RYKADAN CAPITAL LIMITED
宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)

Annual Report 2019

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

NG Tak Kwan

Independent Non-executive Directors

HO Kwok Wah, George
TO King Yan, Adam
WONG Hoi Ki

AUDIT COMMITTEE

HO Kwok Wah, George *(Chairman)*
TO King Yan, Adam
WONG Hoi Ki

REMUNERATION COMMITTEE

HO Kwok Wah, George *(Chairman)*
TO King Yan, Adam
WONG Hoi Ki

NOMINATION COMMITTEE

CHAN William *(Chairman)*
HO Kwok Wah, George
WONG Hoi Ki

COMPANY SECRETARY

YEUNG Man Yan, Megan

AUDITOR

KPMG

LEGAL ADVISORS

Woo, Kwan, Lee & Lo
北京德恒(福州)律師事務所

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Macau Chinese Bank Limited
China Guangfa Bank Co., Ltd.

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2701 & 2801, Rykadan Capital Tower
135 Hoi Bun Road, Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2288

COMPANY'S WEBSITE

www.rykadan.com

INVESTOR RELATIONS CONTACT

Think Alliance Group
Level 9, Central Building
1-3 Pedder Street, Central
Hong Kong

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CHAIRMAN'S STATEMENT

William Chan,
Chairman and Chief Executive Officer

Dear shareholders,

I am delighted to present you with the annual report of Rykadan Capital Limited ("Rykadan Capital" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

2019 marked our 10th anniversary as a listed company and this letter provides an opportunity for me to reflect our remarkable transformation over this short period. Back in 2009, we were a fitting-out business focusing in Hong Kong and Macau. But over the next ten years, we underwent an extensive transformation. Renamed Rykadan Capital, we have become a fast-growing property development, investment and asset management business with a promising portfolio that spans across three continents, including Hong Kong, the People's Republic of China, the United States of America and the United Kingdom.

Although the journey was not without its challenges, with the support of my talented colleagues and stakeholders, I am pleased to say that we overcame them. The most prevalent of these was a lack of track record. We started relatively small, with the development of Rykadan Capital Tower, a single property redevelopment project located in Hong Kong's second CBD, Kwun Tong, which we exited with a net internal rate of return of 47% – a striking result that proved we had the capability to deliver value to shareholders through high-potential, moderately priced projects.

Including the successful case of Rykadan Capital Tower, we have delivered and are managing 17 quality residential, industrial, commercial and hospitality projects around the world. Each of these projects, in their own way, expanded our capabilities in terms of asset sourcing, execution, and the management and marketing of property projects under different market conditions.

This track record of success was further extended in this financial year during which, I am pleased to say, we monetised multiple industrial and luxury residential projects in Hong Kong and the United States of America despite growing macro-economic risks such as escalating global trade tensions and an uncertain interest rate environment. We also closed another real estate fund, while deploying

capital into exciting new projects. We look forward to continuing to demonstrate our capability to secure investments that boost returns and broadens our revenue stream.

Looking forward, we see both opportunities and risks that we must approach cautiously. The impact of the trade war will be unpredictable and tit-for-tat trade tariffs could flow on into investor sentiment and the real estate sector. The same applies to other events such as Brexit. Yet numerous opportunities exist, such as economic development initiatives linked to the Greater Bay Area in Southern China. We look forward to cautiously unlocking potential opportunities from this in the future, which should generate demand and capital appreciation for well-designed offices and commercial projects over the long-term.

We also remain committed to sustainability and have adopted green construction and energy saving elements into our business activities. We also support a range of philanthropic causes and continue to support government initiatives in areas such as urban revitalisation.

In the near term, we are seeing more and more multinationals and professional firms reviewing their space use in pursuit of cost efficiency. This will reinforce the recent trend towards decentralisation, with companies relocating back-end or non-client facing functions away from Central, Hong Kong to other business districts, such as West Kowloon and East Kowloon, as well as Southern and Eastern districts of Hong Kong Island that are already well-served by mass transportation links. The property redevelopment projects we have on hand are well positioned to benefit from this and, while taking into consideration ongoing risks in the external environment, we will continue to cautiously explore opportunities that complement and expand our portfolio.

On behalf of the board of directors (the "Board"), I would like to express my sincere thanks to our shareholders, staff, business partners and management team for their efforts over these first 10 years, and I look forward to a prosperous future over the next decade of our journey.

William Chan
Chairman and Chief Executive Officer

Hong Kong, 12 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2019, the Group reached new milestones within its property development business, particularly in completing and exiting its property projects and investments within its planned time horizon and mandated objectives – growing and strengthening its track record. The Group completed two landmark industrial redevelopment projects in Hong Kong, namely THE KHORA (hereafter referred to as the "Maple Street Project") and THE AGORA (hereafter referred to as the "Wing Hong Street Project").

Leveraging on the Group's expanding track record for generating solid returns from high-potential real estate investment projects, the Group's asset, investment and fund management business signed up with institutional investors for two private equity funds which deployed capital for the construction of the "Wong Chuk Hang Project" and project planning for the "Jaffe Road Project" during the year under review. The asset, investment and fund management business will continue to enable the Group to tap a broader base of additional development capital and generate recurring fee income throughout the life of various development projects.

In line with its strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon, the Group is actively exploring promising residential, industrial and commercial properties and projects in Hong Kong and overseas that meets its investment mandate and complements its existing portfolio.

During the year under review, the Group's investment portfolio included commercial, industrial and residential property developments in Hong Kong, the People's Republic of China (the "PRC"), the United States of America (the "U.S.A.") and the United Kingdom (the "U.K."). It has also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

As at 31 March 2019, the Group's total assets amounted to HK$2,024 million (2018: HK$2,639 million), of which HK$1,052 million (2018: HK$1,602 million) were current assets, approximately 1.94 times (2018: 1.29 times) of current liabilities. Equity attributable to the owners of the Company was HK$1,439 million (2018: HK$1,153 million).

Overall Performance

During the year ended 31 March 2019, the Group's consolidated revenue increased considerably to HK$881 million (2018: HK$408 million) after exiting multiple property development projects. Gross profit and gross profit margin grew to HK$417 million (2018: HK$109 million) and rose to 47.4% (2018: 26.7%) respectively.

Profit for the year was HK$323 million (2018: HK$35 million), while profit attributable to equity shareholders of the Company surged to HK$330 million (2018: HK$31 million).

The rise in profit was mostly attributed to revenue booked from the sale of the Maple Street Project in Hong Kong and the profit contributed from the sale of the Wing Hong Street Project by an associate, notwithstanding losses from joint ventures and unfavourable foreign exchange losses from the depreciation of Renminbi and British Pound.

Basic and diluted earnings per share for the year ended 31 March 2019 was HK69.1 cents (2018: HK6.5 cents).

The Board declared a final dividend per share of HK6 cents (2018: HK3 cents).

Material Acquisition and Disposal

There was no material acquisition and disposal during the year under review.

Investment Portfolio

As at 31 March 2019, the Group's bank deposits and cash were HK$436 million (2018: HK$399 million), representing 21.5% (2018: 15.1%) of the Group's total assets.

The following tables show the Group's investments as at 31 March 2019.

Real estate investments

Investment	Location	Type	Group interest	Status as of 31/3/2019	Total gross floor area *(Note)*	Attributable gross floor area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under planning	3,973 square feet	3,973 square feet
265 Naomi Project	265 W Naomi Avenue, Arcadia, CA 91007, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in June 2019	8,064 square feet	8,064 square feet
263 Naomi Project	263 W Naomi Avenue, Arcadia, CA 91007, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in April 2019	8,010 square feet	8,010 square feet
Monterey Park Towne Centre	100,120,150,200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA 91755, the U.S.A.	Residential and retail property	100%	Under planning	195,362 square feet	195,362 square feet
Shoreditch Project	79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K.	Commercial property	100%	Completed and being marketed to buyer	10,939 square feet	10,939 square feet
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial and industrial property	59.1%	Being marketed to tenants	52,304 square metres	30,911 square metres
Jaffe Road Project	216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, Hong Kong	Commercial and retail property	3.55%	Under planning	48,997 square feet	1,739 square feet
Wong Chuk Hang Project	23 Wong Chuk Hang Road, Hong Kong	Commercial and retail property	20.8%	Under construction. Expected to be completed in March 2022	107,202 square feet	22,298 square feet

Investment	Location	Type	Group interest	Status as of 31/3/2019	Total gross floor area (Note)	Attributable gross floor area
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Completed. Remaining 11 workshops, 2 floors and various car parking spaces being marketed to buyers	8,475 square feet	8,475 square feet
Wing Hong Street Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Completed. Remaining 2 units handed over in April 2019	601 square feet	156 square feet
2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as investment properties)	13,467 square feet	13,467 square feet
Various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as properties for sales)	N/A	N/A

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

Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Distribution of construction and interior decorative materials	87%
Quarella Holdings Limited	Producer of quartz and marble-based engineered stone composite surfaces products	43.5%
RS Hospitality Private Limited	A joint venture for operating a 24-suite boutique resort in Bhutan	50%

Summary and Review of Investments

Property development/Asset, investment and fund management

During the year under review, the Group completed and handed-over multiple property development projects in Hong Kong and overseas. Highlights included the successful delivery and monetisation of the Group's first two industrial real estate projects in Hong Kong – the Wing Hong Street Project and the Maple Street Project. In the U.S.A., the Group sold and delivered the Le Roy Project, while the construction of the 265 Naomi Project and the 263 Naomi Project are expected to be completed in the second quarter of 2019 and will be marketed to prospective buyers thereafter. The redevelopment of the Monterey Park Towne Centre is progressing well into the planning and design approval phases.

Following the closing of Rykadan Real Estate Prospect Fund LP in April 2018, the Group's asset, investment and fund management business moved forward with planning and site development of the Jaffe Road Project, which will develop jointly with the Group in accordance with its mandate. The Group continues to develop the internal structure and add personnel to the asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects.

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

Following its exit from a number of the projects outlined above, the Group will seek to identify new opportunities and assess its projects on hand with a view of materialising these investments at an appropriate time.

Property investment

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

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

In the PRC, the Group remains invested in the Kailong Nanhui Business Park as of 31 March 2019. As of 31 March 2019, the Group is in process of negotiating a new deal structure with the purchaser in order for the sale to go through due to the difficulties encountered in obtaining approval from the relevant authorities in respect of the proposed transaction as set out in the circular dated 22 September 2017. The Group will issue an announcement and circular at an appropriate time.

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

Distribution of construction and interior decorative materials

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

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

Except for Quarella, the Group is trying to expand the brand portfolio of its construction and interior decorative materials subsidiary, Q-Stone Building Materials Limited ("Q-Stone"), while also exploring potential markets outside of the PRC. As at 31 March 2019, Q-Stone had contracts on hand worth HK$8 million.

Outlook

The Group remains cautiously optimistic about the strength of the commercial and industrial property markets in Hong Kong after earlier government policies aiming at revitalising industrial districts were resumed during the year under review. Recent commercial land tenders have also attracted strong bids from developers, a further indication of the long-term prospects of the Hong Kong property market. However, investor sentiment in Hong Kong may also be influenced by the ongoing U.S.A.-PRC trade tensions, including the implementation of tit-for-tat trade tariffs between the two countries.

The Group is also cautiously optimistic about the outlook for its investment portfolio in the U.S.A.. While the potential for further interest rate rises by the Federal Reserve has become more muted, which should support the ongoing positive sentiment in the real estate sector, the ongoing U.S.A.-PRC trade tensions could have an unpredictable impact on the market.

While the Group finalises its exit from certain existing property investments and projects, it will seek to identify and cautiously invest in new high-potential and larger-scale projects, combining capital contributions from the asset, investment and fund management business together with its existing resources. This could include potential projects in the PRC's Greater Bay Area (the "GBA"), especially if increasing connectively between the GBA and Hong Kong results in more investment and demand.

This proactive but cautious strategy will continue to support the Group's future performance while creating further value for shareholders.

Corporate Finance and Risk Management

Liquidity and Financial Resources

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

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

As at 31 March 2019, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio fell to 16.7% (31 March 2018: 31.5%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was Nil (31 March 2018: 39.5%) as the Group has net cash of HK$93 million as at 31 March 2019 (31 March 2018: net debts of HK$456 million).

As of 31 March 2019, the Group has total bank borrowings of HK$338 million (31 March 2018: HK$831 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, Hong Kong, the U.S.A. property development projects and investment in Quarella. Of the total bank borrowings, the bank loans of HK$323 million were secured by investment properties, properties for sale and buildings held for own use, of which HK$33 million will be repayable upon the completion of construction of the properties. Further costs for developing the property redevelopment projects and the Quarella business will be financed by unutilised banking facilities or internally generated funds.

As at 31 March 2019, the Group's current assets and current liabilities were HK$1,052 million (31 March 2018: HK$1,602 million) and HK$541 million (31 March 2018: HK$1,244 million) respectively. The Group's current ratio increased to 1.94 (31 March 2018: 1.29). The internally generated funds, together with unutilised banking facilities will enable the Group to meet its business development needs.

The Group will cautiously seek new investment and development opportunities in order to balance risks and opportunities and to maximise shareholders' value.

Pledge of Assets

For the pledge of assets, please refer to note 24 to the consolidated financial statements.

Commitments and Contingent Liabilities

For the commitments and contingent liabilities, please refer to notes 30 and 31 to the consolidated financial statements respectively.

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangement

The Group operates in various regions with different foreign currencies mainly including Euro, United States Dollars, British Pound and Renminbi.

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

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

Credit Exposure

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

The Group's management is closely monitoring and reviewing from time to time the credit policies, the recoverability of trade receivables and the financial position of its customers in order to keep the credit risk exposure of the Group at a very low level.

Employees and Remuneration Policies

As at 31 March 2019, the total number of employees of the Group is 27 (31 March 2018: 31). The Group offers an attractive remuneration policy, including reward to employees on a performance basis with reference to market rate, and subsidies for job-related continuing education. Total remuneration for employees (including the directors' remuneration) was HK$48 million for the year (2018: HK$45 million).

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

In addition to adhering to the principles and code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company has, based on the standards and experience of the Company, adopted its own Corporate Governance Manual (the "CG Manual") for reference by the Board and management of the Company and its subsidiaries to meet the code provisions as set out in the CG Code. A copy of the CG Manual is posted on the Company's website. In the opinion of the directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2019, save for the deviations for code provisions A.1.1 and A.2.1 which deviations are explained in the relevant parts of this report.

The Company will continue to review periodically the CG Manual and enhance its corporate governance practices to ensure the continuous compliance with the requirements of the CG Code.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

DELEGATION BY THE BOARD

The Company has formalised and adopted written terms on the division of functions reserved to the Board and delegated to management.

The Board reserves for its decisions on all major matters of the Company, including the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

BOARD OF DIRECTORS

The Board of the Company currently comprises the following directors:

Executive directors:

Mr. CHAN William
(Chairman of the Board and the Nomination Committee, Chief Executive Officer)
Mr. YIP Chun Kwok
(Chief Operating Officer)

Non-executive director:

Mr. NG Tak Kwan

BOARD OF DIRECTORS (Continued)

Independent non-executive directors:

Mr. HO Kwok Wah, George
(Chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee)

Mr. TO King Yan, Adam
(Member of the Audit Committee and the Remuneration Committee)

Mr. WONG Hoi Ki
(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)

A brief description of the background of each director is presented on page 31 of this annual report under the heading of "Profiles of Directors and Senior Management".

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The non-executive director and the independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of the members of the Board is related to one another.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy in accordance with the requirements set out in the code provisions of the CG Code. The Company recognises the benefits of having a diverse Board, and sees diversity at the Board level essential in achieving a sustainable and balanced development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills, knowledge, industry experience and expertise. All Board appointments are based on meritocracy and considered against a variety of criteria, having due regard for the benefits of diversity on the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 March 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. The Board has maintained, throughout the year ended 31 March 2019, the proportion of the independent non-executive directors to at least one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all such directors independent.

All directors, including the non-executive director and the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive directors and the independent non-executive directors of the Company is engaged on a service agreement (for executive director) or letter of appointment (for independent non-executive director) for a term of 3 years and the non-executive director is engaged on a letter of appointment for a term of 1 year. All directors are subject to retirement by rotation once every three years.

Pursuant to the code provision A.4.3 of CG Code, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by shareholders. Mr. Wong Hoi Ki is an independent non-executive director serving the Company since 2009. Mr. Wong has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Wong who served the Company for more than nine years, remains independent, and considers that he would be able to continue to discharge his duties as an independent non-executive director to the Company. Mr. Wong should be re-elected and separate resolution will be proposed for his re-election at the 2019 annual general meeting ("AGM").

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading materials on relevant topics will be issued to directors where appropriate.

During the year ended 31 March 2019, relevant reading materials including legal and regulatory update have been provided to all directors for their reference and studying as well as providing all directors invitations to attend relevant seminars.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its directors and officers to comply with the requirements of the CG Code. During the year, no claim was made against the directors and officers of the Company.

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 business days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are normally circulated to directors or the committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all directors at all reasonable time.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office or employment, is likely to possess inside information in relation to the Company or its securities) of the Group (the "Securities Code") with terms no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries, all of the directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code throughout the year ended 31 March 2019.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are in line with the CG Code. These terms of reference are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. Board committees are provided with sufficient resources to discharge their duties and are required to report back to the Board on their decisions or recommendations.

Remuneration Committee

The Remuneration Committee comprises 3 members, all of them are independent non-executive directors.

The primary function of the Remuneration Committee is to assist the Board to oversee the Company's remuneration practices to ensure effective policies, processes and practices for rewarding directors and the senior management/heads of departments, and that the reward programs are fair and appropriate and managed with integrity and in compliance with the Listing Rules and other applicable rules and regulations. The Remuneration Committee is also responsible for determining the remuneration packages of individual executive directors and senior management and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

No meeting had been held by the Remuneration Committee during the year ended 31 March 2019. However, the Remuneration Committee had recorded their decisions by passing written resolutions determining remuneration packages of the executive directors, the non-executive director and the independent non-executive directors.

Details of the directors' remuneration are set out in note 8 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2019 is set out below:–

Remuneration Bands	Number of Individuals
HK$500,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1

Nomination Committee

The Nomination Committee comprises 3 members, the majority of them are independent non-executive directors. The Nomination Committee is provided with sufficient resources to discharge its responsibilities.

The terms of reference of the Nomination Committee setting out the committee's authorities and duties, which follow closely the guidelines of the code provisions of the CG Code, are available on the Company's website.

The principal duties of the Nomination Committee are as follows:

(i) to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become the Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; and

(iii) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The above principal duties are regarded as the key nomination criteria and principles for the nomination of directors of the Company, which also form part of the nomination policy of the Company. In selecting and recommending candidates for directorship to the Board, the Nomination Committee would consider various aspects such as candidate's qualification, time commitment to Company and contributions that will bring to the Board as well as factors concerning board diversity as set out in the Company's board diversity policy, before making recommendation to the Board on the appointment of directors.

The Nomination Committee is also responsible for assessing the independence of the independent non-executive directors.

One meeting had been held by the Nomination Committee during the year ended 31 March 2019.

During the year, the Nomination Committee had reviewed the structure, size and composition of the Board.

Audit Committee

The Audit Committee comprises all the 3 independent non-executive directors with the chairman of which possesses the appropriate professional qualifications and accounting expertise. None of the committee members is a former partner of the Company's external auditors.

The Audit Committee is responsible to assist the Board to review and supervise the adequacy and effectiveness of the Group's financial reporting system, internal control systems and the risk management system and associated procedures as well as the internal and external audit functions. It is also responsible for reviewing the completeness, accuracy, clarity and fairness of the Group's consolidated financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions. It also reviews the arrangement to enable employees of the Group to raise concerns about possible improprieties. The Board shall in consultation with the chairman of the Audit Committee provide sufficient resources to enable the Audit Committee to discharge its duties. The Audit Committee annually assesses the appointment of the external auditors and reviews the interim and final results of the Group prior to recommending them to the Board for approval.

There were three Audit Committee meetings held during the year ended 31 March 2019. The Audit Committee has performed the following work during the year: (i) to review the financial reporting and compliance procedures; (ii) to review the annual results for the year ended 31 March 2018 and the interim results for the half year ended 30 September 2018; (iii) to meet with the external auditors in the absence of management; (iv) to review the risk management and internal control procedures of the Company; and (v) to consider the re-appointment of auditors.

The Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

Corporate Governance

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 March 2019, the Board reviewed its CG Manual, the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Directors' Attendance Records

Code provision A.1.1. of the CG Code stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were two Board meetings held during the year ended 31 March 2019, which were regular meetings held for approving the final results for the year ended 31 March 2018 and the interim results for the period ended 30 September 2018. The Company has not held the other two regular Board meetings as it is not required under the Listing Rules to publish quarterly results.

The attendance record of each director at the Board meetings, the Audit Committee meetings and the general meetings of the Company held during the year ended 31 March 2019 is as follows:–

	Attendance/Number of Meetings held during the tenure of directorship		
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Annual General Meeting**
Executive Directors			
Chan William	2/2	N/A	1/1
Yip Chun Kwok	2/2	N/A	1/1
Non-Executive Director			
Ng Tak Kwan	2/2	N/A	1/1
Independent Non-Executive Directors			
Ho Kwok Wah, George	2/2	3/3	1/1
To King Yan, Adam	1/2	2/3	1/1
Wong Hoi Ki	2/2	3/3	1/1

Apart from regular Board meetings, the Chairman also held meeting with the independent non-executive directors of the Company without the presence of other directors during the year.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2019.

In preparing the consolidated financial statements, the directors have adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The statement of the external auditor of the Company about their reporting responsibilities for the consolidated financial statements is set out in the Section headed "Independent Auditor's Report" on page 43.

AUDITORS' REMUNERATION

The remuneration charged by the Company's external auditor, Messrs. KPMG, in respect of audit services and non-audit services for the year ended 31 March 2019 is set out below:–

Category of Services	Fee Paid/Payable (HK$)
Audit Services	1,701,000
Non-audit Services	
– Internal control advisory work	188,000
– Tax compliance work	114,000
– Others	155,000
TOTAL	2,158,000

DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company has no fixed dividend pay-out ratio. The Board considers that, in general, the amount of dividends to be declared will depend on the Group's financial results, cash position, capital requirements, business conditions and strategies, and other factors as may be considered relevant at such time by the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board is also responsible to review the effectiveness of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

During the year ended 31 March 2019, the Board has engaged an external consultant to perform certain internal control review services and has discussed the scope of work with the external consultant. The Board considers the scope of work to be adequate given the size and complexity of the Group's operations and the Group's risk appetite. For the year ended 31 March 2019, the external consultant has assisted the Group to perform a review of the effectiveness of internal control systems for certain selected processes. The review results and proposed improvement opportunities were discussed and agreed with management and were reported to the Audit Committee.

The Board has adopted the risk management policy as established by management of the Group, which, together with the Group's internal control systems, are designed to manage the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Group's risk management and internal control systems consist of the following main features:

Risk appetite – The Group has established a risk appetite statement that defines the extent of risks that the Group is willing to take in pursuit of its strategic and business objectives. It represents a balance between the potential benefits of business pursuits and the possible threats from the actions.

Risk governance structure – Clear roles and responsibilities are assigned to different level of management within the Group. The Board sets the tone, provides guidance and governance over risk management. Senior management is delegated with the responsibility to provide an assessment on the adequacy and effectiveness of the risk management process, as well as review, evaluate and challenge the risks identification and management processes. Risk owners ensure that the risk monitoring and internal control systems are working effectively and risk mitigation actions and internal controls are implemented.

Risk management process – A robust risk management process comprising risk identification, risk analysis, risk evaluation and risk treatment has been established to ensure that the top risks that the Group are facing are monitored and treated on an on-going basis. Risk assessment parameters are developed and applied consistently across the Group to evaluate and prioritise risks. Risk register that set out the particulars of the Group's top risks together with the control measures is maintained by the Group.

Risk escalation process – Risks that exceed the risk tolerance level set by the Board are escalated to the Board to ensure further risk mitigation actions are taken timely.

The Board delegates the responsibility of reviewing the effectiveness of the Group's risk management and internal control systems to the Audit Committee which monitors the Group's risk management and internal control systems.

The Audit Committee reviewed the effectiveness of the Group's internal control procedures and was satisfied that the Group's internal control processes are adequate to meet the business needs of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate. The Board is monitoring the risk management and internal control systems on an ongoing basis.

For the handling and dissemination of inside information, an inside information handling policy is in place to enable the Group to handle inside information and, where required, communicate with the Group's stakeholders in a timely manner.

COMPANY SECRETARY

Ms. Yeung Man Yan Megan ("Ms. Yeung") has been appointed the Company Secretary of the Company in January 2012. Ms. Yeung has taken no less than 15 hours of relevant professional training during the financial year ended 31 March 2019.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and ongoing communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to evaluate the performance of the Group.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board, all independent non-executive directors, and the Chairmen of all Board Committees (or their delegates) will make themselves available to answer questions at shareholders' meetings.

The Company also communicates with the shareholders, investors and general public through the annual reports, interim reports and other corporate announcements.

To promote effective communication, the Company maintains a website at http://www.rykadan.com, where up-to-date information and updates on the Company's structure, board of directors, business developments and operations, financial information, corporate governance practices and other information are posted.

During the financial year ended 31 March 2019, there is no change in the Company's constitutional documents.

An up to date version of the Company's constitutional documents are also available on the Company's website and Stock Exchange's website.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equally and fairly. Pursuant to the articles of association, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her.

To safeguard the shareholders' interests and rights, a separate resolution should be proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to the articles of association of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Rooms 2701 and 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong (For the attention of the Chairman of the Board/Chief Executive Officer/Company Secretary)

Fax: (852) 2547 0108

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board is pleased to present this Environmental, Social and Governance ("ESG") Report in the Group's annual report for the year ended 31 March 2019.

1. ABOUT THIS REPORT

1.1 Overview

This is the third Environmental, Social and Governance ("ESG") report of Rykadan Capital Limited (hereinafter referred to as "Rykadan" or the "Company") and its subsidiaries (collectively, referred to as the "Group").

1.2 About our business

Rykadan is a Hong Kong-based investment holding company, targeting high-potential, moderately priced projects worldwide, with a view to enhance asset values by leveraging on the knowledge and experience of its team and partners. During the reporting period, the Group's investments included commercial, industrial and residential property developments in Hong Kong, the People's Republic of China (the "PRC"), the United States of America (the "U.S.A.") and the United Kingdoms (the "U.K."). We have also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

Rykadan strives to achieve long-term corporate sustainability and believes that our corporate social responsibility practices have benefited both our Group and the society. We are committed to delivering quality products that are environmentally, socially and economically responsible, and seek to partner with others that share the same value.

1.3 Scope of this report

This ESG report covers our property business and distribution of construction and interior decorative materials business during the period from 1 April 2018 to 31 March 2019. Property business refers to our property developments and investments in Hong Kong, the PRC, the U.S.A. and the U.K.; while the distribution of construction and interior decorative materials business is conducted mainly in Hong Kong and the PRC.

Regarding the key performance indicator ("KPI") disclosure, the scope covers our head office in Hong Kong and the other offices in Beijing, as well as the real estate projects in Hong Kong and the U.S.A., where our development projects under construction were located during the reporting period. For properties that are not under construction and/or being marketed for sale or lease, are excluded from ESG data disclosure. The following are the details of the development projects included in this year's KPI disclosure:

Region	Investment	Status as at 31 March 2019	ESG Data	Remarks
Hong Kong	THE KHORA (Maple Street Project)	Completed	Y	Sold
	THE AGORA (Wing Hong Street Project)	Completed	Y	Sold
	Wong Chuk Hang Project	Under construction	Y	Expected to be completed in March 2022
	Jaffe Road Project	Under planning	N	
	2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower	Completed	N	Investment properties
	Various car parking spaces of Rykadan Capital Tower	Completed	N	Properties for sale
U.S.A.	263 Naomi Project	Under construction	Y	Expected to be completed in April 2019
	265 Naomi Project	Under construction	Y	Expected to be completed in June 2019
	Winston Project	Under planning	N	
	Monterey Park Towne Centre	Under planning	N	
	Le Roy Project	Completed	N	Sold
U.K.	Shoreditch Project	Completed	N	Being marketed to buyer
PRC	Kailong Nanhui Business Park	Completed	N	Being marketed to tenants

1.4 Reporting reference

This ESG report is prepared based on the Environmental, Social and Governance Reporting Guide (the "ESG Guide") in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, meeting the "comply or explain" provision of the ESG Guide. An index table aligning the report content with the ESG Guide requirements has been included in Appendix I of this report for reader's reference.

2. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement and materiality assessment is vital to identify the focus of our ESG management strategies. Through engagement with our stakeholders, we are able to obtain the views and opinions of our stakeholders, supporting our decision making and make progress towards our ESG commitments.

To understand the importance of different ESG issues to the Group, we interviewed and conducted surveys with our senior management and employees who have hands-on knowledge of our operations as well as close relationships with key investors and business partners. The engagement surveys and interviews were subsequently analysed, and based on the results we have summarised the material ESG issues and their relevance to the business operations in descending order categorised by aspect as follows.

Aspect	Material issue	Relevance to the business
Environmental	Hazardous waste	Disposal of hazardous waste such as unused paints and solvents and their containers: The proper storage and handling of such hazardous waste at our construction sites are regulated. Although we do not directly monitor the hazardous waste at the site level, we work closely with our contractors to ensure hazardous waste are properly managed and disposed of.
	Air emissions	Air emissions from construction sites and vehicular emissions from logistics delivery: Although we do not directly monitor these emissions, we work closely with our contractors to ensure proper monitoring of their compliance with the applicable environmental protection laws and regulations.
Social	Anti-corruption	Conducting business ethically is essential to our business. We are against any bribery or corrupt practices among our staff and in business operations.
	Forced labour and child labour	Forced labour and child labour are regarded as key issues and they are strictly prohibited in our industry practices and in our Group's operations.
	Product responsibility	We take pride in the responsible "design and build" of our properties, particularly residential buildings, where we strive for designs that meet the basic living quality of users such as liveable size and natural light penetration in the apartment.
	Health and safety	Construction safety is another key issue for our property development business. We encourage our contractors to strive to reach the goal of zero accident in all our construction sites.

3. ENVIRONMENT

3.1 Our commitment

We are committed to minimising the impact of our operations on the environment, and strive to comply with all relevant environmental regulations and requirements. We will continue to improve our environmental performance by regularly reviewing and enhancing our environmental practices. In addition, we will progressively enhance our influence over our service providers to improve their ESG performance.

Property business

As a property investor and developer, we are engaged in the design, construction and sales of properties. During the development process, we focus on responsible "design and build" of our properties. We work with various service providers, such as architects, engineers and contractors, to incorporate responsible environmental considerations throughout the entire process from design and build to operations.

Distribution of construction and interior decorative materials

Our distribution of construction and interior decorative materials business is mainly conducted in the office environment, with a few warehouses which utilise minimal electricity and water. Other activities including material-cutting and logistics are outsourced to third-party service providers. We are aware of the potential environmental impact of their practices, especially environmental emissions from the factory operations and logistics. Hence, we try to influence them by suggesting measures to reduce their impact where possible. For more information on supply chain management, please refer to Section 5.2 Supply chain management.

Head office

We have adopted environmentally friendly working practices at our head office by focusing on the efficient use of resources and minimising waste generation. In addition, we encourage green office practices such as double-sided printing and copying, as well as the switching off of idle lighting and electrical appliances to minimise energy consumption.

3.2 Emissions and regulatory compliance

Majority of our environmental emissions, including air, wastewater, general waste and hazardous waste, are from the construction sites of our property development projects. We are aware the impact of such emissions on the environment, and seek to ensure that such emissions are being managed and monitored by our service providers.

Though it is the responsibility of our main contractors to properly manage the on-site emissions of our property projects, we as the developer and project manager try to engage with them and monitor closely their ESG performance, especially on regulatory compliance, to minimise the environmental impacts of our construction sites.

Waste management

Hazardous waste

At site level, hazardous waste are directly handled by our contractors and subcontractors. We work closely with our contractors to ensure the proper management and disposal of these hazardous waste, with proper location to store and handle hazardous waste at our construction sites. In addition, we have taken various measures to avoid the generation of hazardous waste; for instance, we use water-based paint instead of solvent-based paint in our construction sites. In the year under review, no disposal of hazardous waste was recorded by our contractors.

Construction waste

Our contractors sort the construction waste on-site, after which it is properly disposed of. As with hazardous waste, we work closely with our contractors to ensure the proper management and disposal of the construction waste.

General waste

General waste is mainly produced in our offices. The main components of general waste are used papers such as office papers, posters and marketing brochures. In order to reduce such type of waste, we recycle used papers. In addition, to minimise waste generation in the office, we:

– provide recycling bins to collect used papers, cardboard boxes, packing materials, toner and ink cartridges;

– encourage duplex printing and the reuse of single-side printed paper;

– reduce printing by adopting electronic communication means for the circulation of internal documents such as memorandum and reports; and

– use environmentally friendly paper (such as PEFC[1] paper).

1 Programme for the Endorsement of Forest Certification

Waste disposal (Offices)	Unit	2018/19	2017/18
General waste disposed at our offices	kg	658	New disclosure

Waste disposal (Construction sites)	Unit	2018/19[2]	2017/18
Construction waste disposed at construction sites	tonne	6,640	1,803

Air emissions

We are aware that construction sites produce air emissions, while logistics delivery and business travel result in vehicular emissions. To ensure compliance with the local environmental protection laws and regulations, we periodically monitor our contractors' performance. However, we do not monitor the emissions from vehicles and business travel as the logistic services are managed by a third-party service providers and emissions from business travel are immaterial.

Compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations related to environmental emissions in our business operations and at our construction sites.

3.3 Use of resources

We are committed to using resources efficiently and thus encourage the reuse and recycling of materials within our operations. In the design stage of our property development projects, we incorporate environmentally friendly or green design features where practicable; for instance, we focus on optimising the use of natural light and using energy-efficient lighting equipment (such as LEDs), energy-efficient appliances as well as water-efficient fixtures including faucets and water closets.

Our new project in Wong Chuk Hang, Hong Kong, is a showcase of how we integrate green designs into our projects. We incorporated various green features, including the addition of a sky garden, in the design stage, and would consider applying for LEED (Leadership in Energy and Environmental Design) certification for the commercial building if applicable.

For our office operations, we seek to conserve energy and minimise resource consumption through the following measures:

- keeping air conditioner temperature at 25°C for offices;
- turning off lights when a space is not in use;
- switching off idle office equipment and setting electronic appliances to energy-saving mode, e.g. enabling the printers and computers to automatically power down after a period of inactivity; and
- incorporating environmental considerations during the procurement of office equipment and materials, like selecting electronic appliance that are more energy-efficient.

2 The increase in construction waste is mainly due to the inclusion of the new Wong Chuk Hang Project in the reporting scope.

Use of resources (Offices)	Unit	2018/19	2017/18
Use of electricity	kWh	60,332	70,192
Use of water	Litre	69,440	60,509

Use of resources (Construction sites)	Unit	2018/19[3]	2017/18
Use of electricity	kWh	354,351	186,145
Use of water	m^3	3,905	2,098
Use of diesel (for generator sets)	Litre	124,721	10,456

3.4 Environment and natural resources

The major environmental issues related to emissions and the use of resources faced by our business are already discussed in the above sections.

4. EMPLOYMENT AND LABOUR PRACTICES

At Rykadan, we believe our employees are the foundation of our success. We strive to attract and retain the best talents and keep our employees safe at work. We have put in place a fair and transparent recruitment scheme that respects human rights and dignity of all people. In addition, our employees are provided comprehensive benefit packages, along with learning and professional development opportunities.

Our Code of Ethics and Conduct Policy and the Employee Handbook represent our commitment to ensure employees' welfare. In addition, we have introduced policies related to recruitment and termination of employment, as well as staff work performance appraisal procedures.

4.1 Employment

We believe that our success depends on the contribution of our employees. We strive to provide equal opportunities to employees in terms of recruitment, training, promotion, transfer, benefits, dismissal, etc., irrespective of their race, colour, religion, sex, age, nationality or physical disabilities.

To allow sustainable growth in our business, we seek to recruit the best talents by selecting the most qualified candidates who have the skills and competencies to support the Group's growth. To retain and motivate our talents, we offer competitive remuneration, which is reviewed annually based on the staff work performance appraisal procedures.

We offer full-time employees other fringe benefits such as medical insurance coverage, long service payments and annual leave benefits as per our annual leave policies, which are documented in our Employee Handbook. Employees' leave entitlement is clearly documented. Apart from annual leave, our employees are entitled to special leave such as marriage leave, paternity leave and birthday leave.

3 The increase in resource consumption is mainly due to the inclusion of the new Wong Chuk Hang project in the 2018/19 reporting scope.

There are also clear procedures to compensate employees for overtime work. General employees who work overtime or over weekends are compensated with a half day's holiday for every four hours of work. We also provide meal allowance if the overtime work is more than two hours during weekdays.

Each year, the Group organises various company events, such as dinner party at New Year or Christmas, where colleagues can interact with each other in a relaxed environment and enjoy a sense of belonging.

Labour standards

Rykadan does not tolerate or engage in any form of child or forced labour and strictly adheres to the Employment of Children Regulation within the Employment Ordinance. To ensure no child labour is used, the Group verifies the age of candidates with their identification documents during the recruitment process. The Group only works with reputable contractors and sub-contractors that have relevant mechanisms in place to ensure their compliance with child and forced labour regulations.

Regulatory compliance

During the year, we were not aware of any material non-compliance with laws and regulations relating to employment and labour standards.

Employment statistics (As at 31 March 2019)	Unit	Offices	Construction sites
Total number of staff	No.	27	177
By gender			
Male		11	152
Female		16	25
By age group			
Below 30		6	61
31-50		17	84
Above 50		4	32
By employment type			
Permanent		26	167
Contract/Part-time		1	10
By geographical location			
Hong Kong		23	154
The PRC		3	0
The U.S.A.		1	23
Attrition rate	%	22.2	2.3

4.2 Health and safety

Here at Rykadan, we see our employees' health and safety as one of our top-most priority. While there is minimal occupational health and safety risk at our office operations, we concern about the construction safety of our property development projects. As the project manager, we do not engage in construction activities and outsource the construction work to contractors. We only work with contractors with good reputation and record on workers' health and safety, and encourage them to strive for the goal of zero accident at all our construction sites. We will keep record of major accidents resulting in injuries or fatalities or non-compliance in meeting health and safety regulations, and take these into account while considering future partnering opportunities.

As for our office operations, we are firmly committed to maintaining a safe and sound working environment to prevent injury and illness, in compliance with all occupational health and safety laws and regulations. We ensure first aid kits and fire extinguishing equipment are located at prominent locations in the offices and are properly maintained. We organise evacuation and escape exercises with employees' participation at least once a year.

Proper indoor air quality is maintained at the offices by regularly cleaning the ventilation system to ensure the wellness of our employees, and outdoor gatherings are periodically organised to promote work-life balance among colleagues.

During the reporting period, we recorded four accidents and zero fatality in our construction sites, with zero days of lost working days. Though our contractors take appropriate remedial actions in the event of any accident, we will liaise more closely with them to ensure more preventative measures are implemented to avoid future accidents at our construction sites.

Health and safety	Unit	Offices	Construction sites
Total number of fatal cases arising from work accidents	No. of case	0	0
Total number of injury cases arising from work accidents	No. of case	0	4
Total number of lost working days due to injuries	Day	0	0

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations by the Group relating to health and safety.

4.3 Development and training

We strive to provide an open, challenging and participative environment to all employees as well as provide opportunities to enhance their skill set. To increase the competitiveness and knowledge of our employees, we mainly provide training to our employees through on-the-job training and external training opportunities. An Education Sponsorship and Allowance Scheme is set to encourage our employees to take part in external training courses that relates to their job duties. Under the scheme, each employee is entitled to an annual sponsorship for job-related training courses or professional seminars, along with special paid leaves by offering up to 3 days of examination leave per year and sponsorships up to HK$6,000 per year for further studies.

Total training hours by employee category	Unit	Offices	Construction sites
Senior management	Hour	5.4	2,252
Management	Hour	4.5	3,605
Non-management	Hour	0.5	18,412

4.4 Anti-corruption

The Group strives to achieve the highest standards of openness, probity and accountability. We have adopted a 'zero tolerance' approach to bribery, corruption and fraud. In addition, we have in place a Whistle Blowing Policy that enables employees as well as others dealing with us to report any possible improprieties. The Board ensures that all complaints are considered impartially and efficiently. Unlawful or unethical conduct will be investigated promptly, and all information received shall be kept confidential.

Our Code of Ethics and Conduct Policy is aimed at ensuring compliance to acting with integrity in all operational activities with regard to ethics and business integrity. It prevents bribery, insider trading, conflicts of interest and misuse of assets and resources, etc. It also provides detailed guidance on how employees should act when facing any of the above situations.

The Group does not tolerate any illegal or unethical acts. Any violation of the Code of Ethics and Conduct Policy would result in disciplinary action, including possible termination of employment. Employees are obliged to report any suspected cases of corruption or other forms of criminality, and a report will be made to the Independent Commission Against Corruption or other appropriate authorities.

Regulatory compliance

During the year under review, we were not aware of any material non-compliance relating to bribery, extortion, fraud and money laundering.

5. PRODUCT RESPONSIBILITY

5.1 Securing products and services quality

We are committed to ensuring the premium quality of our products and services.

In our property development business, we strive to provide quality living areas to our customers. We understand our responsibilities towards the community as a property developer as well as the impact of our business on it. In each of our projects, we consider the design from the perspective of end users, caring for their needs and striving for user-friendly designs where practicable. To ensure the safety of our buildings, we adhere to the health and safety requirements of local regulations on building designs, including fire safety and other necessary provisions. In addition, we consider resource-efficient designs and green building certifications where it is economically sound.

We do not exaggerate in marketing and communications materials on redeveloped properties. In addition, we adhere to government regulations and industry guidelines, including the Residential Properties (First-hand Sales) Ordinance, the Consent Scheme of the Hong Kong Lands Department and the self-regulatory regime of the Real Estate Developers Association of Hong Kong.

For the distribution of construction and interior decorative materials, we source the composite marble stones from an internationally well-known brand. The products are already subject to stringent product quality, safety and environmental regulations prior to shipping to Hong Kong and the PRC. We select the stone-cutting factories based on the criteria of maintaining the product quality and their adherence to good safety and environmental practices.

We regularly reach out to customers through various channels such as phone calls, emails and physical meetings to obtain their feedback and suggestions. While privacy issues are not material in our daily operations, we adhere to relevant regulations including the Personal Data (Privacy) Ordinance (Cap. 486) and prohibit the unauthorised disclosure of proprietary information.

Regulatory compliance

During the year under review, we were not aware of any material non-compliance with laws and regulations related to health and safety, advertising, labelling and privacy matters.

5.2 Supply chain management

We strive to promote fair and open competition as well as develop and secure long-term relationships with suppliers and contractors based on mutual trust. We select suppliers and service providers based on the highest ethical standards, which also assure the quality of end products as well as the continued confidence of customers, suppliers and investors.

To support our business operations, we have established transparent procurement and tendering procedures. While we strongly believe that the procurement of services or the purchase of goods should be made based mainly on price, quality and timely delivery, we also consider the ESG performance of our service providers, particularly regarding regulatory compliance on environment, employment and labour as well as health and safety.

We strictly prohibit bribery and corrupt practices. Directors and employees are to follow our policy on the acceptance of gifts. Under no circumstances are they permitted to use inside information for personal gains. Personnel involved in the selection of and purchase from suppliers and contractors should not misuse their authority or engage in situations that could interfere, or appear to interfere, with their ability to make free and independent decisions regarding purchase and procurement.

For property construction, we have long-term partnerships with a few major contractors in Hong Kong. We only work with contractors that have good industry reputation with a good track record in addressing health, safety and environmental issues and the ability to deliver quality services. We regularly receive progress reports/minutes on environmental and health and safety performance at the construction sites. We keep record of any breach of law or regulation by contractors, and take it into account while considering future partnering opportunities.

Regarding the distribution of construction and interior decorative materials, we plan to progressively enhance the assessment and monitoring of the ESG performance of our service providers. We seek to reduce fuel use in logistics by selecting stone-cutting factories located close to the port or the work site, so as to minimise transportation distance and hence fuel usage. In addition, we intend to select suppliers with a good record of product quality.

6. COMMUNITY INVESTMENT

We sincerely believe our growth is closely tied to our surrounding community and the environment. Our employees are encouraged to participate in community events and make charitable donations. We have a compensation policy for employees who contribute their time in volunteering for charitable work outside office hours.

During the reporting year, we continued to contribute to charitable causes through sponsorships and volunteering. We worked with Heep Hong Society to support children development with various programmes, including rope skipping classes, horticultural therapy and music therapy. We had also continued to sponsor and participate in Seniors Day 2019 organised by Hope Worldwide (HK) and the Fearless Dragon Trail Run organised by Hong Kong Network for Promotion of Inclusive Society Limited to support the elderly and the disabled community. In the year, donations made by the Group during the year for charitable organisations amounted to HK$142,000 (2018: HK$114,000).

A APPENDIX I: HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE INDEX

	Aspects	Section	Remarks
A	**Environmental**		
A1	**Emissions**	3.2	
A1.1	The types of emissions and respective emissions data.	3.2	
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Greenhouse gas emissions are not identified as material to the Group. We will continue to observe regulatory changes to update any disclosures needed in the future.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2	
A1.5	Description of measures to mitigate emissions and result achieved.	3.2	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.2	
A2	**Use of Resources**	3.3	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.3	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3	
A2.3	Description of energy use efficiency initiatives and result achieved.	3.3	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.3	There is no issue in the sourcing of water that is fit for purpose.

	Aspects	Section	Remarks
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	Packaging material is not identified as material to the Group. Data is not tracked.
A3	**The Environment and Natural Resources**	3.4	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	3.4	
B	**Social**		
B1	**Employment**	4.1	
B2	**Health and Safety**	4.2	
B3	**Development and Training**	4.3	
B4	**Labour Standards**	4.1	
B5	**Supply Chain Management**	5.2	
B6	**Product Responsibility**	5.1	
B7	**Anti-corruption**	4.4	
B8	**Community Investment**	6	

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chan William (陳偉倫先生), aged 44, is an executive Director and the Chief Executive Officer and the Chairman of the Company. Mr. Chan also serves as the chairman of the nomination committee. Mr. Chan joined the Group in 2008. He is primarily responsible for overall strategies, planning, business development and implementation of the strategies of the Group. He also holds other directorships in the Company's subsidiaries. Mr. Chan graduated from the University of La Verne, California of the United States with a Bachelor of Business Administration degree in 2000 and a Master of Business Administration degree in 2002. He was a director of the Tung Wah Group of Hospitals (2003/2004), a director of Yan Chai Hospital (35th Term Board of Directors (2002/2003)) and a committee member of the Central and Sai Ying Poon Area Committee of Home Affairs Department of Hong Kong Government for the two years ended 31 March 2006.

Mr. Yip Chun Kwok (葉振國先生), aged 45, is an executive Director and the Chief Operating Officer of the Company. Mr. Yip joined the Group in 2008. He is responsible for property related investments and business management of the Group. He also holds other directorships in the Company's subsidiaries. Mr. Yip graduated from the University of Hong Kong with a Bachelor of Business Administration degree in 1996. He is a fellow of the Association of Chartered Accountants, an associate of the Hong Kong Institute of Certified Public Accountants, a member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a CFA charter holder of the CFA Institute.

Non-Executive Director

Mr. Ng Tak Kwan (吳 德 坤 先 生), aged 65, is a non-executive Director of the Company. Mr. Ng graduated from the University of Calgary with a Bachelor of Science degree in civil engineering in 1978. Mr. Ng is currently an executive director and the chief executive officer of Sundart Holdings Limited (stock code: 1568), the securities of which are listed on the main board of the Stock Exchange.

Independent Non-Executive Directors

Mr. Ho Kwok Wah, George (何國華先生), aged 61, was appointed as an independent non-executive Director of the Company in February 2010. He also serves as the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Ho has over 30 years of experience in accounting and auditing. Mr. Ho is a practicing certified public accountant in Hong Kong and is currently a director of Yong Zheng CPA Limited, Certified Public Accountants. Mr. Ho is also a director of the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. From 2001 to 2003, Mr. Ho was the president of the Hong Kong Institute of Accredited Accounting Technicians. Mr. Ho is currently an independent non-executive director of each of Town Health International Medical Group Limited (stock code: 3886) and PuraPharm Corporation Limited (stock code: 1498), the securities of which are listed on the main board of the Stock Exchange. He was also an independent non-executive director of Belle International Holdings Limited (stock code: 1880), the securities of which was listed on the main board of the Stock Exchange prior to 28 July 2017 as it was delisted due to privatization after the date. Mr. Ho was also awarded the Medal of Honour on 1 July 2015 by the HKSAR.

Mr. To King Yan, Adam (杜景仁先生), aged 59, was appointed as an independent non-executive Director of the Company in August 2009. Mr. To is also a member of the audit committee and the remuneration committee of the Company. He graduated from the University of London with a Bachelor of Laws degree in 1983. He has been a practicing solicitor of the High Court of Hong Kong since 1986. He is also qualified to practice law in England and Wales and Australia and is a China Appointed Attesting Officer. He is currently a partner of K.B. Chau & Co., a firm of solicitors in Hong Kong with his practice focusing on conveyancing, litigation and corporate finance. Mr. To is currently an independent non-executive director of Vision International Holdings Limited (stock code: 8107), the securities of which are listed on the GEM board of the Stock Exchange.

Mr. Wong Hoi Ki (黃開基先生), aged 65, was appointed as an independent non-executive Director of the Company in August 2009. Mr. Wong is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. He is a Registered Professional Surveyor (General Practice) and has been practicing in the surveying profession for over 35 years. Mr. Wong is a Fellow of the Hong Kong Institute of Surveyors and a Member of the Royal Institution of Chartered Surveyors. He is the founder and at present the managing director of Memfus Wong Surveyors Limited, an estate surveying firm in Hong Kong. Over the years, he has served the profession by working on the General Council of the Hong Kong Institute of Surveyors as Honorary Secretary and Honorary Treasurer.

Senior Management

Mr. Lo Hoi Wah, Heywood (勞海華先生), aged 36, is our Chief Financial Officer. Mr. Lo joined us in July 2012. He is responsible for overseeing the financial planning of the Group and managing new business unit growth and expanding different business. He also holds other directorships in the Company's subsidiaries. Mr. Lo graduated from the University of Hong Kong with a Bachelor of Business Administration degree in 2005. He also graduated from the Hong Kong Polytechnic University in 2013 with a Master of Corporate Finance. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining us, he has been working in an international audit firm and held senior finance and management position with a private company.

Ms. Yeung Man Yan, Megan (楊文欣女士), aged 36, is our Legal Counsel and Company Secretary. Ms. Yeung joined us in May 2010. She is responsible for overseeing the legal and compliance matters of the Group. Ms. Yeung is a Hong Kong qualified solicitor. Ms. Yeung graduated from the University of Hong Kong with a Bachelor of Laws in 2005 and a Postgraduate Certificate in Laws in 2006. She also graduated from Leiden University, the Netherlands in 2007 with an Advanced Studies Masters of Laws. Prior to joining us, she has been working in an international law firm.

Mr. Lui Man Kit (呂文傑先生), aged 34, is our Financial Controller. Mr. Lui has joined us since 2014. He is responsible for overseeing the financial and accounting activities of the Group. Mr. Lui graduated from the Curtin University (formerly known as Curtin University of Technology), Australia with Bachelor of Commerce, Accounting and Finance in 2004 and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining us, he had worked in an international audit firm as audit manager.

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and review of the Group's businesses in accordance with Section 5 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report. An indication of likely future development of the Group's businesses can be found in section headed "Chairman's Statement" of this annual report. All the above sections form part of this report.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees, customers, suppliers and business partners are the keys to the sustainable development to the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improves the quality of services and products to the customers.

Employees are regarded as the most vital and valuable assets of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

The Group also makes effort to build up and maintain good relationship with various commercial banks as the Group's businesses are capital intensive and require ongoing funding to maintain continuous growth.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. Green office practices are encouraged in the operation of the Group's businesses, such as double-sided printing and copying, sending and presenting corporate documents or information to the members of the Board in electronic format, and reducing energy consumption by switching off idle lighting and electrical appliances. Further details can be found in the Environmental, Social and Governance Report.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

During the year, no non-compliance with the relevant laws and regulations that have a significant impact on the Group was noted. In addition, discussion on the Group's compliance with the Corporate Governance Code is included in the Corporate Governance Report. Discussion on the Group's compliance with the relevant environmental and social policies, laws and regulations are included in the Environmental, Social and Governance Report.

RISK MANAGEMENT

Under the Group's internal control and risk management framework, the Board has entrusted the Audit Committee with the responsibility to review the internal control and risk management systems of the Group. The Group is exposed to key risk factors including business risks, operational risks and financial risks.

BUSINESS RISKS

The Group operates mainly in Hong Kong, the People's Republic of China, the United States of America and the United Kingdom. The economic and market conditions including property market sentiment and property values, legislative and regulatory changes, government policies and political considerations in the various regions may have impact on the Group's operating results and financial conditions.

OPERATIONAL RISKS

The Group's operation is subject to a number of risk factors distinctive to property development, property investment and property related businesses. Default on the part of our buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the Group's operation.

FINANCIAL RISKS

The Group is subject to financial risks in the normal course of business. Details are set out in note 28 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 49 to 50.

No interim dividend had been declared to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK6 cents per share to the shareholders on the register of members on 2 October 2019 amounting to approximately HK$28,647,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 126.

An analysis of the Group's results by segment for the year is set out in note 4 to the consolidated financial statements.

OTHER PROPERTIES, PLANT AND EQUIPMENT

Details of movements during the year in the other properties, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings are set out in note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2019 comprised:

	HK$'000
Share premium	469,130
Retained profits	646,679
	1,115,809

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account of the Company.

Details of movements during the year in the share premium and reserves of the Group are set out in the consolidated statement of changes in equity.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

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

Non-executive Director

Mr. NG Tak Kwan

Independent Non-executive Directors

Mr. HO Kwok Wah, George
Mr. TO King Yan, Adam
Mr. WONG Hoi Ki

Note: Mr. NG Tak Kwan and Mr. WONG Hoi Ki shall retire, and being eligible, offer themselves for re-election at the forthcoming 2019 annual general meeting ("AGM") pursuant to the Company's articles of association.

Pursuant to the code provision A.4.3 of CG Code, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by shareholders. Mr. Wong Hoi Ki is an independent non-executive director serving the Company since 2009. Mr. Wong has met the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and have made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Wong who served the Company for more than nine years, remains independent, and considers that he would be able to continue to discharge his duties as an independent non-executive director to the Company. Mr. Wong should be re-elected and separate resolution will be proposed for his re-election at the 2019 AGM.

Information regarding directors' emoluments is set out in note 8 to the consolidated financial statements.

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of these Directors. The Company considers that all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

Save for service contracts with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's businesses was entered into or subsisted during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
CHAN William	Long	Founder of a discretionary trust (1)	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
	Long	Beneficial owner	24,200,000	5.06
			218,408,000	45.74
NG Tak Kwan	Long	Beneficial owner	63,024,000	13.20
LO Hoi Wah, Heywood	Long	Beneficial owner	302,000	0.06

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust. CHAN William is also a director of Tiger Crown Limited.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other. Hence, CHAN William is also deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

3. All the shares of the Company shown in the table above are ordinary shares.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the directors and chief executives of the Company) had notified the Company of relevant interests in the issued share capital of the Company:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
HSBC International Trustee Limited	Long	Corporate Trustee (1) (2)	194,208,000	40.68
Rykadan Holdings Limited	Long	Interest in a controlled corporation (1) (2)	194,208,000	40.68
Tiger Crown Limited (1)	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
			194,208,000	40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
			194,208,000	40.68
LI Chu Kwan	Long	Interest in a controlled corporation (3)	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
			194,208,000	40.68
LI Wing Yin	Long	Interest in a controlled corporation (3)	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
			194,208,000	40.68

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust. CHAN William is also a director of Tiger Crown Limited.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other.

3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

4. All the shares of the Company shown in the table above are ordinary shares.

SHARE OPTION SCHEME

On 3 August 2009, a share option scheme ("Scheme") was adopted by the Company for the primary purpose of providing the directors and employees of, as well as consultants, professional and other advisers to the Company and its subsidiaries (the "Participants") with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

The Board will set out in the offer the terms on which the option is to be granted. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Scheme and other share option scheme of the Company must not exceed 30% of the shares in issue from time to time. No options will be granted under the Scheme at any time if such grant will result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of listing of the shares of the Company on the main board of the Stock Exchange. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit. As at the date of the annual report, the total number of shares of the Company available for issue under the Scheme and all other share option schemes of the Company are 48,000,000 shares, representing 10.05% of the issued share capital of the Company as at the date of the annual report.

The total number of shares issued and to be issued upon exercise of the options granted to any Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. An offer of the options shall be deemed to have accepted by way of consideration of HK$1 payable by the Participant within such date as the Board may determine from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

(a) representing in aggregate more than 0.1% of the total number of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the relevant date of grant, in excess of HK$5 million,

such further grant of options must be approved by the shareholders.

The subscription price shall be such price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant;

(ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of a share on the date of grant.

The Scheme is valid and effective for a period of 10 years commencing on 3 August 2009.

As at 31 March 2019, no share option under the Scheme had been granted.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

During the year, save as disclosed below, or other de minimis transactions as disclosed in note 32 to the consolidated financial statements, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.49 of the Listing Rules.

(A) Continuing Connected Transactions

Mr. Cheng Hei Ming ("Mr. Cheng") is a director of both 美邦啟立光電科技(上海)有限公司(Bestlinkage NHI Co., Ltd.) ("Bestlinkage") and Power City Investments Limited ("Power City") (both of them are indirect subsidiaries of the Company). In view of Mr. Cheng's indirect interest in Kailong Holdings Limited ("KLR Holdings") which is approximately 36.24%, 上海凱龍瑞項目投資諮詢有限公司(Kailong REI Project Investment Consulting (Shanghai) Co., Ltd.) ("KLR Shanghai") and Kailong Investment Management Limited ("Kailong Investment Management"), subsidiaries of KLR Holdings, are associates of Mr. Cheng. Prior to 26 September 2014, both KLR Shanghai and Kailong Investment Management were not connected persons of the Company pursuant to the Listing Rules, and thus the Asset Management Services and the Investment Management Services were not connected transactions of the Company. Since KLR Shanghai and Kailong Investment Management have ceased to be non wholly-owned subsidiaries of the Company on 26 September 2014, KLR Shanghai and Kailong Investment Management have become connected persons of the Company since that date. Accordingly, (a) the provision of the Asset Management Services by KLR Shanghai to Bestlinkage pursuant to the Asset Management Agreement; and (b) the provision of the Investment Management Services by Kailong Investment Management to Power City pursuant to the Investment Management Agreement have, since 26 September 2014, become continuing connected transactions of the Company.

Asset Management Agreement between Bestlinkage and KLR Shanghai

On 1 August 2012, Bestlinkage entered into an Asset Management Agreement with KLR Shanghai for a term of 5 years from 1 August 2012 and if after such term and that Bestlinkage still owns the assets, the Asset Management Agreement shall be extended for up to five successive renewal terms of one year each unless Bestlinkage sends written notice of non-renewal to KLR Shanghai. Pursuant to the Asset Management Agreement, KLR Shanghai shall provide such asset management services ("Asset Management Services") for the assets to Bestlinkage ("Assets") including, amongst others, strategic management, new lettings, lease renewals and rent reviews rent arbitration, surrenders or terminations, refurbishment, collection of rent and service charges, insurance, repair and maintenance, general management, asset administration, reporting and financing ("Asset Management Agreement").

It was previously agreed that KLR Shanghai is entitled to a fee equal to the annual amount of Renminbi ("RMB") 1,124,537 ("Asset Management Fee") to be paid quarterly in advance; provided however that the right to receive the fee shall terminate on the date of termination or resignation of KLR Shanghai except with respect to any previously accrued and unpaid fees and any indemnification owed to KLR Shanghai in accordance with the Asset Management Agreement.

On 8 April 2016, it was agreed that with effect from 1 October 2015, the Asset Management Fee payable to KLR Shanghai shall be temporarily reduced to 30% of the Asset Management fee and the remaining 70% shall be payable upon exit of the relevant project by Bestlinkage which results in a 15% IRR for Bestlinkage.

For the year ended 31 March 2019, the actual amount paid/payable by the Group to KLR Shanghai for the Asset Management Services rendered was RMB337,361 (equivalent to HK$396,000).

Investment Management Agreement between Power City and Kailong Investment Management

On 12 December 2012, Power City entered into an Investment Management Agreement with Kailong Investment Management for a term of 5 years from 1 August 2012 and if after such term and that Power City still owns the Assets, the Investment Management Agreement shall be extended for up to five successive renewal terms of one year each unless Power City sends written notice of non-renewal to Kailong Investment Management. Pursuant to the Investment Management Agreement, Kailong Investment Management shall provide such investment management services ("Investment Management Services") to Power City include amongst others, (a) market research review and investment strategy, including reviewing market research reports such as constant monitoring of the real estate markets, analysis of future market developments and trends that are emerging and evaluation of information, giving comments on the list of shortlisted target properties that are proposed/presented and advising on devising the investment strategy and (b) disposition of real estate, including preparing an exit strategy and making recommendations on disposition of the Assets, advising on determination of optimal times for disposition of properties, evaluating exit timing and giving advice on method of exit, reviewing the reports and proposals relating to time and method of implementation of the sale, participating in global search for potential buyer of the Assets and involvement in the negotiations and the sale in accordance with the requests of the investor, and in particular be available as contact point for questions, etc., in the course of the due diligence process of a prospective buyer ("Investment Management Agreement").

It was previously agreed that Kailong Investment Management is entitled to the following remuneration for the provision of the Investment Management Services:–

(a) Investment Advisory Fee
An investment advisory fee equals to 0.5% p.a. on RMB224,907,200. The fee is payable quarterly in advance ("Investment Advisory Fee").

(b) Disposition Fee
A disposition fee equals to 0.5% of the disposition proceeds. The disposition fee is payable at the closing of the definitive sales agreement with the respective purchaser, following receipt of payment from the respective purchaser. In the event that Kailong Investment Management is terminated for any reason other than termination upon event of default, all disposition fees earned by Kailong Investment Management with respect to disposition that has closed prior to such termination and within 180 days thereafter and exit with third party purchasers with whom Kailong Investment Management has had substantive discussion with respect to the Assets are identified in writing by Kailong Investment Management to Power City prior to the effective date of Kailong Investment Management's termination that have closed prior to such termination or involuntary resignation or within 180 days thereafter and shall be paid as if such termination or resignation had not occurred in accordance with the provisions of the Investment Management Agreement.

(c) Promote
Kailong Investment Management shall be entitled to receive a fee (the "Promote") payable quarterly in arrears, from net cash flow from the Assets as follows:

(i) 10% of net cash flow, if and to the extent that as of date of determination, the Assets have yielded an IRR equal to or in excess of 15% and less than 20%;

(ii) 12.5% of net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of 20% and less than 25%; and

(iii) 15% of the net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of 25%.

On 8 April 2016, it was agreed that with effect from 1 October 2015, the Investment Advisory Fee payable to Kailong Investment Management shall be temporarily reduced to 30% of the Investment Advisory Fee and the remaining 70% shall be payable upon exit of the relevant project by Bestlinkage which results in a 15% IRR for Power City.

For the year ended 31 March 2019, the actual amount paid/payable by the Group to Kailong Investment Management for the investment management services rendered was RMB337,361 (equivalent to HK$396,000).

Pursuant to rule 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive directors of the Company, all of whom have confirmed that these continuing connected transactions carried out during the year ended 31 March 2019 were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Asset Management Agreement and the Investment Management Agreement are entered prior to KLR Holdings ceased to be a subsidiary of the Company. As a result, they have not been then approved by the Board and no cap has been set for these continuing connected transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Saved as disclosed above, significant related party transactions entered by the Group during the year, which do not constitute connected transactions under the Listing Rules are disclosed in note 32 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed under heading "Connected Transactions" in this report and the related party transactions in note 32 to the consolidated financial statements, no other transactions, arrangement or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENT

Other than the information disclosed in this directors' report and the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the financial year under review.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Company throughout the year.

COMPETING BUSINESS

During the year, none of the Directors or the controlling shareholders of the Company and their respective associates had any interest in a business, apart from the businesses of the Group, which competes or may compete with the businesses of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trend.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained sufficient public float throughout the year as required under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.20 AND 13.22 OF THE LISTING RULES

The information as required to disclose under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company's advance to an entity and the financial assistance and guarantees to affiliated companies provided by the Company are as follows:

(a) Advances to entities

As at 31 March 2019, the Company has advanced to Quarella Group Limited ("QGL") loans in the aggregate amount of HK$190,000,000 for the working capital of the QGL, which are carried at interest of 3-month Hong Kong Interbank Offer Rate plus a margin of 4.50% per annum, unsecured and be repaid by written notice demand by the Company, the interest receivable on loans to QGL of HK$20,311,000 and guarantees has issued by the Group to a bank in respect of banking facilities granted and in favour of a utility service provider to secure the payment obligation of a subsidiary of QGL for an amount of HK$20,000,000 and for an amount up to Euro 250,000 (equivalent to HK$2,215,000) respectively.

As at 31 March 2019, an aggregate sum of HK$171,925,000 was advanced by the Group to Fastest Runner Limited for the purpose of acquiring the property located at No. 23 Wong Chuk Hang Road, Hong Kong and financing its development and general working capital. The advances are non-interest bearing, unsecured and do not have fixed terms of repayment and were made pro rata to the percentage of shareholding of the relevant subsidiary of the Group in Fastest Runner Limited.

(b) Financial assistance and guarantees to affiliated companies

Pursuant to Rule 13.22 of the Listing Rules, a combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 31 March 2019 are presented as follows:

	HK$'000
Non-current assets	487,899
Current assets	1,992,883
Current liabilities	(1,746,832)
Non-current liabilities	(793,060)
Net liabilities	59,110
Share capital	9
Reserves	(59,119)
Capital and reserves	(59,110)

As at 31 March 2019, the Group's attributable accumulated losses in these affiliated companies amounted to HK$26,008,000.

CHARITABLE DONATIONS

Donations made by the Group during the year for charitable amounted to HK$142,000 (2018: HK$114,000).

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the year, the five largest customers of the Group accounted for 8% of the Group's total revenue and total revenue from the largest customer included therein accounted for 2%. The aggregate purchase attributable to the five largest suppliers of the Group during the year accounted for 84% of the total purchases of the Group and the largest supplier included therein accounted for 68%.

Other than disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 10 to 18.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Environmental, Social and Governance Report is set out on pages 19 to 30.

EVENT AFTER THE REPORTING PERIOD

For the event after the reporting period, please refer to note 35 to the consolidated financial statements.

AUDITOR

The consolidated financial statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming AGM.

A resolution to re-appoint KPMG as our external auditor will be submitted for shareholders' approval at our forthcoming AGM.

On behalf of the Board
Rykadan Capital Limited
CHAN William
Chairman and Chief Executive Officer

Hong Kong, 12 June 2019

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Rykadan Capital Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Rykadan Capital Limited ("the Company") and its subsidiaries ("the Group") set out on pages 49 to 125, which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and, we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Valuation of investment properties

Refer to accounting policy 2(g) and note 11 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group holds investment properties which accounted for 25% of the Group's total assets as at 31 March 2019. These investment properties principally comprised office premises and industrial complexes in Hong Kong and Mainland China. The fair values of investment properties as at 31 March 2019 were assessed by the board of directors based on independent valuations prepared by qualified external property valuers. The change in fair value of investment properties recorded in the consolidated income statement represented 1.5% of the Group's profit before taxation for the year ended 31 March 2019. One of the key drivers of the valuation of investment properties is rental income which can be volatile, particularly in light of the current economic climate and market demand for office premises in Mainland China. We identified valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and because a small adjustment to or variances in the assumptions and data used to compute the valuation of individual properties, when aggregated, could have a significant impact on the Group's profit before taxation and also because the valuation of investment properties is inherently subjective and requires significant judgement and estimation, particularly in determining market rents and discount rates, which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of investment properties included the following: • assessing the qualifications of the external property valuers, their experience and expertise in the properties being valued and considering their objectivity and independence; • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; • with the assistance of our internal property valuation specialists, discussing with the external property valuers and assessing their valuation methodologies with reference to recognised industry standards; • challenging the key estimates and assumptions adopted in the valuations, including the discount rate, prevailing market rents and comparable market transactions, by comparing these against market available data and government produced market statistics; and • comparing the data inputs underpinning the valuations for investment properties where the valuation was determined using discounted cash flow method, including tenancy information, committed rents, available space (square foot) details and occupancy rates, with lease contracts and related underlying documentation.

KEY AUDIT MATTERS (Continued)

Assessing the net realisable value of properties for sale

Refer to accounting policy 2(k)(ii) and note 15 to the consolidated financial statements

The key audit matter

As at 31 March 2019, the Group had a number of property development projects located in Hong Kong, the United Kingdom ("U.K.") and the United States of America ("U.S.A.") which were stated at the lower of cost and net realisable value with an aggregate carrying amount of HK$469 million, which represented 23% of the Group's total assets at that date.

The determination of the net realisable value of property development projects requires significant management judgement and estimation, in particular in relation to expected future selling prices and the costs necessary to complete each property development project. In addition, the slowdown in economic activity might exert downward pressure on transaction volumes and property prices in Hong Kong, the U.K. and the U.S.A. which could lead to future trends in these markets departing from known trends based on past experience.

We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the significance of these properties to the Group's total assets and because the estimation of the costs to complete each property development project and the expected future selling prices can be inherently subjective and requires significant management judgement and estimation which increase the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties for sale included the following:

- discussing with management to understand their basis of calculation and justification for the estimated recoverable amounts of the related properties ("the NRV assessment");

- evaluating the design and implementation of the Group's internal controls over the NRV assessment. Our evaluation included assessing whether the NRV assessment was prepared and updated by appropriate personnel of the Group and whether the key estimates, including estimated future selling prices and costs of completion for all property development projects, used in the NRV assessment, were discussed and challenged by management as appropriate;

- conducting site visits to all property development sites and discussing with management the progress of each project and comparing the observed progress with the latest development budgets for each property development project provided by management;

- evaluating the management's valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property development project and comparing costs to complete each property development project with publicly available construction cost information for similar properties (taking into account both property type and location) and the sales budget plans maintained by the Group;

- re-performing the calculations of the NRV assessment and comparing the estimated construction costs to complete each development with the Group's updated budgets; and

- performing sensitivity analyses to determine the extent of change in those estimates that would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

KEY AUDIT MATTERS (Continued)

Loss allowance for trade receivables

Refer to accounting policies 2(j) and 2(m) and note 17 to the consolidated financial statements

The key audit matter

As at 31 March 2019, the Group had gross trade receivables of HK$136 million, which represented 7% of the Group's total assets. Loss allowance of HK$32 million was recognised as at 31 March 2019.

The Group's trade receivables mainly arose from distribution of construction and interior decorative materials.

Trade receivables are stated at amortised cost using the effective interest method less allowance for expected credit losses.

Management measured loss allowance at an amount equal to lifetime expected credit loss, which was calculated using a provision matrix based on ageing of the receivables and loss rate, adjusted for factors that are specific to the debtors.

We identified the loss allowance for trade receivables as a key audit matter because trade receivables and loss allowance are material to the Group and because the recognition of expected credit losses is inherently subjective and may require the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the loss allowance for the trade receivables included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over credit evaluation, trade receivables collection processes and estimation of expected credit losses;
- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by management, including historical default data and the assumptions involved in management's estimated loss rate;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- assessing whether items were correctly categorised in the trade receivables ageing report by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation; and
- comparing, on a sample basis, cash receipts from debtors subsequent to the financial year relating to trade receivable balances at 31 March 2018 and 31 March 2019 with bank-in slips.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR’S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Pui Ngar.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 June 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Revenue	4	**881,095**	408,144
Cost of sales and services		**(463,733)**	(299,151)
Gross profit		**417,362**	108,993
Other revenue	5(a)	**18,686**	14,613
Other net (loss)/income	5(b)	**(22,932)**	40,485
Selling and marketing expenses		**(44,866)**	(22,335)
Administrative and other operating expenses		**(73,147)**	(104,572)
Profit from operations		**295,103**	37,184
Increase in fair value of investment properties	11	**5,585**	17,300
		300,688	54,484
Finance costs	6(a)	**(23,563)**	(13,176)
Share of profit less losses of associates		**121,144**	–
Share of profit less losses of joint ventures		**(27,097)**	(91)
Profit before taxation	6	**371,172**	41,217
Income tax	7(a)	**(48,531)**	(6,541)
Profit for the year		**322,641**	34,676
Attributable to:			
Equity shareholders of the Company		**329,957**	31,120
Non-controlling interests		**(7,316)**	3,556
Profit for the year		**322,641**	34,676
Earnings per share	10		
Basic and diluted		**69.1 cents**	6.5 cents

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

The notes on pages 55 to 125 form part of these consolidated financial statements. Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Profit for the year		**322,641**	34,676
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(14,390)**	17,944
– Share of translation reserve of joint ventures		**(4,392)**	3,263
		(18,782)	21,207
Items that will not be reclassified subsequently to profit or loss:			
– Share of remeasurement of defined benefit liability of a joint venture		**(54)**	(744)
– Surplus on revaluation of buildings held for own use upon transfer out to investment properties	*11(a)*	**–**	11,474
– Financial assets measured at fair value through other comprehensive income – movement in fair value reserve (non-recycling)		**(14,651)**	–
		(14,705)	10,730
Other comprehensive income for the year		**(33,487)**	31,937
Total comprehensive income for the year		**289,154**	66,613
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**302,393**	55,007
Non-controlling interests		**(13,239)**	11,606
Total comprehensive income for the year		**289,154**	66,613

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

The notes on pages 55 to 125 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current assets			
Investment properties	11	**512,845**	529,716
Other properties, plant and equipment	12	**41,407**	44,155
Interests in associates	13	**215,861**	218,885
Interests in joint ventures	14	**201,343**	227,860
Other receivables, deposits and prepayments	18	**–**	310
Financial assets measured at fair value through other comprehensive income	19	**1,000**	–
Available-for-sale equity securities	19	**–**	15,651
Deferred tax assets	26(a)	**–**	1,002
		972,456	1,037,579
Current assets			
Properties for sale	15	**469,236**	724,948
Inventories	16	**12,935**	36,682
Trade receivables	17	**104,012**	115,225
Other receivables, deposits and prepayments	18	**29,911**	133,796
Amounts due from associates	13	**–**	3,267
Cash held by stakeholders	20	**–**	188,325
Bank deposits and cash on hand	21	**435,767**	399,434
		1,051,861	1,601,677
Current liabilities			
Trade and other payables	22	**72,540**	126,130
Contract liabilities	23	**5,277**	–
Deposits received from sale of properties	23	**–**	385,051
Bank loans	24	**338,459**	646,740
Loans from non-controlling shareholders	25	**78,218**	77,559
Taxation payable	7(d)	**46,954**	8,033
		541,448	1,243,513
Net current assets		**510,413**	358,164

Consolidated Statement of Financial Position

At 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Total assets less current liabilities		**1,482,869**	1,395,743
Non-current liabilities			
Bank loans	*24*	**–**	183,826
Deferred tax liabilities	*26(a)*	**13,435**	15,111
		13,435	198,937
NET ASSETS		**1,469,434**	1,196,806
CAPITAL AND RESERVES	*27*		
Share capital		**4,774**	4,774
Reserves		**1,434,512**	1,148,359
Total equity attributable to equity shareholders of the Company		**1,439,286**	1,153,133
Non-controlling interests		**30,148**	43,673
TOTAL EQUITY		**1,469,434**	1,196,806

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

Approved and authorised for issue by the board of directors on 12 June 2019.

CHAN William
Director

YIP Chun Kwok
Director

The notes on pages 55 to 125 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company											
		Share capital $'000	Share premium $'000	Statutory reserve $'000	Translation reserve $'000	Actuarial reserve $'000	Other reserve $'000	Revaluation reserve $'000	Fair value reserve (non-recycling) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 April 2017		4,774	469,130	4,433	(11,464)	–	35,440	–	–	610,136	1,112,449	32,067	1,144,516
Changes in equity for the year:													
Profit for the year		–	–	–	–	–	–	–	–	31,120	31,120	3,556	34,676
Other comprehensive income		–	–	–	13,060	(647)	–	11,474	–	–	23,887	8,050	31,937
Total comprehensive income for the year		–	–	–	13,060	(647)	–	11,474	–	31,120	55,007	11,606	66,613
Dividend declared in respect of the prior year	27(c)	–	–	–	–	–	–	–	–	(14,323)	(14,323)	–	(14,323)
At 31 March 2018 (note)		4,774	469,130	4,433	1,596	(647)	35,440	11,474	–	626,933	1,153,133	43,673	1,196,806
Impact on initial application of HKFRS 9		–	–	–	–	–	–	–	–	(1,917)	(1,917)	(286)	(2,203)
At 1 April 2018		**4,774**	**469,130**	**4,433**	**1,596**	**(647)**	**35,440**	**11,474**	**-**	**625,016**	**1,151,216**	**43,387**	**1,194,603**
Changes in equity for the year:													
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**329,957**	**329,957**	**(7,316)**	**322,641**
Other comprehensive income		**-**	**-**	**-**	**(12,866)**	**(47)**	**-**	**-**	**(14,651)**	**-**	**(27,564)**	**(5,923)**	**(33,487)**
Total comprehensive income for the year		**-**	**-**	**-**	**(12,866)**	**(47)**	**-**	**-**	**(14,651)**	**329,957**	**302,393**	**(13,239)**	**289,154**
Dividend declared in respect of the prior year	27(c)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,323)**	**(14,323)**	**-**	**(14,323)**
At 31 March 2019		**4,774**	**469,130**	**4,433**	**(11,270)**	**(694)**	**35,440**	**11,474**	**(14,651)**	**940,650**	**1,439,286**	**30,148**	**1,469,434**

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

The notes on pages 55 to 125 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Cash generated from operations	21(b)	**447,880**	118,706
Interest paid	21(c)	**(25,353)**	(16,643)
Hong Kong Profits Tax (paid)/refunded, net		**(5,840)**	4
PRC Enterprise Income Tax paid		**(2,703)**	(5,157)
Net cash generated from operating activities		**413,984**	96,910
Investing activities			
Additions to investment properties		**(297)**	(223)
Purchases of other properties, plant and equipment		**(387)**	(91)
Investment in available-for sale equity securities		**–**	(15,651)
Dividends received from a joint venture		**1,192**	1,981
Advances to joint ventures		**(12,284)**	(158,023)
Repayment from a joint venture		**6,060**	–
Dividend received from an associate		**103,309**	–
Advances to associates		**(26,634)**	(177,088)
Repayment from an associate		**47,493**	65,000
Interest received		**13,176**	8,489
Decrease/(increase) in pledged bank deposits and restricted deposit		**20,429**	(24,210)
Net cash generated from/(used in) investing activities		**152,057**	(299,816)
Financing activities			
Proceeds from new bank loans	21(c)	**214,498**	745,951
Repayments of bank loans	21(c)	**(706,632)**	(284,345)
Loans from non-controlling shareholders	21(c)	**650**	2,587
Repayment of loan to a non-controlling shareholder	21(c)	**–**	(1,514)
Dividend paid		**(14,323)**	(14,323)
Net cash (used in)/generated from financing activities		**(505,807)**	448,356
Net increase in cash and cash equivalents		**60,234**	245,450
Cash and cash equivalents at the beginning of the year		**374,511**	124,299
Effect of foreign exchange rate changes		**(3,143)**	4,762
Cash and cash equivalents at the end of the year	21(a)	**431,602**	374,511

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

The notes on pages 55 to 125 form part of these consolidated financial statements.

1 GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 August 2009. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 2701 & 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 33.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

(i) These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

(ii) The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$" or "$"), which is also the functional currency of the Company.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

(iii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

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

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

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed below.

HKFRS 9, *Financial instruments*

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

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

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

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

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

(i) Classification of financial assets and financial liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 9, *Financial instruments (Continued)*

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

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

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

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 April 2018, the Group designated its investment in equity securities at FVOCI (non-recycling), as the investment is held for strategic purpose (see note 19).

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policies notes 2(f), 2(j)(i), 2(m) and 2(p).

The measurement categories for all other financial assets and financial liabilities remain the same.

(ii) Credit losses

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

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

For further details on the Group's accounting policy for accounting for credit losses, see note 2(j)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 9, *Financial instruments (Continued)*

(ii) Credit losses (Continued)

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

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

(iii) Transition

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

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

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

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

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

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

HKFRS 15, *Revenue from contracts with customers*

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

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no impact of transition to HKFRS 15 on retained profits at 1 April 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 15, *Revenue from contracts with customers (Continued)*

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

(i) *Timing of revenue recognition*

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

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

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

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

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

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

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

(ii) *Significant financing component*

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 15, *Revenue from contracts with customers (Continued)*

(ii) Significant financing component (Continued)

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

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(v).

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

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 2(t)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with a customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 2(l)).

To reflect these changes in presentation, the Group has made the following adjustment at 1 April 2018, as a result of the adoption of HKFRS 15:

– "Advances received from customers" amounting to $3,662,000 which were previously included in trade and other payables (note 22) are now included under contract liabilities (note 23(a)); and

– "Deposits received from sale of properties" amounting to $385,051,000 (note 23(b)) are now included under contract liabilities (note 23(a)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 15, *Revenue from contract with customers (Continued)*

(iv) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if the superseded standard had continued to apply to 2018/2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) $'000	Hypothetical amounts under HKAS 18 (B) $'000	Difference: Estimated impact of adoption of HKFRS 15 (A)-(B) $'000
Line items in the consolidated statement of financial position at 31 March 2019 impacted by the adoption of HKFRS 15:			
Trade and other payables	(72,540)	(74,044)	1,504
Contract liabilities	(5,277)	–	(5,277)
Deposits received from sale of properties	–	(3,773)	3,773
Total current liabilities	**(541,448)**	**(541,448)**	**–**
Line items in the reconciliation of profit before taxation to cash generated from operations for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:			
Decrease in trade and other payables	(46,616)	(48,554)	1,938
Decrease in contract liabilities	(383,216)	–	(383,216)
Decrease in deposits received from sale of properties	–	(381,278)	381,278

The significant differences arise as a result of the changes in accounting policies described above.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) and 2(o) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

(f) Investments in equity securities

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows.

(i) Policy applicable from 1 April 2018

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(t)(v).

(ii) Policy applicable prior to 1 April 2018

Investments in equity securities, being those held for non-trading purposes, were classified as available-for-sale equity securities. At the end of each reporting period, the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that did not have a quoted price in an active market for an identical instrument and whose fair value could not otherwise be reliably measured were recognised in the statement of financial position at cost less impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as described in note 2(h) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a movement in the revaluation reserve. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

(h) Other properties, plant and equipment

The following items of other properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(i)); and

– other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of other properties, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other properties, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Leasehold improvements	3-10 years
– Furniture, fixtures and equipment	3-7 years

Where parts of an item of other properties, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as other properties, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or is held for development for sale (see note 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including trade receivables, other receivables, deposits and prepayments, amounts due from associates and joint ventures, cash held by stakeholders and bank deposits and cash on hand).

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Basis of calculation of interest income (Continued)

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

– significant financial difficulties of the debtor;

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

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

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

Write-off policy

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

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

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade receivables, other receivables, deposits and prepayments, amounts due from associates and joint ventures, and available-for-sale equity securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 April 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.

– For trade and other receivables carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses were written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery was considered doubtful but not remote. In this case, the impairment losses for doubtful debts were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against trade receivables directly and any amounts held in the allowance account relating to that debt were reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– other properties, plant and equipment;

– investments in subsidiaries in the Company's statement of financial position; and

– investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

(i) Construction and interior decorative materials

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

(ii) Property development

Cost and net realisable values are determined as follows:

– Properties under development for sale
  The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale
  The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

  In the case of completed properties held for sale developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)(vi)).

In the comparative period, contract balances related to sales of properties and distribution of construction and interior decorative materials were not regarded as contract liabilities.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value which are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(j)(i).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's businesses.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see note 2(l)).

When properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(v).

In the comparative period, revenue arising from the sales of properties held for sale was recognised when the risks and rewards of ownership of the properties had passed to the buyers. The Group considered that the risks and rewards of ownership were transferred when the properties were completed and delivered to the buyers. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the consolidated statement of financial position under deposits received from sale of properties.

(ii) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered and title had been passed, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income (Continued)

(iii) Service income

Service income is recognised when relevant services are provided. Service income is recognised net of value added tax.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Rental income is recognised net of value added tax.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognised such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(i) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed semi-annually by independent qualified valuers, after taking into consideration the net rental income, other available market survey reports and comparable sales evidences as available on the market.

The assumptions adopted in the property valuation include market rents and prices of properties with similar characteristic within the vicinity, the appropriate discount rates and expected future market rents, and comparable market transactions.

(ii) Assessment of net realisable value for properties under development for sale and completed properties held for sale

Management's assessment of net realisable value of properties under development for sale and completed properties held for sale requires significant management judgement and estimation, in particular in relation to expected future selling prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales), the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

(iii) Impairment of trade receivables

In measuring ECLs for trade receivables, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions, adjusted for factors that are specific to the debtors. Any changes in the assumptions adopted in measuring ECLs would increase or decrease the provision for impairment losses and affect the net asset value of the Group.

In the comparative period, impairment losses for bad and doubtful debts were assessed and provided for based on the management's regular review of ageing analyses and evaluation of collectability.

An increase or decrease in the above impairment loss would affect the results of the future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019 $'000	2018 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product or service lines		
– Sales of completed properties	785,833	250,550
– Distribution of construction and interior decorative materials	49,886	144,750
– Asset, investment and fund management income	22,318	–
– Property management fee and utility income	6,264	3,476
	864,301	398,776
Revenue from other source		
– Rental income	16,794	9,368
	881,095	408,144

Disaggregation of revenue from contracts with customers by timing of revenue recognition and by geographical markets are disclosed in note 4(b).

For the year ended 31 March 2019, the Group's customer base is diversified and no customers (2018: three customers) whose transactions have exceeded 10% of the Group's revenue.

For the year ended 31 March 2018, revenue from sales of completed properties to a customer in Hong Kong and each of the two customers in the United States of America (the "U.S.A.") amounted to approximately $81,800,000, $92,902,000 and $70,771,000 respectively. Details of concentration of credit risk arising from these customers are set out in note 28(a).

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

At 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $61,440,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties for sale, distribution of construction and interior decorative materials and provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future when (i) the properties are assigned to the customers; (ii) the customers take possession of and accept the products; or (iii) the relevant services are provided to the customers, which are expected to occur within the next 12 to 48 months.

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

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

	2019 $'000	2018 $'000
Within 1 year	**9,236**	10,544
After 1 year but within 5 years	**24,705**	28,307
After 5 years	**17,394**	24,261
	51,335	63,112

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four (2018: three) reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property development
  This segment derives its revenue from repositioning and value enhancement of property with a focus on development projects in prime locations in Hong Kong, the United Kingdom (the "U.K.") and the U.S.A..

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

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

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

During the year ended 31 March 2019, as a result of the expansion of the asset, investment and fund management business, the asset, investment and fund management is identified as a separate reportable segment for resources allocation and performance assessment by the Group's most senior executive management. Accordingly, the prior year segment information for comparative purpose is restated.

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment profit/(loss) represents profit earned by/(loss from) each segment, excluding income and expenses of the corporate function, such as certain other revenue and other net (loss)/income, certain administrative and other operating expenses, increase in fair value of investment properties, finance costs, impairment loss of other receivables, deposits and prepayments, share of profit less losses of associates and share of profit less losses of joint ventures.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

All assets are allocated to operating segments other than certain other properties, plant and equipment, interests in associates, interests in joint ventures, financial assets measured at fair value through other comprehensive income, available-for-sale equity securities, deferred tax assets, certain other receivables, deposits and prepayments, amounts due from associates and certain bank deposits and cash on hand that are not managed directly by segments.

All liabilities are allocated to operating segments other than certain other payables, loans from non-controlling shareholders, certain bank loans and deferred tax liabilities that are not managed directly by segments.

In addition, management is provided with segment results and information concerning inter-segment sales, additions of and transfers to other properties, plant and equipment (including investment properties at fair value), depreciation of other properties, plant and equipment and loss on disposal of other properties, plant and equipment. Inter-segment sales are priced with reference to prices charged to external parties for similar services.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below.

Segment results

For the year ended 31 March 2019

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Elimination $'000	Total $'000
Disaggregated by timing of revenue recognition						
Point in time	785,833	–	–	49,886	–	835,719
Over time	–	23,058	22,318	–	–	45,376
External revenue	785,833	23,058	22,318	49,886	–	881,095
Inter-segment revenue	–	3,549	5,612	–	(9,161)	–
Total	785,833	26,607	27,930	49,886	(9,161)	881,095
Segment profit/(loss) from operations	321,877	7,641	6,913	(1,300)	–	335,131
Corporate expenses						(54,228)
Corporate income						14,200
Increase in fair value of investment properties						5,585
Finance costs						(23,563)
Share of profit less losses of associates						121,144
Share of profit less losses of joint ventures						(27,097)
Profit before taxation						371,172

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

For the year ended 31 March 2018 (Restated)

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Elimination $'000	Total $'000
Disaggregated by timing of revenue recognition						
Point in time	250,550	–	–	144,750	–	395,300
Over time	–	12,844	–	–	–	12,844
External revenue	250,550	12,844	–	144,750	–	408,144
Inter-segment revenue	–	3,651	–	–	(3,651)	–
Total	250,550	16,495	–	144,750	(3,651)	408,144
Segment profit/(loss) from operations	45,026	264	(7,071)	20,981	–	59,200
Corporate expenses						(48,348)
Corporate income						49,792
Increase in fair value of investment properties						17,300
Finance costs						(13,176)
Impairment loss of other receivables, deposits and prepayments						(23,460)
Share of profits less losses of joint ventures						(91)
Profit before taxation						41,217

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment assets and liabilities

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

	2019	2018 (Restated)
	$'000	$'000
Segment assets		
Property development	482,353	954,101
Property investment	518,535	531,987
Asset, investment and fund management	32,633	188
Distribution of construction and interior decorative materials	99,622	153,228
Total segment assets	1,133,143	1,639,504
Other properties, plant and equipment	40,436	43,575
Interests in associates	215,861	218,885
Interests in joint ventures	201,343	227,860
Financial assets measured at fair value through other comprehensive income	1,000	–
Available-for-sale equity securities	–	15,651
Deferred tax assets	–	1,002
Other receivables, deposits and prepayments	932	94,994
Amounts due from associates	–	3,267
Bank deposits and cash on hand	431,602	394,518
Total consolidated assets of the Group	2,024,317	2,639,256
Segment liabilities		
Property development	105,543	640,296
Property investment	107,764	117,926
Asset, investment and fund management	1,195	1,279
Distribution of construction and interior decorative materials	24,054	35,232
Total segment liabilities	238,556	794,733
Other payables	4,674	5,047
Bank loans	220,000	550,000
Loans from non-controlling shareholders	78,218	77,559
Deferred tax liabilities	13,435	15,111
Total consolidated liabilities of the Group	554,883	1,442,450

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Other segment information

For the year ended 31 March 2019

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Segment total $'000	Unallocated $'000	Total $'000
Amounts included in the measure of segment results or segment assets:							
Additions of and transfers to other properties, plant and equipment (including investment properties at fair value)	–	297	11	355	663	21	684
Depreciation of other properties, plant and equipment	–	–	(2)	(177)	(179)	(2,902)	(3,081)
Loss on disposal of other properties, plant and equipment	–	–	–	(16)	(16)	(2)	(18)

For the year ended 31 March 2018

	Property development $'000	Property investment $'000	Asset, investment and fund management $'000	Distribution of construction and interior decorative materials $'000	Segment total $'000	Unallocated $'000	Total $'000
Amounts included in the measure of segment results or segment assets:							
Additions of and transfers to other properties, plant and equipment (including investment properties at fair value)	–	19,523	–	11	19,534	80	19,614
Depreciation of other properties, plant and equipment	–	–	–	(466)	(466)	(3,388)	(3,854)
Loss on disposal of other properties, plant and equipment	–	–	–	(818)	(818)	–	(818)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographical information

Management has categorised revenue by location at which the services were provided or the goods were delivered as follows:

	2019 $'000	2018 $'000
Hong Kong	**816,118**	90,633
The PRC	**59,823**	150,842
The U.S.A.	**–**	163,673
Others	**5,154**	2,996
	881,095	408,144

The analysis above includes rental income from external customers in Hong Kong, the PRC and others of $3,182,000 (2018: $1,284,000), $8,458,000 (2018: $5,088,000) and $5,154,000 (2018: $2,996,000) respectively.

The Group's information about its non-current assets (excluding financial assets measured at fair value through other comprehensive income or available-for-sale equity securities and amounts due from associates and joint ventures) by location of the assets or by location of the related operations are detailed below:

	2019 $'000	2018 $'000
Hong Kong	**236,716**	223,867
The PRC	**337,404**	359,992
The U.S.A.	**–**	–
Others	**15,140**	14,768
	589,260	598,627

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2019 $'000	2018 $'000
(a) Other revenue		
Interest income on loans to joint ventures	**12,616**	8,376
Income from forfeiture of property sales deposits	**2,914**	1,098
Interest income on bank deposits	**560**	113
Others	**2,596**	5,026
	18,686	14,613
(b) Other net (loss)/income		
Net foreign exchange (loss)/gain	**(22,971)**	41,291
Loss on disposal of other properties, plant and equipment	**(18)**	(818)
Others	**57**	12
	(22,932)	40,485

6 PROFIT BEFORE TAXATION

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

	2019 $'000	2018 (Note (iv)) $'000
(a) Finance costs		
Interest on bank loans (note 21(c))	**25,097**	16,444
Interest on loan from a non-controlling shareholder (note 21(c))	**256**	199
Less: interest expenses capitalised into properties under development for sales (note (i) and note 21(c))	**(1,790)**	(3,467)
	23,563	13,176
(b) Staff costs		
Salaries, wages and other benefits	**47,069**	44,262
Contributions to defined contribution retirement plans (note 29)	**654**	989
Staff costs (including directors' remuneration)	**47,723**	45,251
(c) Other items		
Depreciation of other properties, plant and equipment (note 12)	**3,081**	3,854
Cost of inventories	**32,188**	102,889
Cost of properties for recognised sales	**418,026**	192,262
Direct cost for management services provided (note (ii))	**6,986**	–
Operating lease payments in respect of leased properties	**2,778**	3,173
Rental, property management fee and utility income receivable from investment properties less direct outgoings of $6,533,000 (2018: $4,000,000)	**(16,525)**	(8,844)
Impairment loss of:		
– Trade receivables (note 28(a))	**10,560**	3,445
– Other receivables, deposits and prepayments (note (iii))	**–**	23,460
Reversal of impairment loss (note 28(a))	**(654)**	(161)
Auditors' remuneration		
– audit services	**1,701**	1,568
– other services	**457**	1,153

Notes:

(i) Interest was capitalised at an average annual rate of approximately 3.0% (2018: 3.0%).

(ii) Direct cost for management services provided includes $6,289,000 (2018: $Nil) relating to staff costs which is also included in the respective total amount disclosed separately above.

(iii) The Group has advanced United States Dollars ("US$")3,000,000 (equivalent to approximately $23,460,000) in May 2017 into a potential property project with other ventures, independent third parties of the Group, in the U.S.A. as part of the pre-development cost. Due to the increase in the local property taxes as well as the construction costs plus the interest rate, the expected return of such project could not meet the Group's initial expectation and the Group decided to withdraw from the project under careful consideration accordingly. Besides, the Group considered that the possibility of recovery of such amount was remote and therefore a full impairment loss was made during the year ended 31 March 2018.

(iv) The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 2(c).

7 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2019 $'000	2018 $'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	45,703	4,227
– Under-provision in respect of prior year	8	19
	45,711	4,246
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	1,951	3,440
– Over-provision in respect of prior year	(149)	(1,352)
	1,802	2,088
Overseas tax		
– Provision for the year	–	1,209
	47,513	7,543
Deferred tax		
Origination and reversal of temporary differences (note 26(a))	1,018	(1,002)
	48,531	6,541

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year ended 31 March 2019.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT tax rate is 25% (2018: 25%) for the year ended 31 March 2019.

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

7 INCOME TAX (Continued)

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2019 $'000	2018 $'000
Profit before taxation	**371,172**	41,217
Notional tax on profit before taxation, calculated at rates applicable to profit in the countries concerned	**61,641**	9,049
Tax effect of share of profit less losses of joint ventures	**4,466**	15
Tax effect of share of profit less losses of associates	**(19,989)**	–
Tax effect of non-deductible expenses	**3,513**	3,985
Tax effect of non-taxable income	**(3,008)**	(12,625)
Tax effect of unused tax losses not recognised	**3,177**	7,439
Utilisation of tax losses previously not recognised	**(192)**	(1,659)
Others	**(936)**	1,670
Over-provision in respect of prior year	**(141)**	(1,333)
Actual tax expense	**48,531**	6,541

(c) Share of associates' income tax expenses and joint ventures' income tax credit for the year ended 31 March 2019 of $32,761,000 (2018: $Nil) and of $2,004,000 (2018: income tax expense of $3,259,000) respectively is included in the share of profit less losses of associates and share of profit less losses of joint ventures respectively.

(d) Taxation in the consolidated statement of financial position represents:

	2019 $'000	2018 $'000
Provision for Hong Kong Profits Tax for the year	**45,703**	4,227
Balance of Hong Kong Profits Tax payable relating to prior year	**28**	1,633
	45,731	5,860
PRC EIT payable	**8**	964
Overseas tax payable	**1,215**	1,209
Taxation payable	**46,954**	8,033

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus (Note (b))	Retirement benefit scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000
For the year ended 31 March 2019					
Executive directors:					
Mr. Chan William (note (a))	**–**	**12,000**	**8,000**	**18**	**20,018**
Mr. Yip Chun Kwok	**–**	**3,360**	**1,500**	**18**	**4,878**
Non-executive director:					
Mr. Ng Tak Kwan	**960**	**–**	**4,000**	**–**	**4,960**
Independent non-executive directors:					
Mr. To King Yan, Adam	**264**	**–**	**–**	**–**	**264**
Mr. Wong Hoi Ki	**264**	**–**	**–**	**–**	**264**
Mr. Ho Kwok Wah, George	**264**	**–**	**–**	**–**	**264**
	1,752	**15,360**	**13,500**	**36**	**30,648**
For the year ended 31 March 2018					
Executive directors:					
Mr. Chan William (note (a))	–	12,000	8,000	18	20,018
Mr. Yip Chun Kwok	–	3,090	1,000	18	4,108
Non-executive director:					
Mr. Ng Tak Kwan	960	–	4,000	–	4,960
Independent non-executive directors:					
Mr. To King Yan, Adam	264	–	–	–	264
Mr. Wong Hoi Ki	264	–	–	–	264
Mr. Ho Kwok Wah, George	264	–	–	–	264
	1,752	15,090	13,000	36	29,878

Notes:

(a) Mr. Chan William is the executive director and chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chief executive officer.

(b) The discretionary bonus is determined by reference to the Group's operating results and the individual performance of the directors and approved by the remuneration committee.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2018: two) individuals were as follows:

	2019 $'000	2018 $'000
Salaries and other benefits	4,093	3,316
Retirement benefit scheme contributions	36	36
	4,129	3,352

The emoluments of the two (2018: two) individuals with the highest emoluments are within the following bands:

	No. of individuals 2019	2018
$Nil to $1,000,000	–	–
$1,000,001 to $1,500,000	1	1
$1,500,001 to $2,000,000	–	–
$2,000,001 to $2,500,000	–	1
$2,500,001 to $3,000,000	1	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $329,957,000 (2018: $31,120,000) and 477,447,000 (2018: 477,447,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive ordinary shares in existence during the years ended 31 March 2019 and 31 March 2018.

11 INVESTMENT PROPERTIES

(a) The Group

	2019 $'000	2018 $'000
At valuation:		
At the beginning of the year	529,716	458,773
Additions	297	223
Transfers (note)	–	19,300
Revaluation surplus	5,585	17,300
Exchange adjustments	(22,753)	34,120
At the end of the year	512,845	529,716

Note: During the year ended 31 March 2018, a certain portion of buildings held for own use in Hong Kong at carrying value of $7,826,000 was transferred from "other properties, plant and equipment" to "investment properties" as a result of change in use. The properties were measured at fair value at the time of transfer amounting to $19,300,000 and revaluation surplus of $11,474,000 have been dealt with in the consolidated statement of comprehensive income.

11 INVESTMENT PROPERTIES (Continued)

(a) The Group (Continued)

The analysis of valuation of properties is as follows:

	2019 $'000	2018 $'000
Medium-term leases		
Hong Kong	**175,820**	170,300
The PRC	**337,025**	359,416
	512,845	529,716

At 31 March 2019, investment properties amounting to $173,720,000 (2018: $168,300,000) were pledged as securities for bank loans (note 24(d)).

(b) Fair value hierarchy

(i) The Group's investment properties measured at fair value at the end of the reporting period on a recurring basis are categorised into three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 March 2019 and 31 March 2018, the Group's investment properties fall into Level 3 of the fair value hierarchy as described above.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the years ended 31 March 2019 and 31 March 2018, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

The investment properties in Hong Kong and the PRC were revalued at 31 March 2019 and 2018 by Asset Appraisal Limited and Beijing Colliers International Real Estate Valuation Co., Ltd. respectively, independent firms of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued.

11 INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

(i) (Continued)

Valuation processes

The board of directors reviews the valuations performed by the independent valuers for financial reporting purposes by verifying all major inputs and assessing the reasonableness of the property valuations. Valuation reports with an analysis of changes in fair value measurement are prepared at each interim and annual reporting date, and are reviewed and approved by the board of directors.

Valuation methodologies

The fair value of investment properties in Hong Kong is determined using direct comparison approach by reference to recent sales prices of comparable properties adjusted for a premium or discount specific to the quality of the Group's investment properties. The fair value measurement is positively correlated to the premium on quality of buildings.

The valuation of investment properties in the PRC is determined by discounting a projected cash flow series associated with the properties using discount rate, takes into account expected market rental growth of the properties and stabilised occupancy rate. The discount rate used has been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and negatively correlated to the discount rate.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Investment properties			
– Hong Kong	Direct comparison approach	Premium on quality of the building	0%-10% (2018: 0%-10%)
– The PRC	Discounted cash flow method	Expected market rental growth	0%-3% (2018: 2%-3%)
		Discount rate	9% (2018: 9%)
		Stabilised occupancy rate	90% (2018: 90%)

11 INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties in Hong Kong $'000	Investment properties in the PRC $'000
At 1 April 2017	133,700	325,073
Additions	–	223
Transfer	19,300	–
Revaluation surplus	17,300	–
Exchange adjustments	–	34,120
At 31 March 2018 and 1 April 2018	170,300	359,416
Additions	–	297
Revaluation surplus	5,520	65
Exchange adjustments	–	(22,753)
At 31 March 2019	175,820	337,025

The revaluation surplus arising on revaluation of investment properties is recognised as "increase in fair value of investment properties" in the consolidated income statement.

(c) In July 2017, the Group entered into a property sale and purchase agreement and a framework agreement with an independent third party (the "Purchaser") with regard to (i) the disposal of block 4 of the Kailong Nanhui Business Park ("Business Park") in the PRC and (ii) the entering into of the agreement in relation to the disposal of the entire equity interests in a subsidiary, Bestlinkage NHI Co., Ltd ("Bestlinkage") (effectively disposing of the Business Park entirely). Details of such proposed disposal was disclosed in the circular of the Company dated 22 September 2017. Nevertheless, as at 31 March 2019 and 2018, the Group and the Purchaser re-assessed and further negotiated on an alternative deal structure in order for the sale to go through due to the difficulties encountered in obtaining approval from the authorities for the disposal of the Business Park in stages.

Management considered that it was not probable to execute the original property sale and purchase agreement and the original framework agreement. Therefore, the respective investment properties were not classified as held for sale as at 31 March 2019 and 2018.

12 OTHER PROPERTIES, PLANT AND EQUIPMENT

	Buildings held for own use $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Total $'000
At cost:				
At 1 April 2017	55,701	10,705	3,507	69,913
Exchange adjustments	–	251	81	332
Additions	–	–	91	91
Surplus on revaluation upon transfer out to investment properties	11,474	–	–	11,474
Transfer out to investment properties	(19,690)	–	–	(19,690)
Disposals	–	(1,713)	(196)	(1,909)
At 31 March 2018 and 1 April 2018	47,485	9,243	3,483	60,211
Exchange adjustments	–	(139)	(52)	(191)
Additions	–	–	387	387
Disposals	–	(34)	(169)	(203)
At 31 March 2019	47,485	9,070	3,649	60,204
Accumulated amortisation and depreciation:				
At 1 April 2017	4,627	6,180	2,625	13,432
Exchange adjustments	–	184	67	251
Charge for the year	1,470	1,788	596	3,854
Transfer out to investment properties	(390)	–	–	(390)
Written back on disposals	–	(1,010)	(81)	(1,091)
At 31 March 2018 and 1 April 2018	5,707	7,142	3,207	16,056
Exchange adjustments	–	(111)	(44)	(155)
Charge for the year	1,428	1,515	138	3,081
Written back on disposals	–	(34)	(151)	(185)
At 31 March 2019	7,135	8,512	3,150	18,797
Net book value:				
At 31 March 2019	40,350	558	499	41,407
At 31 March 2018	41,778	2,101	276	44,155

Buildings held for own use are situated in Hong Kong under medium-term leases.

At 31 March 2019 and 31 March 2018, all buildings held for own use are pledged as securities for bank loans (note 24(d)).

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2019 $'000	2018 $'000
Share of net assets	**19,868**	–
Amounts due from associates (non-current portion) (note (d))	**198,026**	218,885
Share of net liabilities	**(2,033)**	–
	195,993	218,885
	215,861	218,885
Amounts due from associates (current portion) (note (e))	**–**	3,267
Dividend received from an associate	**103,309**	–

At 31 March 2019, the Group had interests in the following material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of entity	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital/ registered capital	Proportion of issued capital held by the Group 2019	Proportion of issued capital held by the Group 2018	Proportion of voting power held at the board of directors 2019	Proportion of voting power held at the board of directors 2018	Principal activity
Epic Quest Global Limited	Incorporated	British Virgin Islands ("BVI")	US$100	**26%**	26%	**33%**	33%	Investment holding
Smart Wealth Asia Pacific Limited	Incorporated	Hong Kong	$1	**26%**	26%	**33%**	33%	Property development
Fastest Runner Limited (note (a))	Incorporated	BVI	US$100	**20.8%**	20.8%	**33%**	33%	Investment holding
Dynamic Power Global Limited (note (a))	Incorporated	BVI	US$1	**20.8%**	20.8%	**33%**	33%	Investment holding
Capital Universal Investment Limited (note (a))	Incorporated	Hong Kong	$10,000,000	**20.8%**	20.8%	**33%**	33%	Property development
Rykadan Real Estate Fund LP (notes (a) and (f))	Limited partnership	Cayman Islands	–	**1%**	1%	**33%**	33%	Investment holding
Rykadan Real Estate Prospect Fund LP (notes (b) and (g))	Limited partnership	Cayman Islands	–	**1%**	N/A	**33%**	N/A	Investment holding
Waltz Delight Limited (note (b))	Incorporated	BVI	US$1,000	**12.5%**	100%	**33%**	100%	Investment holding

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (Continued)

Notes:

(a) Dynamic Power Global Limited and Capital Universal Investment Limited are the wholly-owned subsidiaries of Fastest Runner Limited. The 20% equity interests in Fastest Runner Limited held by the Group are accounted for as interests in associates in the consolidated financial statements using equity method. The remaining 80% equity interests in Fastest Runner Limited were held by Rykadan Real Estate Fund LP ("RREFLP"). Moreover, given that the Group is able to exercise significant influence over RREFLP as the Group has one representative on the Investment Committee which comprised of three members, pursuant to the limited partnership agreement that was entered between the Group acting as general partner and other limited partners, the 1% equity interest in RREFLP is accounted for as interest in an associate in the consolidated financial statements using equity method.

(b) Change of ownership interests in Waltz Delight Limited ("Waltz Delight")

As part of the arrangement between the Group and Rykadan Real Estate Prospect Fund LP ("RREPFLP"), in which the Group had 1% indirect equity interest, for the sole purpose of the development of the property located in Wan Chai, Hong Kong, on 26 April 2018, a wholly-owned subsidiary of the Group transferred 88.4% equity interests in Waltz Delight, an indirectly wholly-owned subsidiary of the Group as at 31 March 2018, to RREPFLP at a consideration of US$884 (equivalent to approximately $6,950). After the transfer of equity interest in Waltz Delight mentioned above, Waltz Delight became an associate of the Group and Waltz Delight had not carried on any business prior to the transfer. The 11.6% equity interests in Waltz Delight is accounted for as interest in an associate in the consolidated financial statements using equity method as the Group had power to appoint one out of three directors of Waltz Delight pursuant to the shareholders' agreement. Moreover, given that the Group is able to exercise significant influence over RREPFLP as the Group has one representative on the Investment Committee which comprised of three members, pursuant to the limited partnership agreement that was entered between the Group acting as general partner and other limited partners, the 1% equity interest in RREPFLP is accounted for as interest in an associate in the consolidated financial statements using equity method.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (Continued)

Notes: (Continued)

(c) Summarised financial information of associates

Set out below is the summarised financial information of the material associates, Epic Quest Global Limited and its subsidiary ("Epic Quest Group") and Fastest Runner Limited and its subsidiaries ("Fastest Runner Group") as at 31 March 2019, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amounts in the consolidated financial statements.

	Epic Quest Group	
	2019	2018
	$'000	$'000
Gross amounts of the associate		
Current assets	**255,640**	1,425,089
Non-current assets	**–**	2,637
Current liabilities	**(179,224)**	(755,377)
Non-current liabilities	**–**	(689,732)
Net assets/(liabilities)	**76,416**	(17,383)
Revenue	**1,958,107**	–
Profit/(loss) for the year	**491,141**	(3,042)
Total comprehensive income for the year	**491,141**	(3,042)
Reconciled to the Group's interest in the associate		
Gross amounts of consolidated net assets/(liabilities) of the associate	**76,416**	(17,383)
Group's effective interest	**26%**	26%
Group's share of consolidated net assets of the associate	**19,868**	–
Carrying amount in the consolidated financial statements	**19,868**	–
Group's share of associate's profit for the year less share of accumulated losses	**123,177**	–
Dividend received from the associate	**103,309**	–

At 31 March 2018, the Group's unrecognised share of losses of the associate, Epic Quest Group, for the year and for the year cumulatively, amounted to $791,000 and $4,520,000 respectively.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (Continued)

Notes: (Continued)

(c) Summarised financial information of associates (Continued)

	Fastest Runner Group	
	2019	2018
	$'000	$'000
Gross amounts of the associate		
Current assets	**1,645,958**	1,566,117
Non-current assets	**–**	–
Current liabilities	**(874,081)**	(827,805)
Non-current liabilities	**(779,254)**	(742,620)
Net liabilities	**(7,377)**	(4,308)
Revenue	**–**	20
Loss for the year/period	**(3,069)**	(4,308)
Total comprehensive income for the year/period	**(3,069)**	(4,308)
Reconciled to the Group's interest in the associate		
Gross amounts of consolidated net liabilities of the associate	**(7,377)**	(4,308)
Group's interest held through a wholly-owned subsidiary of the Company	**20%**	20%
Group's share of consolidated net liabilities of the associate	**(1,475)**	–
Carrying amount in the consolidated financial statements	**(1,475)**	–
Group's share of associate's loss for the year and share of accumulated losses	**(1,475)**	–
Dividend received from the associate	**–**	–

At 31 March 2018, the Group's unrecognised share of loss of the associate, Fastest Runner Group, for the year and for the year cumulatively, amounted to $861,000.

Aggregate information of the associates that are not individually material:

	2019	2018
	$'000	$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**(558)**	–
Aggregate amount of the Group's share of these associates' losses and total comprehensive income	**(558)**	–

(d) Amounts due from associates (non-current portion)

At 31 March 2019 and 31 March 2018, the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

(e) Amounts due from associates (current portion)

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

(f) As at 31 March 2019, RREFLP's aggregate capital contribution was $703,909,000 (2018: $672,273,000).

(g) At 31 March 2019, RREPFLP's aggregate capital contribution was $136,687,000.

14 INTERESTS IN JOINT VENTURES

	2019 $'000	2018 $'000
Share of net assets	15,140	23,444
Amounts due from joint ventures (note (f))	210,634	204,416
Share of net liabilities	(24,431)	–
	186,203	204,416
	201,343	227,860
Dividend received from a joint venture	1,192	1,981

At 31 March 2019, the Group had interests in the following joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of entity	Form of business structure	Place of Incorporation and business	Particulars of issued and paid up capital/ registered capital	Proportion of issued capital held by the Group 2019	2018	Principal activity
RS Hospitality Private Limited	Incorporated	Bhutan	BTN239,400,000	50%	50%	Operation of boutique resorts
Quarella Holdings Limited	Incorporated	BVI	US$2	43.5%	43.5%	Investment holding
Quarella Group Limited (note (a))	Incorporated	Hong Kong	$1	43.5%	43.5%	Distribution of construction and interior decorative materials
Q.R.B.G. S.r.L. (notes (a) and (d))	Incorporated	Italy	Euro ("EUR")5,000,000	43.5%	43.5%	Manufacturing and distribution of engineered stone composite surfaces products
廈門可維萊石材有限公司 (notes (a) and (b))	Incorporated	The PRC	Renminbi ("RMB")100,000,000	43.5%	43.5%	Distribution of construction and interior decorative materials
Star Wonder Investments Limited (note (a))	Incorporated	Hong Kong	$1	43.5%	43.5%	Investment holding
RB Le Roy, LLC (note (c))	Incorporated	The U.S.A.	–	50%	50%	Property development

14 INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) These companies are wholly-owned subsidiaries of Quarella Holdings Limited.

(b) This entity is wholly-owned foreign enterprise established in the PRC.

(c) According to the operating agreement, the members transfer funds from time to time as a capital contribution. No capital contribution will be required from the members otherwise required by law.

(d) Q.R.B.G. S.r.L. ("QRBG") and Quarella S.p.A. ("Quarella Italy"), an independent third party of the Group, have entered into a business sale and purchase contract on 19 July 2017 that QRBG has acquired, and Quarella Italy has, among other things, sold, the relevant parts of the business and assets of Quarella Italy which related to the business of production of quartz and marble-based engineered stone composite surfaces products. The major assets acquired by QRBG under the business sale and purchase contract consisted of land and buildings, plant and machineries, inventories and trademarks.

(e) Summarised financial information of joint venture

Set out below is the summarised financial information of a material joint venture, Quarella Holdings Limited and its subsidiaries ("Quarella Group") as at 31 March 2019, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amount in the consolidated financial statements.

	Quarella Group	
	2019	2018
	$'000	$'000
Gross amounts of the joint venture		
Current assets	**341,801**	284,086
Non-current assets	**225,040**	243,392
Current liabilities	**(599,853)**	(508,104)
Non-current liabilities	**(13,807)**	(394)
Net (liabilities)/assets	**(46,819)**	18,980
Included in the above assets and liabilities:		
Cash and cash equivalents	**60,792**	41,941
Current financial liabilities (excluding trade and other payables)	**(460,585)**	(396,017)
Non-current financial liabilities (excluding trade and other payables)	**(13,807)**	–
Revenue	**411,691**	359,806
Loss for the year	**(57,134)**	(1,886)
Other comprehensive income	**(8,665)**	5,038
Total comprehensive income for the year	**(65,799)**	3,152
Included in the above loss:		
Depreciation and amortisation	**(14,086)**	(9,439)
Interest income	**165**	5
Interest expense	**(25,698)**	(16,025)
Income tax credit/(expense)	**4,008**	(6,517)

14 INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(e) Summarised financial information of joint venture (Continued)

	Quarella Group 2019 $'000	2018 $'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of consolidated net (liabilities)/assets of the joint venture	**(46,819)**	18,980
Group's effective interest	**43.5%**	43.5%
Group's share of consolidated net (liabilities)/assets of the joint venture (effective interest)	**(20,366)**	8,256
Non-controlling interests' share of consolidated net (liabilities)/assets of the joint venture	**(3,043)**	1,234
Unrealised profits resulting from transactions between the Group and the joint venture	**(699)**	(815)
Carrying amount in the consolidated financial statements	**(24,108)**	8,675
Group's share of joint venture's loss	**(28,451)**	(1,758)

(f) At 31 March 2019, the amounts due from joint ventures of $190,000,000 (2018: $190,000,000) and $Nil (2018: $6,389,000) are interest bearing of 4.5% per annum over the 3-month Hong Kong Interbank Offer Rate ("HIBOR") (2018: 4.5% per annum over the 3-month HIBOR) and Nil (2018: 5.5% per annum) respectively, unsecured and have no fixed terms of repayment while the remaining balance of $20,634,000 (2018: $8,027,000) is interest-free, unsecured and has no fixed terms of repayment. All amounts are not expected to be recoverable within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

(g) Aggregate information of joint ventures that are not individually material:

	2019 $'000	2018 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**14,817**	14,769
Aggregate amounts of the Group's share of these joint ventures		
Profit for the year	**1,354**	1,667
Other comprehensive income for the year	**114**	–
Total comprehensive income for the year	**1,468**	1,667

15 PROPERTIES FOR SALE

	2019 $'000	2018 $'000
Completed properties held for sale	**183,099**	112,478
Properties under development for sale	**286,137**	612,470
	469,236	724,948

(a) The analysis of carrying value of properties for sale is as follows:

	2019 $'000	2018 $'000
In Hong Kong		
Between 10 to 50 years (medium-term leases)	**85,653**	368,131
Outside Hong Kong		
Between 10 to 50 years (medium-term leases)	**97,446**	105,062
Freehold	**286,137**	251,755
	469,236	724,948

(b) At 31 March 2019, properties under development for sale of $195,698,000 (2018: $213,917,000) are expected to be completed after more than one year.

(c) At 31 March 2019, properties for sale amounting to $69,222,000 (2018: $405,969,000) were pledged as securities for bank loans (note 24(d)).

16 INVENTORIES

	2019 $'000	2018 $'000
Construction and interior decorative materials:		
Finished goods held for sale	**12,113**	28,381
Inventories-in-transit	**822**	8,301
	12,935	36,682

17 TRADE RECEIVABLES

	31 March 2019 $'000	1 April 2018 $'000	31 March 2018 $'000
Trade receivables, net of loss allowance (note)	**104,012**	113,022	115,225

Note: Upon the adoption of HKFRS 9, an opening adjustment as at 1 April 2018 was made to recognise additional ECLs on trade receivables (see note 2(c)).

At 31 March 2019, the ageing analysis of trade receivables based on invoice date, net of loss allowance, is as follows:

	2019 $'000	2018 $'000
1-30 days	**11,151**	14,370
31-60 days	**9,954**	41,555
61-90 days	**3,437**	2,668
Over 90 days	**79,470**	56,632
	104,012	115,225

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (2018: 90 days) after the issuance of invoices, except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, rental income which are receivable in the month the tenants use the premises and property management fee and utility income and asset, investment and fund management income which is receivable in the month the Group provides the services.

Before accepting any new customers of the distribution of construction and interior decorative materials business, the Group assesses the potential customers' credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly. Further details on the Group's credit policy are set out in note 28(a).

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 $'000	2018 $'000
Deposits and prepayments (note)	**24,310**	127,239
Other receivables	**5,601**	6,867
	29,911	134,106
Represented by:		
Non-current portion	**–**	310
Current portion	**29,911**	133,796
Total	**29,911**	134,106

Note: At 31 March 2019, the balance included deposit paid for acquisition of properties for sale of $16,900,000 (2018: $91,022,000).

19 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE EQUITY SECURITIES

	31 March 2019 $'000	1 April 2018 $'000	31 March 2018 $'000
Equity securities designated at FVOCI (non-recycling) (notes (i) and (ii))			
– Unlisted equity securities	**1,000**	15,651	–
Available-for-sale financial assets (note (ii))			
– Unlisted equity securities	**–**	–	15,651

Notes:

(i) The unlisted equity securities are shares in a company incorporated in Hong Kong and engaged in investment holding and rendering of co-working space services. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year ended 31 March 2019 (2018: $Nil).

(ii) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018 (see note 2(c)).

20 CASH HELD BY STAKEHOLDERS

As at 31 March 2018, cash held by stakeholders represent sales proceeds received from the pre-sale of the properties and withdrawals from which are designated for payments for expenditure in accordance with relevant terms and conditions set out in the stakeholders agreement.

21 BANK DEPOSITS AND CASH ON HAND

(a) Deposits and cash comprise:

	2019 $'000	2018 $'000
Deposits with banks	**4,165**	24,923
Cash at bank and on hand	**431,602**	374,511
	435,767	399,434
Less: Pledged bank deposits (note (ii))	**–**	(20,429)
Restricted deposit (note (iii))	**(4,165)**	(4,494)
Cash and cash equivalents in the consolidated cash flow statement	**431,602**	374,511

Notes:

(i) At 31 March 2019, bank deposits and cash on hand include $26,357,000 (2018: $34,173,000) which are denominated in RMB and HK$, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) At 31 March 2018, bank deposit amounting to $20,429,000 was pledged as securities for bank loans (note 24(d)).

(iii) At 31 March 2019, the Group was required to place deposit at designated bank account amounting to $4,165,000 (2018: $4,494,000) for securing the deposit received from tenant.

21 BANK DEPOSITS AND CASH ON HAND (Continued)

(b) Reconciliation of profit for the year to cash generated from operations:

	Note	2019 $'000	2018 (Note) $'000
Operating activities			
Profit before taxation		**371,172**	41,217
Adjustments for:			
Increase in fair value of investment properties		**(5,585)**	(17,300)
Depreciation of other properties, plant and equipment	*6(c)*	**3,081**	3,854
Loss on disposal of other properties, plant and equipment	*5(b)*	**18**	818
Interest income on bank deposits	*5(a)*	**(560)**	(113)
Interest income on loans to joint ventures	*5(a)*	**(12,616)**	(8,376)
Interest expenses	*6(a)*	**23,563**	13,176
Share of profit less losses of joint ventures		**27,097**	91
Share of profit less losses of associates		**(121,144)**	–
Impairment loss on trade receivables	*6(c)*	**10,560**	3,445
Impairment loss on other receivables, deposits and prepayments	*6(c)*	**–**	23,460
Reversal of impairment loss	*6(c)*	**(654)**	(161)
Exchange loss/(gain)		**23,445**	(43,551)
Operating profit before changes in working capital		**318,377**	16,560
Changes in working capital:			
Decrease/(increase) in properties for sale		**249,908**	(88,253)
Decrease in inventories		**21,766**	33,024
(Increase)/decrease in trade receivables		**(8,126)**	29,297
Decrease/(increase) in other receivables, deposits and prepayments		**104,195**	(139,131)
Decrease/(increase) in amounts due from associates		**3,267**	(3,267)
Decrease/(increase) in cash held by stakeholders		**188,325**	(171,302)
(Decrease)/increase in trade and other payables		**(46,616)**	65,415
Increase in deposits received from sale of properties		**–**	376,363
Decrease in contract liabilities		**(383,216)**	–
Cash generated from operations		**447,880**	118,706

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

21 BANK DEPOSITS AND CASH ON HAND (Continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans $'000 (note 24)	Loans from non-controlling shareholders $'000 (note 25)	Total $'000
At 1 April 2018	830,566	77,559	908,125
Changes from financing cash flows:			
Proceeds from new bank loans	214,498	–	214,498
Repayments of bank loans	(706,632)	–	(706,632)
Loans from non-controlling shareholders	–	650	650
Total changes from financing cash flows	(492,134)	650	(491,484)
Exchange adjustments	27	9	36
Other changes:			
Interest expenses (note 6(a))	23,307	256	23,563
Capitalised borrowing costs (note 6(a))	1,790	–	1,790
Interest paid	(25,097)	(256)	(25,353)
Total other changes	–	–	–
At 31 March 2019	338,459	78,218	416,677

21 BANK DEPOSITS AND CASH ON HAND (Continued)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank loans $'000 (note 24)	Loans from non-controlling shareholders $'000 (note 25)	Total $'000
At 1 April 2017	367,188	76,248	443,436
Changes from financing cash flows:			
Proceeds from new bank loans	745,951	–	745,951
Repayments of bank loans	(284,345)	–	(284,345)
Loans from non-controlling shareholders	–	2,587	2,587
Repayment of loan to a non-controlling shareholder	–	(1,514)	(1,514)
Total changes from financing cash flows	461,606	1,073	462,679
Exchange adjustments	1,772	238	2,010
Other changes:			
Interest expenses (note 6(a))	12,977	199	13,176
Capitalised borrowing costs (note 6(a))	3,467	–	3,467
Interest paid	(16,444)	(199)	(16,643)
Total other changes	–	–	–
At 31 March 2018	830,566	77,559	908,125

22 TRADE AND OTHER PAYABLES

	31 March 2019 $'000	1 April 2018 $'000	31 March 2018 $'000
Trade payables	6,566	37,734	37,734
Retentions payable	5,130	8,837	8,837
Advances received from customers (note (i))	–	–	3,662
Deposits received from tenants (note (ii))	6,989	8,023	8,023
Deposits received from sale of investment properties	27,121	28,954	28,954
Other payables and accruals	26,734	38,920	38,920
	72,540	122,468	126,130

Notes:

(i) As a result of the adoption of HKFRS 15, advances received from customers are included in contract liabilities and disclosed in note 23(a) (see note 2(c)).

(ii) Except for certain deposits received from tenants of $6,524,000 (2018: $7,701,000) at 31 March 2019 which are expected to be settled after more than one year, the remaining trade and other payables are expected to be settled within one year.

At 31 March 2019, the ageing analysis of trade payables, based on invoice date, is as follows:

	2019 $'000	2018 $'000
1-30 days	2,783	37,652
31-60 days	–	1
61-90 days	–	76
Over 90 days	3,783	5
	6,566	37,734

23 CONTRACT LIABILITIES AND DEPOSITS RECEIVED FROM SALE OF PROPERTIES

(a) Contract liabilities

	Notes	**31 March 2019 $'000**	1 April 2018 $'000 (note (i))	31 March 2018 $'000 (note (i))
Contract liabilities				
Distribution of construction and interior decorative materials				
– Advances received from customers	*(ii)*	**1,504**	3,662	–
Sales of completed properties				
– Deposits received from sale of properties	*(iii)*	**3,773**	385,051	–
		5,277	388,713	–

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "trade and other payables" (note 22) to contract liabilities (see note 2(c)).

(iii) Upon the adoption of HKFRS 15, these amounts were reclassified from "deposits received from sale of properties" to contract liabilities (see note 2(c)).

(iv) The amounts of advances received from customers and deposits received from sale of properties are expected to be recognised as income within one year.

(v) The amounts of revenue and other revenue recognised during the year ended 31 March 2019 that were included in contract liabilities at 1 April 2018 are $382,884,000 and $1,739,000 respectively.

(vi) Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Distribution of construction and interior decorative materials

The Group receives deposits and sale proceeds from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the goods are delivered and controlled by the customers.

– Sales of completed properties

The Group receives contract value as a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to/accepted by the customer. The rest of the consideration is typically paid when legal assignment is completed.

The decrease in contract liabilities was mainly because the properties are completed and legally assigned to/accepted by customers during the year ended 31 March 2019.

(b) Deposits received from sale of properties

As a result of the adoption of HKFRS 15, deposits received from sale of properties are included in contract liabilities and disclosed in note 23(a) (see note 2(c)). As at 31 March 2018, deposits received from sale of properties of $385,051,000 are expected to be recognised as income in the consolidated income statement within one year.

24 BANK LOANS

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

	2019 $'000	2018 $'000
Current liabilities		
Portion of bank loans due for repayment within 1 year	**102,119**	197,762
Portion of bank loans due for repayment after 1 year which contain a repayment on demand clause	**236,340**	448,978
	338,459	646,740
Non-current liabilities		
Bank loans	**–**	183,826

At 31 March 2019, the bank loans are due for repayment as follows:

	2019 $'000	2018 $'000
Portion of bank loans due for repayment within 1 year	**102,119**	197,762
Bank loans due for repayment after 1 year (notes (f) and (g)):		
After 1 year but within 2 years	**75,454**	547,521
After 2 years but within 5 years	**126,403**	44,364
After 5 years	**34,483**	40,919
	236,340	632,804
	338,459	830,566

At 31 March 2019, the secured bank loans and unsecured bank loans are as follows:

	2019 $'000	2018 $'000
Secured bank loans	**323,459**	669,819
Unsecured bank loans	**15,000**	160,747
	338,459	830,566

24 BANK LOANS (Continued)

(a) At 31 March 2019, bank loans drawn in Hong Kong bear interest at rates range from 1.8% to 3.0% (2018: 1.8% to 3.0%) per annum over HIBOR or London Interbank Offer Rate. The interests are repriced every one to three months.

(b) At 31 March 2019, bank loans drawn in the U.S.A. bear interest at 5% (2018: 5%) per annum.

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

(d) At 31 March, certain of the banking facilities of the Group were secured by mortgages over:

	2019 **$'000**	2018 $'000
Investment properties (note 11)	**173,720**	168,300
Buildings held for own use (note 12)	**40,350**	41,778
Properties for sale (note 15)	**69,222**	405,969
Pledged bank deposit (note 21)	**–**	20,429
	283,292	636,476

Such banking facilities amounted to $396,052,000 (2018: $923,438,000) were utilised to the extent of $323,459,000 as at 31 March 2019 (2018: $693,826,000).

(e) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

None of the covenants relating to the drawn down facilities had been breached for the years ended 31 March 2019 and 31 March 2018.

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

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

The Group does not consider it probable that banks will exercise its discretion to demand repayment for so long as the Group continues to meet the scheduled repayment obligations. Further details of the Group's management of liquidity risk are set out in note 28(b).

25 LOANS FROM NON-CONTROLLING SHAREHOLDERS

At 31 March 2019, the loan from a non-controlling shareholder of $1,709,000 (2018: $1,709,000) is unsecured, interest bearing of 15% (2018: 15%) per annum and repayable on demand while the remaining loans from other non-controlling shareholders of $76,509,000 (2018: $75,850,000) are unsecured, interest-free and are repayable on demand.

26 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax (assets)/liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Tax losses recognised $'000	Revaluation of properties $'000	Total $'000
At 1 April 2017	12,869	(12,869)	12,446	12,446
Charged/(credited) to profit or loss	2,742	(3,744)	–	(1,002)
Exchange adjustments	792	(792)	2,665	2,665
At 31 March 2018 and 1 April 2018	16,403	(17,405)	15,111	14,109
Charged/(credited) to profit or loss	2,804	(1,802)	16	1,018
Exchange adjustments	821	(821)	(1,692)	(1,692)
At 31 March 2019	20,028	(20,028)	13,435	13,435

(ii) Reconciliation to the consolidated statement of financial position

	2019 $'000	2018 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**–**	(1,002)
Net deferred tax liability recognised in the consolidated statement of financial position	**13,435**	15,111
	13,435	14,109

(b) Deferred tax liabilities not recognised:

Under the EIT Law and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to $60,472,000 (2018: $71,450,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

(c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2019 Tax losses $'000	2019 Deferred tax assets $'000	2018 Tax losses $'000	2018 Deferred tax assets $'000
Hong Kong	**166,700**	**27,506**	161,339	26,621
Outside Hong Kong	**33,356**	**6,418**	84,672	19,167
	200,056	**33,924**	246,011	45,788

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at the end of the reporting period. The tax losses arising from Hong Kong, Singapore and the U.K. operations do not expire under current tax legislation. The tax losses arising from operations in the PRC can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. The tax losses arising from the operations in the U.S.A. will expire in twenty years after the relevant accounting year end date.

27 CAPITAL, RESERVES AND DIVIDEND

(a) Share capital

	2019 Number of shares	2019 $'000	2018 Number of shares	2018 $'000
Authorised:				
Ordinary share of $0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
Ordinary share of $0.01 each at the beginning and the end of the year	**477,447,000**	**4,774**	477,447,000	4,774

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27 CAPITAL, RESERVES AND DIVIDEND (Continued)

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital $'000	Share premium $'000	Retained profits $'000	Total $'000
At 1 April 2017	4,774	469,130	661,005	1,134,909
Profit and other comprehensive income for the year	–	–	12,948	12,948
Dividend declared in respect of the prior year (note 27(c))	–	–	(14,323)	(14,323)
At 31 March 2018 and 1 April 2018	**4,774**	**469,130**	**659,630**	**1,133,534**
Profit and other comprehensive income for the year	**–**	**–**	**1,372**	**1,372**
Dividend declared in respect of the prior year (note 27(c))	**–**	**–**	**(14,323)**	**(14,323)**
At 31 March 2019	**4,774**	**469,130**	**646,679**	**1,120,583**

(c) Dividend

(i) *Dividend payable to equity shareholders attributable to the year*

	2019 $'000	2018 $'000
Final dividend declared and paid after the end of the reporting period of 6 cents per share (2018: 3 cents per share)	**28,647**	14,323

The board of directors does not recommend the payment of an interim dividend for the year ended 31 March 2019 (2018: $Nil).

The final dividend has not been recognised as a liability at the end of the reporting period.

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

	2019 $'000	2018 $'000
Final dividend in respect of the previous financial year of 3 cents per share (2018: 3 cents per share)	**14,323**	14,323

27 CAPITAL, RESERVES AND DIVIDEND (Continued)

(d) Nature and purpose of reserves

(i) Statutory reserve

According to the relevant PRC laws, the PRC subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

(ii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policies set out in note 2(u).

(iii) Other reserve

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

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy set out in note 2(g).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in note 2(f).

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank loans disclosed in note 24, cash held by stakeholders disclosed in note 20, bank deposits and cash on hand disclosed in note 21, loans from non-controlling shareholders disclosed in note 25 and equity attributable to the shareholders of the Company.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments, financial assets measured at fair value through other comprehensive income, available-for-sale equity securities, amounts due from joint ventures, amounts due from associates, cash held by stakeholders, bank deposits and cash on hand, trade and other payables, loans from non-controlling shareholders and bank loans. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from bank deposits and cash on hand is limited because the counterparties are major financial institutions in the PRC, the U.S.A., the U.K. and Hong Kong, for which the Group considers to have low credit risk.

Other receivables, deposits and prepayments are reviewed regularly, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 31, the Group does not provide any other guarantee which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 42% (2018: 37%) and 74% (2018: 72%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the property investment, the asset, investment and fund management and the distribution of construction and interior decorative materials business segments.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix, adjusted for factors that are specific to the debtors. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

Trade receivables	**Expected loss rate**	**Gross carrying amount** $'000	**Loss allowance excluding additional loss allowance of specific trade receivables** $'000	**Additional loss allowance of specific trade receivables** $'000	**Total loss allowance** $'000
Current (not past due)	0%	29,248	–	(1,317)	(1,317)
1-90 days past due	1%	11,214	(108)	–	(108)
91-365 days past due	7%	33,507	(2,059)	(4,101)	(6,160)
1-2 years past due	11%	37,055	(4,076)	(3,236)	(7,312)
2-3 years past due	21%	13,420	(2,818)	(2,773)	(5,591)
3-5 years past due	23%	8,552	(1,967)	(6,529)	(8,496)
Over 5 years past due	100%	2,879	(2,879)	–	(2,879)
		135,875	(13,907)	(17,956)	(31,863)

Expected loss rates are based on actual loss experience over last 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(j)(i)(B) – policy applicable prior to 1 April 2018). At 31 March 2018, the Group's trade receivables of $20,974,000 were individually determined to be impaired. The individually impaired receivables related the customers that were in financial difficulties and management assessed that these receivables were not expected to be recovered. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

	2018 $'000
Neither past due nor impaired	34,955
1-30 days	6,285
30-60 days	36,846
61-90 days	1,462
Over 90 days	35,677
	80,270
	115,225

Receivables that were neither past due nor impaired related to a wide range of customers who had no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there were no significant changes in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 **$'000**	2018 $'000
Balance at 31 March 2018 under HKAS 39	**20,974**	
Impact on initial application of HKFRS 9 (note 2(c))	**2,203**	
Balance at 1 April	**23,177**	15,827
Reversal of impairment loss	**(654)**	(161)
Impairment losses recognised during the year	**10,560**	3,445
Uncollectible amounts written off	**(18)**	–
Exchange adjustments	**(1,202)**	1,863
Balance at 31 March	**31,863**	20,974

An increase in the gross carrying amounts of trade receivables past due over 90 days contributed to the increase in the loss allowance during 2019.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

In the management of the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31 March 2019, the Group has available unutilised bank loan facilities (including secured and unsecured) of approximately $255,378,000 (2018: $455,268,000).

The following table details the Group's remaining contractual maturity for its financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay. Bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

	Weighted average interest rate	Within 1 year or on demand $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total $'000	Total carrying amount $'000
At 31 March 2019						
Financial liabilities						
Trade and other payables	**N/A**	**35,889**	**1,859**	**4,665**	**42,413**	**42,413**
Loans from non-controlling shareholders	**0.33%**	**78,218**	**–**	**–**	**78,218**	**78,218**
Bank loans	**3.96%**	**338,868**	**–**	**–**	**338,868**	**338,459**
		452,975	**1,859**	**4,665**	**459,499**	**459,090**
At 31 March 2018						
Financial liabilities						
Trade and other payables	N/A	83,758	2,707	4,994	91,459	91,459
Loans from non-controlling shareholders	0.33%	77,559	–	–	77,559	77,559
Bank loans	3.32%	658,488	190,973	–	849,461	830,566
		819,805	193,680	4,994	1,018,479	999,584

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within 1 year or on demand" time band in the maturity analysis contained in the above tables. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – Bank loans subject to a repayment on demand clause based on scheduled repayments dates			
	Within 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total undiscounted cash flows $'000
31 March 2019	**112,907**	**217,507**	**38,279**	**368,693**
31 March 2018	221,069	612,531	53,571	887,171

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk relates primarily to variable-rate bank deposits, amount due from a joint venture and bank loans. The interest rates of interest bearing amount due from a joint venture and bank loans are disclosed in notes 14 and 24. The directors consider the Group's exposure to interest rate risk of variable-rate bank deposits is not significant as interest bearing deposits are within short maturity periods so no sensitivity analysis is presented for bank deposits. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

For variable-rate amount due from a joint venture and bank loans, the analysis is prepared assuming the amount due from a joint venture and bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease in variable-rate amount due from a joint venture and bank loans represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/ decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax results for the year ended 31 March 2019 would be decreased/increased by approximately $481,000 (2018: $2,105,000) and finance costs capitalised in properties under development for sale would be increased/decreased by approximately $Nil (2018: $632,000). The analysis is performed on the same basis for the year end 31 March 2018.

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. currency other than the functional currency of the operations to which the transactions relates. The currencies giving rise to this risk are primarily EUR, US$, RMB, British Pounds ("GBP") and Singaporean Dollars ("SGD").

The Group currently does not have a foreign currency hedging policy. However, management of the Company monitors foreign exchange exposure and will consider hedging significant currency risk exposure should the need arise.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities (other than inter-company balances) denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

2019

	Exposure to foreign currencies (expressed in Hong Kong dollars)				
	EUR $'000	**US$ $'000**	**RMB $'000**	**GBP $'000**	**SGD $'000**
Bank deposits and cash on hand	**494**	**1,561**	**74**	**10**	**1,942**
Trade and other payables	**–**	**(38)**	**–**	**–**	**–**
Loans from non-controlling shareholders	**–**	**–**	**(888)**	**–**	**–**
	494	**1,523**	**(814)**	**10**	**1,942**

2018

	Exposure to foreign currencies (expressed in Hong Kong dollars)				
	EUR $'000	US$ $'000	RMB $'000	GBP $'000	SGD $'000
Bank deposits and cash on hand	1,264	812	3,799	11	–
Trade and other payables	(1,151)	–	–	–	–
Loans from non-controlling shareholders	–	–	(494)	–	–
Bank loans	(747)	–	–	–	–
	(634)	812	3,305	11	–

In addition, at 31 March 2019, the Group is exposed to currency risk arising from inter-company balances amounting to US$87,537,000, RMB137,782,000 and GBP12,565,000 (in aggregate equivalent to $978,325,000) (2018: US$39,777,000, RMB175,457,000, and GBP11,224,000 (in aggregate equivalent to $655,695,000)) which are not denominated in the functional currency of the relevant companies.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

As HK$ is pegged to US$, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the US$/HK$ exchange rates. As a result, management considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between US$/HK$ is minimal.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits $'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits $'000
EUR	**5%**	**21**	5%	(26)
	(5)%	**(21)**	(5)%	26
RMB	**5%**	**6,672**	5%	9,255
	(5)%	**(6,672)**	(5)%	(9,255)
GBP	**5%**	**5,396**	5%	5,201
	(5)%	**(5,396)**	(5)%	(5,201)
SGD	**5%**	**81**	5%	–
	(5)%	**(81)**	(5)%	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' results after tax measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the reporting period.

(e) Fair value measurement

Fair value of financial assets and liabilities carried at other than fair values

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values as at 31 March 2019 and 31 March 2018, except for the available-for-sale equity securities where fair value cannot be reliably measured as they did not have a quoted market price at 31 March 2018.

29 RETIREMENT BENEFITS PLANS

The Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of $1,500 or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. Those subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2019, the total costs charged to the income statement are approximately $654,000 (2018: $989,000), representing contributions paid/payable to these plans by the Group (note 6(b)).

30 COMMITMENTS

(a) At 31 March 2019, capital commitments outstanding and not provided for in the financial statements were as follows:

	2019 $'000	2018 $'000
Authorised but not contracted for	696,314	429,492
Contracted for	38,763	144,805
	735,077	574,297

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

(b) At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 $'000	2018 $'000
Within 1 year	853	901

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries and a joint venture of $393,426,000 (2018: $885,959,000) and $20,000,000 (2018: $Nil) respectively. Such banking facilities were utilised by its subsidiaries and the joint venture to the extent of $120,674,000 (2018: $308,170,000), including the bank guarantee in favour of a utility service provider to secure the payment obligation of a subsidiary of the joint venture for an amount up to EUR250,000 (equivalent to $2,215,000) (2018: EUR370,000 (equivalent to $3,597,000)) and $20,000,000 (2018: $Nil) respectively.

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

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Apart from disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant transactions with the related parties during the year:

	2019 $'000	2018 $'000
Asset management expense to a related company (note (b))	**(396)**	(395)
Investment advisory fee expense to a related company (note (b))	**(396)**	(395)
Sales of construction materials to joint ventures	**8,523**	33,933
Sales of construction materials to a related company (note (a))	**3,040**	–
Sales of completed properties to related parties of a key management personnel	**5,202**	–
Purchase of construction materials from joint ventures	**(6,481)**	(46,037)
Investment management fee income from associates	**7,518**	2,572
Project management fee income from associates	**13,851**	1,550
Rental and building management fee income from joint ventures	**1,109**	900
Rental and building management fee income from a related company (note (c))	**513**	513
Rental deposit from a related company (note (c))	**108**	108
Rental deposit from a joint venture	**135**	135
Deposit from sale of properties to related parties of a key management personnel	**–**	5,202
Trade receivable from a joint venture	**43,894**	41,811
Trade receivable from a related company (note (a))	**5,113**	6,497
Trade receivables from associates	**15,523**	–
Trade payables to joint ventures	**3,747**	5,145

Notes:

(a) The non-executive director of the Company is the key management personnel of these entities.

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

(c) A director of the Company and a director of certain subsidiaries of the Company are also directors of this entity. Such transactions constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2019 $'000	2018 $'000
Salaries and short-term employee benefits	**30,283**	28,653
Post-employment benefits	**108**	108
	30,391	28,761

Total remuneration is included in "staff costs" (see note 6(b)).

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 $'000	2018 $'000
Non-current assets			
Investments in subsidiaries		**35,552**	35,550
Amount due from a joint venture		**210,311**	198,027
		245,863	233,577
Current assets			
Other receivables and deposits		**632**	1,039
Amounts due from subsidiaries		**1,262,230**	1,351,801
Bank deposits		**232,210**	157,104
Pledged bank deposits		**–**	20,007
		1,495,072	1,529,951
Current liabilities			
Payables and accruals		**2,182**	2,881
Amounts due to subsidiaries		**398,170**	77,113
Bank loans		**220,000**	550,000
		620,352	629,994
Net current assets		**874,720**	899,957
NET ASSETS		**1,120,583**	1,133,534
CAPITAL AND RESERVES	27		
Share capital		**4,774**	4,774
Reserves		**1,115,809**	1,128,760
TOTAL EQUITY		**1,120,583**	1,133,534

Approved and authorised for issue by the board of directors on 12 June 2019.

CHAN William
Director

YIP Chun Kwok
Director

(Expressed in Hong Kong dollars)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

Particulars of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment	Class of shares held	Fully paid-up issued/registered capital	Proportion of issued capital/registered capital held by the Company 2019	2018	Principal activities
Power City Investments Limited*	Hong Kong	Ordinary	$47,599,891	**59.1%**	59.1%	Investment holding
Joint Champ International Limited	BVI	Ordinary	US$100	**87%**	87%	Investment holding
Wonder Ace Investments Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Property development
Prime Talent Development Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Property holding
Win Expo Enterprises Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Property holding
Keen Virtue Group Limited	BVI	Ordinary	US$1	**100%**	100%	Investment holding
Apex Wealth International Limited*	BVI	Ordinary	US$1	**100%**	100%	Investment holding
Colorise Development Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Investment holding
Rykadan Management Services Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Provision of management services
Rykadan Capital Asset Management Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Provision of asset management services
Rykadan Capital Management Limited	Hong Kong	Ordinary	$1	**100%**	N/A	Provision of asset management services
Rykadan Project Management Limited*	Hong Kong	Ordinary	$1	**100%**	100%	Provision of project management services
Rykadan 001 LLC*	The U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Rykadan 002 LLC*	The U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Rykadan 005 LLC*	The U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
MP Property One LLC*	The U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Sigrid Holdings Limited*	BVI	Ordinary	US$1	**100%**	100%	Property development
Q-Stone Building Materials Limited*	Hong Kong	Ordinary	$10,000	**87%**	87%	Distribution of construction and interior decorative materials
格利來建材(北京)有限公司*#	The PRC	Registered capital	RMB7,000,000	**87%**	87%	Distribution of construction and interior decorative materials
格利來建材(深圳)有限公司*#	The PRC	Registered capital	RMB8,000,000	**87%**	87%	Distribution of construction and interior decorative materials
Bestlinkage *#	The PRC	Registered capital	US$12,700,000	**59.1%**	59.1%	Property investment

* These entities are indirectly held by the Company.
\# These entities are foreign owned enterprises established in the PRC.

(Expressed in Hong Kong dollars)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 16, *Leases*

As disclosed in note 2(i) currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

Given the Group does not have material operating lease as a lessee, the Group considered that it is unlikely to have a significant financial impact on the consolidated financial statements of the Group upon the adoption of HKFRS 16.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors purposed a final dividend. Further details are disclosed in note 27(c)(i).

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2015 HK$000 (note (i))	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000** **(note (ii))**
Revenue from continuing operations	321,723	153,108	602,325	408,144	**881,095**
Profit/(loss) for the year from continuing operations	101,797	(91,636)	54,385	34,676	**322,641**
Profit for the year from discontinued operations	9,848	–	–	–	**–**
Profit/(loss) for the year	111,645	(91,636)	54,385	34,676	**322,641**
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	113,414	(83,363)	53,510	31,120	**329,957**
Non-controlling interests	(1,769)	(8,273)	875	3,556	**(7,316)**
	111,645	(91,636)	54,385	34,676	**322,641**

ASSETS AND LIABILITIES

	As at 31 March				
	2015 HK$000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	1,666,871	1,973,558	1,671,381	2,639,256	**2,024,317**
Total liabilities	414,662	857,783	526,865	1,442,450	**554,883**
	1,252,209	1,115,775	1,144,516	1,196,806	**1,469,434**
Equity attributable to equity shareholders of the Company	1,198,442	1,080,018	1,112,449	1,153,133	**1,439,286**
Non-controlling interests	53,767	35,757	32,067	43,673	**30,148**
	1,252,209	1,115,775	1,144,516	1,196,806	**1,469,434**

Notes:

(i) During the year ended 31 March 2015, operations regarding the asset, investment and fund management were discontinued as a result of disposal of certain group companies.

(ii) The Group adopted HKFRS 9, *Financial instruments*, from 1 April 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amount of financial assets resulting from the adoption of HKFRS 9 were recognised in retained profits and non-controlling interests at 1 April 2018. There were no difference in the carrying amounts of the financial liabilities. Prior to 1 April 2018, figures were stated in accordance with the policies applicable in these years.