unconditional, which is typically at the expiration of the defect liability period.

(b) Unbilled revenue represents the Group's right to consideration for works completed and not yet certified because the rights are conditional upon the satisfaction by the customers on the construction works completed by the Group and the works is pending for the certification by the customers. The unbilled revenue are transferred to the trade debtors when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction works from the customers.

(c) Advances from customers include the non-refundable payment received from customers, for which the Group has obligation to transfer goods or services to customers.

(d) A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis. The Group classifies the contract assets as current because the Group expects to realise them in its normal operating cycle. Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified as current.

22. FINANCIAL ASSETS MEASURED AT FVPL

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Listed debt securities held for trading, at quoted market price in		
Hong Kong	**30,936**	43,918
Singapore	**57,531**	179,978
	88,467	223,896
Listed equity securities held for trading, at quoted market price in		
Hong Kong	**237,237**	1,337,806
Unlisted convertible notes *(note)*	**198,892**	—
	524,596	1,561,702
Analysed as:		
Current portion	**425,695**	1,561,702
Non-current portion	**98,901**	—
	524,596	1,561,702

note:

The unlisted convertible notes carried fixed interests ranging from 5.5% to 6% per annum and are payable at maturity date ranging from 13 April 2022 to 31 December 2023 or upon redemption by the issuer. The unlisted convertible notes amount to HK$98,901,000 (2020: Nil) with remaining maturity over 1 year are shown under non-current assets.

In determining the fair value of the convertible bond, the Crank-Nicolson finite-difference method was being used. The key inputs used in the model include expected volatilities ranging from 48.9% to 53.2% and discount rates ranging from 5.45% to 7.44 % being obtained by referencing to listed bonds with similar rating.

23. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30.9.2021	31.3.2021
	HK$'000	*HK$'000*
Trade payables ageing analysis based on invoice date:		
Within 90 days	**1,094,745**	18,139
More than 90 days and within 180 days	**2,345**	—
More than 180 days	**35,186**	2,174
	1,132,276	20,313
Retentions held by the Group	**1,392,045**	10,908
Accrued construction costs	**2,288,866**	32,601
Other payables and accrued expenses	**696,889**	86,140
	5,510,076	149,962
Retentions held by the Group expected to be settled:		
– within 12 months from the end of the reporting period	**864,490**	10,908
– after 12 months from the end of the reporting period	**527,555**	—
	1,392,045	10,908

24. MOVEMENTS IN BANK AND OTHER BORROWINGS

During the period, the Group raised new bank and other borrowings of approximately HK$441,281,000 (2020: HK$183,542,000) and repaid approximately HK$411,319,000 (2020: HK$161,481,000). The secured bank and other borrowings as at 30 September 2021 were approximately HK$1,877,561,000 (31.3.2021: HK$348,876,000). In addition, bank borrowings of approximately HK$1,480,675,000 has been consolidated into the Group upon the deemed acquisition of subsidiaries during the period as detailed in Note 26.

25. SHARE CAPITAL

	Number of shares	Value *HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each at 1 April 2020	10,000,000,000	1,000,000
Share consolidation	(8,000,000,000)	—
Ordinary share of HK$0.50 each after the share consolidation	2,000,000,000	1,000,000
Share subdivision	8,000,000,000	—
Ordinary shares of HK$0.10 each at 31 March 2021, 1 April 2021 and 30 September 2021	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 April 2020	5,519,580,572	551,958
Share consolidation	(4,415,664,458)	—
Ordinary shares of HK$0.5 each after the share consolidation	1,103,916,114	551,958
Capital reduction	—	(441,566)
Ordinary shares of HK$0.10 each at 31 March 2021, 1 April 2021 and 30 September 2021	1,103,916,114	110,392

26. DEEMED ACQUISITION OF SUBSIDIARIES

On 1 June 2021, the Group has received an irrevocable and unconditional assignment of the voting rights of a block of approximately 10% shareholding (the "**Voting Rights**") in Paul Y. Engineering from an independent third party at nil consideration. As at 31 March 2021 and immediately before the acceptance of Voting Rights, the Group held approximately 48.23% of the entire issued shares of Paul Y. Engineering and Paul Y. Engineering was accounted for as interest in associates of the Group. Upon accepting the assignment of the Voting Rights, the Group is entitled to exercise a total of approximately 58.23% voting rights at any general meetings of Paul Y. Engineering's shareholders and thus obtained control of Paul Y. Engineering without transferring cash consideration. Accordingly, Paul Y. Engineering became a non-wholly owned subsidiary of the Group. The acquisition method of accounting was adopted and the financial statements of Paul Y. Engineering and its subsidiaries were consolidated into the consolidated financial statements of the Group starting from 1 June 2021.

In addition, as at 31 March 2021, 浙江美聯置業有限公司 ("**浙江美聯**") was jointly held by the Group and Paul Y. Engineering, and 浙江美聯 was accounted for as joint venture in the book of both the Group and Paul Y. Engineering. Upon accepting the assignment of the Voting Rights and obtaining the control of Paul Y. Engineering, the Group also obtained control of 浙江美聯 without transferring cash consideration. Accordingly, 浙江美聯 became a non-wholly owned subsidiary of the Group and was consolidated into the Group in adopting the acquisition method of accounting starting from 1 June 2021.

Paul Y. Engineering, a limited company incorporated in British Virgin Islands, is principally engaged in building construction, civil engineering, property development management, project management, facilities management services and investment in properties. 浙江美聯, a wholly-foreign-owned-enterprises incorporated in the PRC, is principally engaged in properties investment which holds an office building in the PRC for rental through its wholly-owned subsidiary.

The deemed acquisition has been accounted for as a business combination. As the business combination is achieved without transfer of consideration from the Group, the consideration transferred is deemed as the acquisition date fair value of the Group's interest in Paul Y. Engineering and 浙江美聯. The Group remeasured its 48.23% equity interest in Paul Y. Engineering to fair value at the deemed acquisition date and recognised a gain of approximately HK$212,227,000 (Note 6) in profit or loss for the six months ended 30 September 2021, while the fair value of the 50% equity interest in 浙江美聯 was approximate to its carrying value at the deemed acquisition date. The fair value of 48.23% equity interest in Paul Y. Engineering of approximately HK$578,760,000 at the deemed acquisition date have been arrived on the basis of income approach carried out by Java Consulting Limited, an independent qualified professional valuer not connected with the Group, using cash flow projections prepared based on financial forecast covering a 5-year period and adjusted for the factors of marketability and control premium. The fair value of the 50% equity interest in 浙江美聯 is determined on assets-based approach. In addition, the cumulative share of exchange deficit of Paul Y. Engineering and 浙江美聯 in aggregate of approximately HK$11,524,000 (Note 6) were released and recognised in profit or loss during the period. No transaction cost was incurred for the deemed acquisition.

The Group has elected to measure the non-controlling interests in Paul Y. Engineering at the non-controlling interests' proportionate share of Paul Y. Engineering's identifiable net assets.

26. DEEMED ACQUISITION OF SUBSIDIARIES – CONTINUED

The fair values of the identifiable assets and liabilities of Paul Y. Engineering and 浙江美聯 as at the date of deemed acquisition were determined on a provisional basis as follows:

	Notes	***HK$'000***
Net assets acquired:		
Property, plant and equipment	*14*	**144,709**
Right-of-use assets	*14*	**75,400**
Investment properties	*15*	**195,266**
Intangible assets *(note a)*		**367,035**
Interests in joint ventures		**812**
Loan receivables		**177,226**
Amounts due from associates		**18,642**
Amounts due from joint ventures		**4,714**
Amounts due from joint operations/other partners of joint operations		**89,269**
Trade and other receivables		**2,342,614**
Contract assets		**3,215,436**
Taxation recoverable		**4,957**
Pledged bank deposits and restricted cash		**30,670**
Short-term bank deposits		**206,622**
Bank balances and cash		**500,504**
Trade and other payables		**(3,973,986)**
Contract liabilities		**(487,561)**
Amounts due to former subsidiaries in liquidation		**(86,085)**
Amounts due to joint ventures		**(60)**
Amounts due to joint operations/other partners of joint operations		**(67,237)**
Taxation payable		**(26,525)**
Bank borrowings	*24*	**(1,480,675)**
Lease liabilities		**(79,869)**
Deferred tax liabilities		**(75,772)**
Obligations in excess of interests in associates		**(9,251)**
Total identifiable net assets at fair value *(note b)*		**1,086,855**
Less: non-controlling interests		**(516,449)**
Less: provisional fair value of 48.23% equity interest in Paul Y. Engineering previously held		**(578,760)**
Less: provisional fair value of 50% equity interest in 浙江美聯 previously held		**(89,272)**
Goodwill on acquisition *(note b)*		**97,626**
Cash consideration paid		**—**
Net cash inflows, represented by short-term bank deposits and bank balances and cash acquired		**707,126**

26. DEEMED ACQUISITION OF SUBSIDIARIES – CONTINUED

notes:

(a) The intangible assets acquired mainly attributable to the brand name and project backlogs of Paul Y. Engineering with a provisional fair value of HK$270,000,000 and HK$83,000,000 on the acquisition date. The provisional fair value of brand name is determined based on income approach, using cash flow projections prepared based on financial forecast covering a 5-year period. The provisional fair value of project backlogs is determined based on the terms of existing contracts and historical project costing data, discounted by the time value of money.

Brand name that has indefinite useful live is not amortised and is subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment. Project backlogs that have a definite useful life are amortised over their specific contract period.

(b) The fair value of the identifiable assets and liabilities of Paul Y. Engineering and 浙江美聯 is provisional and pending for the finalisation of valuation by the independent valuer. Accordingly, the goodwill, which mainly attributable to the difference between the provisional fair values of the consideration and the underlying assets and liabilities acquired, may be subject to further changes upon the finalisation of initial accounting. None of the goodwill recognised is expected to be deductible for income tax purpose.

The Group's loss for the period includes profit of HK$20,571,000 and loss of HK$21,493,000 attributable to the consolidated business generated by Paul Y. Engineering and 浙江美聯 respectively. The Group's revenue for the period includes HK$4,501,272,000 and HK$4,465,000 generated from Paul Y. Engineering and 浙江美聯 respectively.

Had the deemed acquisition of Paul Y. Engineering and 浙江美聯 been completed on 1 April 2021, total group revenue for the period would have been HK$6,485,413,000 and loss for the period would have been HK$1,076,299,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the deemed acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

27. EVENTS AFTER THE REPORTING PERIOD

(a) On 4 October 2021, the Group has disposed of a total of 18,290,000 ordinary shares of China Evergrande New Energy Vehicle Group Limited ("**Evergrande Vehicle**"), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0708.HK) in the open market for an aggregate consideration of approximately HK$59.1 million. As a result, the unrealised fair value loss arose from the investment in Evergrande Vehicle of approximately HK$1,002 million for the six months ended 30 September 2021 was subsequently realised. Further details of the disposal were disclosed in the Company's announcement dated 4 October 2021.

(b) On 28 October 2021, the Group has disposed of a total of 20,000,000 ordinary shares of Chinlink International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0997.HK) in the open market for an aggregate consideration of HK$18.8 million. Further details of the disposal were disclosed in the Company's announcement dated 29 October 2021.

(c) On 12 November 2021, the Group acquired a total of 992,000 ordinary shares of OCI International Holdings Limited ("**OCI**"), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0329.HK), in the open market for an aggregate consideration of approximately HK$3.45 million. Together with the previous acquisitions by the Group of a total of 2,512,000 ordinary shares of OCI in the open market for an aggregate consideration of approximately HK$10.12 million from 14 April 2021 to 9 July 2021, the Group acquired on the open market a total of 3,504,000 ordinary shares of OCI for an aggregate consideration of approximately HK$13.57 million from 14 April 2021 to 12 November 2021. Further details of the acquisitions were disclosed in the Company's announcement dated 15 November 2021.

(d) On 23 November 2021, the Group disposed of a total of 4,494,000 ordinary shares of China Shandong Hi-Speed Financial Group Limited ("**China Shandong**"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0412.HK) in the open market for an aggregate consideration of approximately HK$2.58 million. Together with the previous disposals by the Group of a total of 17,718,000 ordinary shares of China Shandong in the open market for an aggregate consideration of approximately HK$10.41 million from 20 August 2021 to 19 November 2021, the Group has on the open market disposed of a total of 22,212,000 ordinary shares of China Shandong for an aggregate consideration of approximately HK$12.99 million from 20 August 2021 to 23 November 2021. Further details of the disposals were disclosed in the Company's announcement dated 23 November 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months ended 30 September 2021, the Group recorded a consolidated revenue of approximately HK$4,583 million (2020: HK$191 million) which was mainly attributable to the consolidation of the result of Paul Y. Engineering Group Limited ("**Paul Y. Engineering**") after the Group obtained control of Paul Y. Engineering on 1 June 2021. Accordingly, the Group's gross profit increased by 160% from last interim period to approximately HK$221 million (2020: HK$85 million), which represented a gross margin of 5% (2020: 44%) of the consolidated revenue, reflecting the lower gross margin of the engineering business.

During the period, the Group recorded a loss before taxation of approximately HK$1,273 million (2020: HK$349 million), which was composed of:

(i) net gain of approximately HK$240 million (2020: HK$32 million) in engineering segment;
(ii) net loss of approximately HK$16 million (2020: gain of HK$146 million) in ports and logistics segment;
(iii) net loss of approximately HK$380 million (2020: HK$715 million) in property segment;
(iv) net loss of approximately HK$1,158 million (2020: gain of HK$287 million) in securities segment;
(v) net loss of approximately HK$6 million (2020: HK$64 million) in financial services segment;
(vi) net corporate and other expenses of approximately HK$69 million (2020: HK$48 million);
(vii) net exchange gain of approximately HK$4 million (2020: HK$22 million);
(viii) other income from the distribution from former subsidiaries in liquidation of approximately HK$141 million (2020: Nil); and
(ix) finance costs of approximately HK$29 million (2020: HK$9 million).

After taking into account the tax credit of approximately HK$197 million (2020: HK$211 million), the Group recorded loss for the period of approximately HK$1,076 million (2020: HK$138 million).

Net loss for the period attributable to the owners of the Company was approximately HK$1,037 million (2020: HK$34 million) and basic loss per share was approximately HK93.9 cents (2020: HK3.1 cents). The net loss was mainly attributable to (a) loss on changes in fair value of investments in debt and equity instruments held for trading of approximately HK$1,065 million (2020: gain of approximately HK$273 million), after netting off relevant deferred tax credit of approximately HK$103 million (2020: Nil); (b) write-down of stock of properties of approximately HK$95 million (2020: HK$302 million) after netting off relevant deferred tax credit of approximately HK$6 million (2020: HK$156 million) and share of loss by non-controlling interest of approximately HK$16 million (2020: HK$89 million); (c) loss on fair value changes of investment properties of approximately HK$123 million (2020: HK$88 million), after netting off relevant deferred tax credit of approximately HK$88 million (2020: HK$82 million) and share of loss by non-controlling interest of approximately HK$22 million (2020: HK$22 million); offset by (d) the gain of approximately HK$212 million (2020: Nil) on the remeasurement of the Group's 48.23% equity interest in Paul Y. Engineering to fair value upon its deemed acquisition; and (e) other income from the distributed from former subsidiaries in liquidation of approximately HK$141 million (2020: Nil).

When compared with the Group's financial position as at 31 March 2021, total assets increased by 86% to approximately HK$12,224 million (31.3.2021: HK$6,580 million), as a result of the consolidation of the financial position of Paul Y. Engineering during the period. As at 30 September 2021, net current assets amounted to approximately HK$1,717 million (31.3.2021: HK$2,677 million), whereas current ratio deriving from the ratio of current assets to current liabilities decreased to 1.22 times (31.3.2021: 2.65 times). After taking into account (a) the net loss of approximately HK$1,037 million; (b) the post-tax impact for the decrease in carrying amount of financial assets measured at fair value through other comprehensive income of approximately HK$50 million recognised in the investment revaluation reserve; (c) the Renminbi exchange surplus of approximately HK$18 million arising from translation of foreign operations; and (d) the reclassification of exchange deficits to profit or loss upon deemed disposal of an associate and a joint venture of approximately HK$12 million, equity attributable to owners of the Company decreased by 27% to approximately HK$2,842 million (31.3.2021: HK$3,899 million), representing HK$2.57 (31.3.2021: HK$3.53) per share as at 30 September 2021.

Net cash outflow from operating activities was approximately HK$32 million (2020: HK$75 million). Net cash inflow from investing activities was approximately HK$762 million (2020: HK$450 million) and net cash outflow from financing activities was approximately HK$14 million (2020: inflow of HK$21 million). Consequently, there was a net increase in available cash and cash equivalents of approximately HK$716 million (2020: HK$396 million) during the period.

REVIEW OF OPERATIONS AND BUSINESS DEVELOPMENT

Paul Y. Engineering (48.23% owned with 58.23% voting rights)

Upon the acceptance of the approximately 10% voting rights of Paul Y. Engineering on 1 June 2021, Paul Y. Engineering became a subsidiary of the Group and contributed approximately HK$4,501 million (2020: Nil) and HK$35 million (2020: Nil) to the segment's revenue and operating profit respectively for the period. In addition, the Group remeasured its 48.23% equity interest in Paul Y. Engineering to fair value on the deemed acquisition date and recognised a gain of HK$212 million (2020: Nil) for the period. Prior to 1 June 2021, Paul Y. Engineering was accounted for as an associate of the Group, of which the Group's share of Paul Y. Engineering's profit as an associate was insignificant for the two months ended 31 May 2021 (six months ended 30 September 2020: HK$32 million).

Headquartered in Hong Kong, Paul Y. Engineering is dedicated to providing full-fledged engineering and property services, with operations in Hong Kong, the Mainland, Macau, Singapore and Malaysia. For over 70 years, Paul Y. Engineering has been at the heart of some of the most challenging and impactful construction projects that have shaped the iconic skylines of Hong Kong and many other cities. Its projects include commercial and residential buildings, institutional facilities, highways, airport runways, railways, tunnels, port works, water and sewage treatment facilities etc.

Management Contracting division remained the core business and the major contributor of Paul Y. Engineering's revenue for this period. Revenue of this division amounted to approximately HK$6,400 million (2020: HK$5,354 million) for the six months ended 30 September 2021, up by approximately 19%. As at 30 September 2021, the value of contracts on hand was approximately HK$53,635 million, while the value of work remaining had stood at approximately HK$29,011 million.

During the six months ended 30 September 2021, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$4,794 million, representing a decrease of approximately 21% as compared to the amount of approximately HK$6,103 million for the same period last year. Subsequent to the period end, the division secured further contracts of approximately HK$641 million. Set out below are some of the new contracts secured during the period and up to the date of this announcement:

- Construction of Public Housing Development at Chiu Shun Road, Tseung Kwan O
- Design and Build Contract for Automated Car Park A at Hong Kong Boundary Crossing Facilities
- Development of Lok Ma Chau Loop Main Works Package 1 Contract 1 – Site Formation and Infrastructure Works inside Lok Ma Chau Loop and Western Connection Road Phase 1
- Main Contract for Mixed Housing Development at Pak Wo Road, FSSTL 264, Fanling
- Main Contract for Proposed Student Activities Center for Hong Kong International School Association Limited at R.B.L. 1199 Tai Tam Reservoir Road, Tai Tam
- Main Contract Works for the Composite Redevelopment at 11 Ngau Tau Kok Road
- Site Formation and Foundation Works for Proposed Residential Redevelopment at 6 Deep Water Bay Road

The Property Development Management division reported a profit of approximately HK$7 million for the six months period ended 30 September 2021 under review. The value of contracts on hand for Property Development Management division at the period end was approximately HK$89 million. Subsequent to the period end, the division secured further contracts of approximately HK$14 million.

On 29 July 2021 and 16 September 2021, the Group has entered into a conditional agreement and a supplemental agreement for the acquisition of the 51.76% equity interest of Paul Y. Engineering from its non-controlling shareholder in a consideration of HK$675 million (the "**Proposed Acquisition**"), of which the consideration shall be settled by the financial assets held by certain subsidiaries of the Company in kind of company transfer (the "**Proposed Disposal I**"). Further details of the acquisition were disclosed in the Company's announcement dated 4 November 2021. On 24 September 2021, the Listing Division of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") informed the Company the Proposed Acquisition, together with the Proposed Disposal I and Proposed Disposal II (as defined in the Property sub-section below), form part of a series of transactions and arrangement which constituted an attempt to achieve a listing of Paul Y. Engineering and a means to circumvent the new listing requirements under Chapter 8 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange (the "**Decision**"). The Board disagreed with the Decision and requested a review of the Decision by the Listing Committee, in which the hearing had been held on 23 November 2021. Further details of the Decision and the Company's perspective on the Decision were disclosed in the Company's announcement dated 4 November 2021. Up to the date of this announcement, the Company had yet to receive the hearing review result from the Listing Committee.

Ports and Logistics

In light of current government policies directives which assert particular emphasis on more efficient utilisation of port assets and elimination of ill-fated competition in the Yangtze River region by way of consolidation of ownership and operations, the Company successfully captured the divestment opportunities on the traditional container and dry bulk terminals and completed the disposals of Jiangyin Sunan and Jiaxing Port in July 2020, contributed a pre-tax disposal gain of approximately HK$141 million to the segment for the last period.

LPG, CNG and LNG Distribution and Logistics (100% owned)

During the period, the liquefied petroleum gas ("**LPG**") and compressed natural gas ("**CNG**") distribution and logistics businesses of Minsheng Gas in Wuhan recorded an operating profit of approximately HK$4 million (2020: loss of HK$4 million) before the recognition of impairment loss of HK$20 million (2020: Nil) on the construction in progress of the liquefied natural gas ("**LNG**") project. Sales of LPG decreased by 6% to approximately 1,700 tonnes (2020: 1,800 tonnes) and the sales of CNG increased by 38% to approximately 10.1 million m^3 (2020: 7.3 million m^3) during the period.

Currently, Minsheng Gas owns and operates the largest LPG storage-tank farm and a river terminal in Hubei Province, and has three LPG and four CNG automotive fueling stations in Wuhan City.

Since 2013 and in line with the policy of Wuhan municipal government to promote more CNG-powered vehicles in Wuhan City, Minsheng Gas has established a diversification strategy to transform its LPG fueling stations into CNG stations to improve sale and profitability. Several LPG automotive fueling stations had been transformed into CNG stations. In view of the keen competition of CNG fueling stations in Wuhan City, Minsheng Gas will continue to look for transformation opportunities.

Meanwhile, the PRC Government has made a strong commitment to reduce the carbon emission at the 2015 United Nations Climate Change Conference in Paris and has issued policies to speed up the development of clean energy such as LNG. Given that LNG is more efficient in terms of storage and long-distance transportation as compared to piped natural gas, there is tremendous growth potential for LNG storage and infrastructure development. In consideration of the LNG growth potential, Minsheng Gas intends to seize the opportunity to further expand its business by initiating a two-phase development plan to construct new LNG storage tanks and LNG berths catering to domestic transportation and industrial demands. Under the development plan, the LNG storage facilities of Minsheng Gas will be designated as a regional storage and trans-shipment hub for LNG in Hubei Province.

As of 30 September 2021, the pre-construction works for the first phase of LNG project had substantially been completed. However, given the lengthy development process, Minsheng Gas is revisiting its options by taking a more cautious investment approach on the commencement of the LNG project. It is considered that the future profitability of the LNG project, as well as the financing from banks or potential co-investors, are highly subject to the government’s approval for the usage of the shoreline of Yangtze River to build three more LNG receiving and filling berth terminals under the development plan. As such, Minsheng Gas is endeavoring to obtain the approval and/or endorsement by the government for the construction of LNG berth terminals at the Yangtze River region in Wuhan City and hold off the main construction commitment on the project in the meantime. In view of the uncertainties on the continuation and recoverability of the LNG project, an impairment of HK$20 million, approximate to 50% of the pre-construction costs incurred and capitalised, has been recognised during the period.

Yangkou Port (9.9% owned)
The Group’s 9.9% equity interest in Jiangsu Yangkou Port Development and Investment Co. Ltd. (“**Yangkou Port Co**”) did not contribute dividend income to the segment's operating profit for the period (2020: Nil).

Yangkou Port Co is principally engaged in the business of development of port and related infrastructures at Yangkou Port, an offshore type deep-sea harbour along the South East Coast of Jiangsu Province, the PRC. Strategically located near the mouth of the Yangtze River, Yangkou Port is ideally situated to become one of China’s largest trans-shipment hubs for dry and liquid bulk cargoes.

Following our several staged divestments over the years from 75% to the current 9.9% interest, the residue investment is intended to be held for long-term purpose and is classified as financial assets measured at fair value through other comprehensive income. As at 30 September 2021, the investment in Yangkou Port Co was stated at fair value of approximately HK$210 million (31.3.2021: HK$237 million). The unrealised decrease in fair value of approximately HK$27 million (2020: HK$19 million) for the period was recognised in other comprehensive expense.

Given the lack of a stable and attractive dividend policy established in Yangkou Port Co, the Group is assessing its options on this investment based on its value accretion potential.

Property
The property business recorded an operating loss of approximately HK$380 million (2020: HK$715 million) for the period which was mainly attributable to (a) loss on fair value changes of investment properties of approximately HK$233 million (2020: HK$192 million), before the relevant deferred tax credit of approximately HK$88 million (2020: HK$82 million) and (b) write-down of the stock of properties of approximately HK$117 million (2020: HK$547 million), before the relevant deferred tax credit of approximately HK$6 million (2020: HK$156 million), which were mostly attributable to the Group's properties at Xiao Yangkou.

The Group has 11.42 sq km (31.3.2021: 11.42 sq km) land bank situated at Xiao Yangkou (the "**Land**"), which is under development as a regional tourism site of national standard with hotspring and recreational facilities. As at 30 September 2021, approximately 6.81 sq km (31.3.2021: 6.81 sq km) out of the 11.42 sq km (31.3.2021: 11.42 sq km) land bank had reached the developing stage or the developed and serviced stage. The development status of the 11.42 sq km land bank was summarised as follows:

Area (sq km)	Stage of development	Intended purpose	Classification
0.88	Developed land	Rental/Capital appreciation	Investment properties
2.00	Land under development	Rental/Capital appreciation	Investment properties
2.01	Developed land	Sale	Stock of properties
1.89	Land under development	Sale	Stock of properties
0.03	Developed land	Self-use	Right-of-use assets
4.61	Pending development	Undetermined	Project under development
11.42			

In determining the fair values of the developed land and land under development situated at Xiao Yangkou which are zoned for tourist and resort use, the valuer has consistently adopted market approach with reference to the actual land transaction prices of the emerging tourist and resort use land within the vicinity. Details of the valuation technique and inputs of Xiao Yangkou's investment properties are disclosed in Note 15 to the condensed consolidated financial statements. As at 30 September 2021, the investment properties of approximately 2.88 sq km were measured at fair value of approximately HK$567 million (31.3.2021: HK$730 million) and recorded a loss on revaluation (before tax and non-controlling interest) of approximately HK$176 million (2020: HK$172 million) for the period.

Land and properties at Xiao Yangkou classified as stock of properties has suffered from the decline in market value of high-end resort properties in recent years, particularly after the new measures in tightening the financing criteria in the property sector to clamp down on the over-concentration of capital in the property market rolled out by the central government in August 2020. Further tightening measures are expected to be introduced by the provincial and local governments to make sure the property control measures of the central government are being closely followed, which poses a prolonged and structural negative impact on the property market. As at 30 September 2021, the Group's certain stock of properties at Xiao Yangkou were written down to their net realisable value of approximately HK$509 million (31.3.2021: HK$563 million) and recorded a write-down (before tax and non-controlling interest) of approximately HK$68 million (2020: HK$513 million) for the period. Details of the stock of properties and its net realisable value assessment are disclosed in Note 17 to the condensed consolidated financial statements.

In view of the significant size of the Land, land development process of the Land will be a lengthy process. It will also involve substantial cost and time in conducting levelling work for converting land parcels of the Land into developed land such that those land parcels will be ready for further development. The rate of development of the Land will be subject to many elements, such as the government policies, market conditions and internal resources of the Group. Taking into account the unsettled China-US tension and COVID-19 pandemic which cast uncertainty in the macroeconomic conditions and development of the property market in the PRC, the management are of the view to realise its investments in Xiao Yangkou to avoid the risk of further potential loss of the Land. On 15 September 2021, the Group has entered into a conditional agreement with Gold Spell Limited for the sales of the entire property business at Xiao Yangkou in a cash consideration of RMB700 million (the "**Proposed Disposal II**"). Further details of the Proposed Disposal II were disclosed in the Company's announcement dated 2 November 2021. Up to the date of this announcement, the completion of the Proposed Disposal II is still subjected to fulfillment of various conditions precedent, including the approval by shareholders of the Company in the special general meeting.

As at 30 September 2021, a gross floor area of approximately 6,000 sq m (31.3.2021: 6,000 sq m) of "Nantong International Trade Center", a commercial and office building in the central business district of Nantong City, was rented out for hotel operation and classified as investment properties. As affected by the aforesaid unfavorable factors on the PRC property market, the investment properties recorded a loss on fair value change of approximately HK$27 million (2020: HK$20 million) for the period. The Group also holds a gross floor area of approximately 7,400 sq m (31.3.2021: 7,400 sq m) of "Nantong International Trade Center" for sale, in which a write-down of approximately HK$48 million (2020: HK$34 million) was made during the period.

In the Hangzhou Hi-Tech Industry Development Zone of Bingjiang, Hangzhou City, the Group holds an office building known as "Pioneer Technology Building", which has a gross floor area of approximately 20,000 sq m. The building recorded a loss on fair value change of approximately HK$30 million (2020: HK$18 million) and generated rental income of approximately HK$6 million (2020: HK$6 million) during the period. Its occupancy reached approximately 98% as at 30 September 2021. The building was held as a joint venture with Paul Y. Engineering as at 31 March 2021. Upon the deemed acquisition of Paul Y. Engineering on 1 June 2021, its result has also been consolidated into the Group.

Securities

The securities segment recorded an operating loss of approximately HK$1,158 million (2020: profit of HK$287 million), before the relevant deferred tax credit of approximately HK$103 million (2020: Nil), for the period which was mainly attributable to the net fair value loss of investments in debt and equity instruments held for trading of approximately HK$1,168 million (2020: gain of HK$273 million).

As at 30 September 2021, the Group's portfolio in securities business mainly consisted of (a) investments in equity instruments held for trading amounted to approximately HK$237 million (31.3.2021: HK$1,338 million), equivalent to approximately 2% (31.3.2021: 20%) of the Group's total assets; (b) investments in debt instruments held for trading amounted to approximately HK$88 million (31.3.2021: HK$224 million), equivalent to approximately 1% (31.3.2021: 3%) of the Group's total assets; and (c) investments in listed equity instruments held for long term purpose of approximately HK$108 million (31.3.2021: HK$3 million), equivalent to approximately 1% (31.3.2021: 0%) of the Group's total assets.

As at 30 September 2021, the Group's investments in equity instruments held for trading included an investment in 18,290,000 ordinary listed shares of China Evergrande New Energy Vehicle Group Limited ("**Evergrande Vehicle**", stock code: 0708.HK), which represented approximately 0.19% of its issued share capital with a fair value of approximately HK$55 million. The investment in Evergrande Vehicle equivalent to approximately 0.5% (31.3.2021: 16%) of the Group's total assets and approximately 23% (31.3.2021: 79%) of the Group's investments in equity instruments held for trading portfolio. The Group invested in Evergrande Vehicle in 2019 with an acquisition cost of approximately HK$207 million. The Group's investment in Evergrande Vehicle recorded an unrealised fair value loss of approximately HK$1,002 million during the period, while the cumulative unrealised loss of this investment amounted to approximately HK$152 million as at 30 September 2021. No acquisition or disposal of the investment in Evergrande Vehicle was made nor any dividend was received from Evergrande Vehicle during the period.

Evergrande Vehicle and its subsidiaries are principally engaged in technology research and development and manufacturing of, and sales services in respect of new energy vehicles, as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation.

The directors of the Company (the "**Directors**") are cautious and concerned about a series of negative headlines over the financial conditions of China Evergrande Group, being the parent company of Evergrande Vehicle. On 24 September 2021, Evergrande Vehicle announced that "*the Group is encountering serious shortage of funds. In view of the liquidity pressure, the Group has suspended paying some of its operating expenses and some suppliers have suspended supplying for projects. In view of the difficulties, challenges and uncertainties in improving its liquidity as mentioned above, there is no guarantee that the Group will be able to meet its financial obligations under the relevant contracts.*". These negative news, reports and announcement arouse concerns of the Directors about the financial and operating position of Evergrande Vehicle. In this regard, the Board decided to divest Evergrande Vehicle, and the Group's investment in Evergrande Vehicle was fully disposed subsequently on 4 October 2021.

The Group adopted a cautious and disciplined approach in managing the Group's securities portfolio. The Group will continue to monitor its portfolio of investments in diversified securities products to improve performance in the coming period.

Financial services

The financial services business of the Group recorded an operating loss of approximately HK$6 million (2020: HK$64 million) for the period which was mainly attributable to the share of loss of its investee associates of about HK$7 million (2020: Nil) during the period. The decrease in operating loss was mainly attributable to the significant reduction in expected credit loss provision on the loans and related interest receivables from approximately HK$75 million to HK$1 million after the restructuring of loan financing business and the loan portfolio by new management in the second half of last financial year.

As at 30 September 2021, carrying amounts of the Group's portfolio of loans receivable amounted to approximately HK$55 million (31.3.2021: HK$72 million), equivalent to approximately 0.5% (31.3.2021: 1%) of the Group's total assets.

During the period, the Group subscribed for two unlisted convertible bonds of HK$100 million each which are issued by Imagi Brokerage Limited and Co-Lead Holdings Limited respectively. As at 30 September 2021, the fair value of the Group's investments in unlisted convertible bonds amounted to approximately HK$199 million (31.3.2021: Nil), equivalent to approximately 2% (31.3.2021: Nil) of the Group's total assets.

The Group participates in the integrated financial services sector and related business through its 27.29% equity interest in Galaxy Vantage Limited ("**Galaxy Vantage**"). Galaxy Vantage is an indirect 61% owned subsidiary of Touyun Biotech Group Limited (stock code: 1332.HK) and principally engaged in the provision of one-stop integrated financial services, including securities brokerage, money lending, asset management, financial services and securities trading businesses. Its indirect wholly-owned subsidiary, Hope Securities Limited, is a licensed corporation under the Securities and Futures Ordinance to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management". During the period, the Group shared loss of approximately HK$11 million (2020: Nil) on its investment in Galaxy Vantage.

The Group held one-third of equity interest in Maxlord Enterprises Limited ("**Maxlord**"), a licensed money lender carrying out money lending business in Hong Kong, which is an indirect 66.67% owned subsidiary of Planetree International Development Limited (stock code: 0613.HK). The Group intends to capitalise on the expertise and competitive strength of Maxlord, which demonstrated profit-making financial track record in its money lending operation, so as to improve, develop and expand the Group's loan financing business. During the period, the Group shared profit of approximately HK$4 million (2020: Nil) on its investment in Maxlord.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments in any investee company with a value of above 5% of the Group's total assets as at 30 September 2021.

MATERIAL ACQUISITION AND DISPOSAL

On 13 April 2021, the Group subscribed for convertible bonds issued by Imagi Brokerage Limited in the principal amount of HK$100,000,000 which bears interest at the rate of 5.5% per annum.

On 21 April 2021, the Group subscribed for convertible bonds issued by Co-Lead Holdings Limited in the principal amount of HK$100,000,000 which bears interest at the rate of 6% per annum.

On 1 June 2021, the Group has received an irrevocable and unconditional assignment of the voting rights of a block of approximately 10% shareholding (the "**Voting Rights**") in Paul Y. Engineering from an independent third party at nil consideration. Before the acceptance of Voting Rights, the Group held approximately 48.23% of the entire issued shares of Paul Y. Engineering. Upon accepting the assignment of the Voting Rights, the Group is entitled to exercise a total of approximately 58.23% voting rights at any general meetings of Paul Y. Engineering's shareholders and thus obtained control of Paul Y. Engineering without transferring cash consideration. Accordingly, Paul Y. Engineering has become a non-wholly owned subsidiary of the Group starting from 1 June 2021.

On 29 July 2021 and 16 September 2021, the Group has entered into a conditional agreement and a supplemental agreement for the Proposed Acquisition, of which the consideration shall be settled by the Proposed Disposal I. Further details of the acquisition were disclosed in the Company's announcement dated 4 November 2021. On 24 September 2021, the Listing Division of the Stock Exchange informed the Company of the Decision. The Board disagreed with the Decision and requested a review of the Decision by the Listing Committee, in which the hearing had been held on 23 November 2021. Further details of the Decision and the Company's perspective on the Decision were disclosed in the Company's announcement dated 4 November 2021. Up to the date of this announcement, the Company had yet to receive the hearing review result from the Listing Committee.

On 15 September 2021, the Group has entered into a conditional agreement with Gold Spell Limited for the Proposed Disposal II. Further details and update of the disposal were disclosed in the Company's announcement dated 2 November 2021 and 25 November 2021.

Apart from the above, the Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the period.

EVENTS AFTER THE REPORTING PERIOD

On 4 October 2021, the Group has disposed of a total of 18,290,000 ordinary shares of Evergrande Vehicle, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0708.HK), in the open market for an aggregate consideration of approximately HK$59.1 million. Further details of the disposal were disclosed in the Company's announcement dated 4 October 2021.

On 28 October 2021, the Group disposed of a total of 20,000,000 ordinary shares of Chinlink International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0997.HK) in the open market for an aggregate consideration of HK$18.8 million. Further details of the disposal were disclosed in the Company's announcement dated 29 October 2021.

On 12 November 2021, the Group acquired a total of 992,000 ordinary shares of OCI International Holdings Limited ("**OCI**"), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0329.HK), in the open market for an aggregate consideration of approximately HK$3.45 million. Together with the previous acquisitions by the Group of a total of 2,512,000 ordinary shares of OCI in the open market for an aggregate consideration of approximately HK$10.12 million from 14 April 2021 to 9 July 2021, the Group acquired on the open market a total of 3,504,000 ordinary shares of OCI for an aggregate consideration of approximately HK$13.57 million from 14 April 2021 to 12 November 2021. Further details of the acquisitions were disclosed in the Company's announcement dated 15 November 2021.

On 23 November 2021, the Group disposed of a total of 4,494,000 ordinary shares of China Shandong Hi-Speed Financial Group Limited ("**China Shandong**"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0412.HK) in the open market for an aggregate consideration of approximately HK$2.58 million. Together with the previous disposals by the Group of a total of 17,718,000 ordinary shares of China Shandong in the open market for an aggregate consideration of approximately HK$10.41 million from 20 August 2021 to 19 November 2021, the Group has on the open market disposed of a total of 22,212,000 ordinary shares of China Shandong for an aggregate consideration of approximately HK$12.99 million from 20 August 2021 to 23 November 2021. Further details of the disposals were disclosed in the Company's announcement dated 23 November 2021.

Apart from the above, there were no major subsequent events occurred since the end of the reporting period and up to the date of this announcement.

OUTLOOK

Taking into account the unsettled China-US tension, COVID-19 pandemic and the tightening governmental controls to PRC property market which continue to cast uncertainty in the macroeconomic conditions and development of the property market in the PRC, the Board is of the view to realise its investments in Xiao Yangkou to avoid the risk of further potential loss. The substantial cash inflow from the disposal of the entire property business at Xiao Yangkou will provide the Group with flexibility to seize suitable business and investment opportunities to optimise the operational efficiency and investment return to the Group.

According to the statistics from the Census and Statistics Department of Hong Kong, during 2010 to 2020, the gross value of construction works performed by main contractors in Hong Kong (the "**Construction Output**") has grown moderately at an overall compound annual growth rate (CAGR) of 7.5% from approximately HK$111.3 billion in 2010 to approximately HK$229.9 billion in 2020. Going forward, as announced in the 2021–22 Budget Speech, the Hong Kong Government has reaffirmed its commitment to invest in public infrastructure with an estimated annual expenditure of over HK$100 billion on average in the coming years. It is also estimated that the annual Construction Output will increase to around HK$300 billion. As one of Hong Kong's largest main contractors, Paul Y. Engineering has established a solid reputation with a proven track record of delivering high quality works in both public and private sectors. It is believed that Paul Y. Engineering is well-positioned to capitalise on the potential market growth and are optimistic about the long-term prospect of the construction industry in Hong Kong.

Given the future prospect, financial performance and contribution by Paul Y. Engineering to the Group's operation, the Group plans to enhance its focus on the engineering business by expanding the business involvement of Paul Y. Engineering and eventually scale down other loss-making segments of the Group, including the property business. Therefore, the management intends to take full control over Paul Y. Engineering by further increase the equity interest in Paul Y. Engineering in order to seize every opportunity to exploit the market share in the engineering and construction sector as well as to reinforce the business synergy within the Group.

Business environment in the construction industry is encountering challenges such as rising costs of raw materials and keen competition in tender prices. Nevertheless, the Group remains positive in view of the strong order book on hand that will result in long-term income streams. Paul Y. Engineering will continue to focus on premium projects while adopting a cautious approach in project tendering to extend the portfolio of our business. And, Paul Y. Engineering has long stood at the forefront of the technological revolution currently changing the face of engineering and construction. Paul Y. Engineering will continue to active use of advanced technologies and keep pace with the times. Paul Y. Engineering has constantly invested substantial resources to expand smart construction, such as the use of Building Information Modelling (BIM), to support Government implement Modular Integrated Construction (MiC) and workplace digitalization were used to streamline design and project planning, enhance transparency, efficiency and shorten construction time, where applicable.

It is believed that, with its rich resources and diversified development expertise of Paul Y. Engineering and through adoption of innovation, we will overcome the challenges from volatile market conditions and to contribute to green and sustainable development in Hong Kong.

The Board undertakes strategic review of the Group's assets from time to time with a view to maximising returns to the shareholders of the Company. Concurrently, the Group will explore opportunities to diversify and broaden its business and investment portfolio by investing in business with optimistic prospect.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2021, the Group had total assets of HK$12,224 million (31.3.2021: HK$6,580 million) which were financed by shareholders' funds and credit facilities. A variety of credit facilities were maintained to meet its working capital requirements and committed capital expenditure, which bore interest at market rates and had contracted terms of repayment ranging from on demand to nine years. The Group mainly generated revenue and incurred costs in Hong Kong dollar and Renminbi. During the period, no financial instruments had been used for hedging purpose and no foreign currency net investments are hedged by currency borrowings or other hedging instruments. The Group adopts a prudent funding and treasury policy and manages the fluctuation exposures of exchange rate and interest rate on specific transactions.

As at 30 September 2021, the Group's bank and other borrowings amounted to approximately HK$1,917 million (31.3.2021: HK$401 million) with approximately HK$1,706 million (31.3.2021: HK$229 million) repayable on demand or within one year and approximately HK$211 million (31.3.2021: HK$172 million) repayable after one year. Borrowings denominated in Hong Kong dollar of approximately HK$1,568 million bore interest at floating rate (31.3.2021: HK$40 million bore interest at fixed rate). Borrowings denominated in Renminbi of approximately HK$349 million (31.3.2021: HK$361 million) bore interest at fixed rate. The Group's gearing ratio was 0.67 (31.3.2021: 0.10), which was calculated based on the total borrowings of approximately HK$1,917 million (31.3.2021: HK$401 million) and the Group's shareholders' funds of approximately HK$2,842 million (31.3.2021: HK$3,899 million).

Cash, bank balances and deposits of the Group as at 30 September 2021 amounted to approximately HK$945 million (31.3.2021: HK$189 million), of which approximately HK$771 million (31.3.2021: HK$12 million) was denominated in Hong Kong dollar, approximately HK$141 million (31.3.2021: HK$146 million) was denominated in Renminbi and approximately HK$33 million (31.3.2021: HK$31 million) was denominated in other currencies mainly in United States Dollar and Macanese Pataca. The balance of approximately HK$42 million (31.3.2021: HK$7 million) had been pledged to bank to secure general credit facilities granted to the Group.

CAPITAL STRUCTURE

During the period, the Group has not conducted any equity fund raising activities. As at 30 September 2021, the total number of issued shares of the Company was 1,103,916,114 shares with a par value of HK$0.1 each.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Group regularly reviews the balances of assets and liabilities and the currencies in which the transactions are denominated so as to minimize the Group's exposure to foreign currency risk. During the period, no financial instruments had been used for hedging purpose and no foreign currency net investments are hedged by currency borrowings or other hedging instruments.

CONTINGENT LIABILITY

The Group had contingent liabilities in respect of indemnities of approximately HK$29 million (31.3.2021: Nil) issued to financial institutions for bonds on construction contracts of joint operations as at 30 September 2021.

In addition, a subsidiary of the Company which is engaged in construction business was involved in a dispute with a sub-contractor alleging a final payment of approximately HK$38 million being due under a sub-contract for construction works, for which the subsidiary assesses no entitlement. The Group is of the view that the claim is groundless and that it would not lead to a material adverse impact on the financial position of the Group. No provision has therefore been made in the condensed consolidated financial statements as at 30 September 2021.

PLEDGE OF ASSETS

As at 30 September 2021, the Group pledged certain property interests, property, plant and equipment, bank balances and cash of the Group with an aggregate value of approximately HK$559 million (31.3.2021: HK$537 million) and charged over the Group's benefits from certain construction contracts to secure general credit facilities granted to the Group.

COMMITMENTS

As at 30 September 2021, the Group had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain property, plant and equipment and properties interests in a total amount of approximately HK$22 million (31.3.2021: HK$31 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed a total of 2,691 (31.3.2021: 557) full time employees which included 2,183 (31.3.2021: Nil) employees from Paul Y. Engineering but excluded contracted casual labour in Macau. Remuneration packages consisted of salary as well as performance-based bonus. Further, the Company has implemented share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's strategy.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2021, the Company has complied with all code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules except for certain deviations specified with considered reasons as set below.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr Benny Kwong ("**Mr Kwong**") (who was appointed as a non-executive director of the Company on 9 February 2021 and subsequently appointed as the chairman of the Company (the "**Chairman**") on 1 April 2021. He was then redesignated as an executive director of the Company and remains as the Chairman on 8 November 2021), Mr Ma Ka Ki ("**Mr Ma**") and Mr William Giles ("**Mr Giles**") (both being an independent non-executive director of the Company appointed on 3 February 2021) had no fixed term of service with the Company, but are subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. Mr Kwong, Mr Ma and Mr Giles, *inter alia*, have then entered into with a letter of appointment with the Company for a fixed term of 3 years effective retrospectively from the first date of their respective appointments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code for dealing in the securities of the Company by the Directors and the relevant employees of the Group. According to specific enquiries made by the Company, all the Directors and relevant employees of the Group have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2021.

REVIEW OF ACCOUNTS

The unaudited interim results of the Group for the six months ended 30 September 2021 have been reviewed by (a) the Group's auditor, Crowe (HK) CPA Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA; and (b) the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.blueriverholdings.com.hk under "Announcement" in the "Investor Relations" section and the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") at www.hkexnews.hk under "Listed Company Information". The 2021/2022 Interim Report will be despatched to shareholders of the Company and posted on the aforesaid websites in December 2021.

By Order of the Board

Blue River Holdings Limited

Benny KWONG

Chairman

Hong Kong, 26 November 2021

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Benny KWONG *(Chairman)*
AU Wai June
Marc TSCHIRNER
SAM Hing Cheong

Independent Non-Executive Directors:
LEUNG Chung Ki
MA Ka Ki
William GILES