RYKADAN CAPITAL LIMITED
宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)

Annual Report 2020

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 (resigned on 21 February 2020)
LO Hoi Wah, Heywood (appointed on 21 February 2020)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

Woo, Kwan, Lee & Lo
北京德恒(福州)律師事務所

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2288

COMPANY'S WEBSITE

www.rykadan.com

INVESTOR RELATIONS CONTACT

Think Alliance Group
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FWD Financial Centre
308-320 Des Voeux Road 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 2020.

In 2019, we continued to develop our property development portfolio in Hong Kong, specifically our new projects in Wan Chai and Wong Chuk Hang, in line with our investment strategy of securing high-potential investments, growing asset values and exiting within a three-to-five-year horizon. Both districts are up-and-coming commercial centres, well-served by public transportation links, and increasingly popular destinations for multinationals pursuing greater cost efficiency, with many actively 'de-centralising' their back offices, and in some cases even front-office functions, away from Central, Hong Kong.

More importantly, both projects are jointly funded by the Group and private equity funds which are being managed through our growing asset, investment and fund management business. Through this joint-funding structure, we are seeking to broaden our capital base so as to enable us to embark on larger-scale projects. This could also further develop our track record for undertaking and completing high-potential and moderately priced projects that deliver value to our shareholders.

We continue to maintain a global footprint. We have ongoing residential and commercial property development projects in the United States of America, primarily in the Los Angeles area. We also hold commercial and industrial properties in the United Kingdom and the People's Republic of China. Within our portfolio, we also have interests in hospitality projects in Bhutan and the business in distribution of construction and interior decorative materials, specifically quartz and marble-based engineered stone composite surface products for use in high-end commercial facilities around the world.

Before the outbreak of COVID-19, each of these businesses and property markets was performing well. We are reasonably confident that, in the aftermath of the COVID-19 outbreak, these markets, which have proven over time to be resilient and able to attract continuous demand, will bounce back within a reasonable period of time. Demand for quality property projects will be supported by relief measures and economic stimulus enacted by both domestic and overseas governments. Low-interest rates and capital flows looking for reasonable returns will further support worldwide asset prices.

In the meantime, we will maintain our endeavour to search for new opportunities, particularly in Hong Kong and the United States of America, and safeguard and optimise our capital resources. Despite the challenging economic environment, we will continue to demonstrate our capability to secure investments that provide increased returns and broaden our revenue stream.

We remain committed to sustainability by incorporating a number of innovative green construction and energy-saving elements into our projects. We also support a range of philanthropic causes.

On behalf of the board of directors, I would like to express my sincere thanks to our shareholders, staff, business partners and management team for their efforts over the years, as well as for their continuous support to the Group.

William Chan
Chairman and Chief Executive Officer

Hong Kong, 17 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

In Hong Kong, the Group is currently focusing on two promising real estate redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project, both located in emerging business districts. Both projects are progressing well along the construction stage. Elsewhere, the Group is continuing to market its overseas property projects in the United Kingdom (the "U.K.") and the United States of America (the "U.S.A.").

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

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

As of 31 March 2020, the Group's total assets were valued at HK$1,804 million (2019: HK$2,024 million), of which HK$1,207 million (2019: HK$1,052 million) were current assets, approximately 2.65 times (2019: 1.94 times) of current liabilities. Equity attributable to the owners of the Company was HK$1,323 million (2019: HK$1,439 million).

Overall Performance

During the year ended 31 March 2020, the Group's consolidated revenue decreased considerably to HK$111 million (2019: HK$881 million). Decrease in revenue was due to the absence of one-off gains attributable to the exit and monetising of multiple property redevelopment projects in the previous year, as well as shifting the majority of the revenue from the distribution of construction and interior decorative materials business to the joint ventures of the Group. This effect was slightly offset by the recognition of income from the sale of properties completed during the year, as well as income generated from the Group's asset, investment and fund management business.

The gross profit and gross profit margin were HK$43 million (2019: HK$417 million) and 39.0% (2019: 47.4%) respectively. Loss for the year was HK$85 million (2019: profit of HK$323 million), while the loss attributable to equity shareholders of the Company was HK$77 million (2019: profit of HK$330 million). The loss was mostly attributable to the decrease in revenue as aforementioned, the absence of substantial profits shared from associates, net foreign exchange losses from United States Dollar, Renminbi and British Pound, fair value losses on investment properties in Hong Kong as well as the absorption of losses incurred by joint ventures.

Basic and diluted loss per share for the year ended 31 March 2020 was HK16.2 cents (2019: earnings per share of HK69.1 cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

Material Acquisition and Disposal

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

Investment Portfolio

As at 31 March 2020, the Group's bank deposits and cash was HK$242 million (2019: HK$436 million), representing 13.4% (2019: 21.5%) of the Group's total assets.

The following table shows the Group's investments as at 31 March 2020.

Real estate investments

Investment	Location	Type	Group interest	Status as of 31/3/2020	Total gross floor area *(Note 1)*	Attributable gross floor area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in June 2020	3,973 square feet	3,973 square feet
265 Naomi Project	265 W Naomi Avenue, Arcadia, CA 91007, the U.S.A.	Residential property	100%	Completed. Expected to be handed over in second quarter of 2020	8,064 square feet	8,064 square feet
Monterey Park Towne Centre	100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA 91755, the U.S.A.	Residential and retail property	100%	Under planning	189,656 square feet	189,656 square feet
Singing Wood Project	960 Singing Wood Drive, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction. Expected to be completed in October 2020	9,124 square feet	9,124 square feet
Shoreditch Project	79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K.	Commercial property	100%	Completed and being marketed to buyer	10,939 square feet	10,939 square feet
Kailong Nanhui Business Park ("Business Park") *(Note 2)*	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial and industrial property	59.1%	Being marketed to tenants (classified as assets held-for-sale)	52,304 square metres	30,911 square metres
Jaffe Road Project	216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, HongKong	Commercial and retail property	3.55%	Under construction. Expected to be completed in June 2022	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 31/3/2020	Total gross floor area *(Note 1)*	Attributable gross floor area
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Completed. Remaining 3 workshops, 2 floors and various car parking spaces being marketed to buyers	7,019 square feet	7,019 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 sale)	N/A	N/A

Notes:

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

(2) In June 2019, a new framework agreement has been entered into between the Group and the purchaser, an independent third party, by way of disposal of the entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect subsidiary of the Company, as a result of the re-assessment and further negotiation on the deal structure for the disposal of the entire Business Park. Since the new framework agreement is legally binding, in which the Group is committed to complete the disposal, the Business Park, part of the assets of Bestlinkage, are classified as "Assets classified as held-for-sale" in accordance with Hong Kong Financial Reporting Standard 5, *Non-current assets held for sale and discontinued operations*. Details of the disposal were disclosed in the circular of the Company dated 23 August 2019.

Other investments

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

Summary and review of investments

Property development/Asset, investment and fund management

During the year under review, the Group handed over various remaining units of the Maple Street Project. Construction of the 263 Naomi Project and the 265 Naomi Project in Arcadia, the U.S.A. was completed, in which the 263 Naomi Project was handed over to the buyer during the year under review while the 265 Naomi Project is expected to be handed over in the second quarter of 2020. The Monterey Park Towne Centre Project in the U.S.A. is currently in the design approval and planning phase, while the construction of the two commercial and retail redevelopment projects in Hong Kong – namely the Wong Chuk Hang Project and the Jaffe Road Project, continues to progress.

Each of the Wong Chuk Hang Project and the Jaffe Road Project is jointly funded by the Group and a private equity fund managed by the Group's asset, investment and fund management business and is being redeveloped jointly in accordance with the mandate of the respective fund. The Group continues to develop the internal structure and add personnel to the asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects. It is also seeking new investors and potential projects to further develop its asset, investment and fund management business.

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

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

Property investment

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

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

In the PRC, the Group remains invested in the Business Park as of 31 March 2020. Following an Extraordinary General Meeting held in September 2019, the Company's shareholders approved a new framework agreement with the purchaser, an independent third party. The previous framework agreement and property sale and purchase agreement have been terminated and the new framework agreement has become effective. As of 31 March 2020, the formal sale and purchase agreement in relation to the disposal of Bestlinkage is yet to be signed. The discussion and negotiation between the Group and the purchaser for finalising the terms and arrangements of the disposal were in progress.

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

Distribution of construction and interior decorative materials

As of 31 March 2020, Q-Stone Building Materials Limited, the Group's subsidiary that engages in distribution of construction and interior decorative materials business, had minimal contracts on hand as the Group has shifted the majority of its outstanding orders to Quarella Holdings Limited, a joint-venture of the Group.

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

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

Impact of COVID-19

The global COVID-19 pandemic is impacting certain parts of the Group's business. Most of the Group's ongoing construction projects in Hong Kong and the U.S.A. are experiencing delays due to local disruptions.

Quarella's manufacturing operations in Italy was temporarily suspended under the country's shutdown and recommenced in early May 2020.

The Group's share of operational income from RS Hospitality has also been impacted by the tourism ban in Bhutan. As of the date of this report, RS Hospitality expects its operational income to remain impacted until the removal of the tourism ban.

As of 31 March 2020, the financial impact of COVID-19 pandemic on the Group is not material.

Outlook

The global COVID-19 pandemic has severely impacted the macroeconomic environment in Hong Kong, the U.S.A. and other markets in which the Group operates. However, the Group remains cautiously optimistic about the prospects for its current real estate development portfolio. In particular, the Group believes in the underlying strength of the commercial and industrial property markets in Hong Kong, which could be supported by ongoing trends including government policies to revitalise local industrial districts, as well as continued moving by multinational firms from traditional CBDs to emerging CBDs in Hong Kong where the Group focuses.

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

With low-interest rates and supportive government policies likely to remain in place in the foreseeable future, the Group will keep on seeking high-potential and larger-scale projects in Hong Kong, overseas markets and the PRC's Greater Bay Area, combining the capital contributions from its asset, investment and fund management business together with its other existing resources.

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

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

Corporate Finance and Risk Management

Liquidity and Financial Resources

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

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

As of 31 March 2020, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 16.9% (31 March 2019: 16.7%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was 5.0% (31 March 2019: Nil) as the Group has net debts of HK$67 million as at 31 March 2020 (31 March 2019: net cash of HK$93 million).

As of 31 March 2020, the total bank borrowings of the Group amounted to HK$305 million (31 March 2019: HK$338 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, the property development projects and investment in Quarella. The total bank borrowings were secured by investment properties, properties for sale and buildings. Further costs for developing the property redevelopment projects and the Quarella business will be financed by unutilised banking facilities or internally generated funds.

As of 31 March 2020, the Group's current assets and current liabilities were HK$1,207 million (31 March 2019: HK$1,052 million) and HK$455 million (31 March 2019: HK$541 million) respectively. The Group's current ratio increased to 2.65 (31 March 2019: 1.94). 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 maximise shareholders' value.

Pledge of Assets

For the pledge of assets, please refer to note 34 to the consolidated financial statements.

Commitments and Contingent Liabilities

For the commitments and contingent liabilities, please refer to notes 33 and 36 to the consolidated financial statements.

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

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

Employees and Remuneration Policies

As at 31 March 2020, the total number of employees of the Group is 29 (31 March 2019: 27). The Group is committed to the concept of fair and responsible remuneration for its executive members and prescribed officers in line with the Company's and individual performance, market trends and in the context of overall employee remuneration. Total remuneration for employees (including the directors' remuneration) was HK$41 million for the year (2019: HK$48 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 2020.

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 2020, save for the deviations for code provisions A.1.1, A.2.1 and A.6.7 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 the 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 33 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 2020, 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 2020, 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 separated 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.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION (Continued)

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. Ho Kwok Wah, George is an independent non-executive director serving the Company since 2010. Mr. Ho 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. Ho 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. Ho should be re-elected and separate resolution will be proposed for his re-election at the 2020 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 material on relevant topics will be issued to directors where appropriate.

During the year ended 31 March 2020, 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 comments 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 2020.

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 2020. 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 10 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 2020 is set out below

Remuneration Bands	**Number of Individuals**
HK$500,001 to HK$2,000,000	1
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 2020.

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 for assisting 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 two Audit Committee meetings held during the year ended 31 March 2020. 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 2019 and the interim results for the half year ended 30 September 2019; (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 2020 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 2020, 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 three Board meetings held during the year ended 31 March 2020, which were regular meetings held for (i) approving the final results for the year ended 31 March 2019, (ii) approving the interim results for the period ended 30 September 2019 and (iii) approving the new framework agreement in relation to the disposal of the entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect subsidiary of the Company and the shareholder's loan owing by Bestlinkage to the Group. The Company has not held another regular Board meetings as it is not required under the Listing Rules to publish quarterly results.

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

The attendance record of each director at Board meetings, Audit Committee meetings, Nomination Committee meeting and general meetings of the Company held during the year ended 31 March 2020 is as follows:–

Name of Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
	Attendance/Number of Meetings held during the tenure of directorship				
Executive Directors					
Chan William	3/3	N/A	1/1	1/1	1/1
Yip Chun Kwok	3/3	N/A	N/A	1/1	1/1
Non-Executive Director					
Ng Tak Kwan	3/3	N/A	N/A	1/1	1/1
Independent Non-Executive Directors					
Ho Kwok Wah, George	3/3	2/2	1/1	1/1	1/1
To King Yan, Adam	3/3	2/2	N/A	0/1	0/1
Wong Hoi Ki	3/3	2/2	1/1	1/1	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 2020.

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 judgements 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.

The 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 auditors of the Group about their reporting responsibilities for the consolidated financial statements is set out in the Section headed "Independent Auditor's Report" on page 44.

AUDITORS' REMUNERATION

The remuneration charged by the Company's external auditor in respect of audit services and non-audit services for the year ended 31 March 2020 is set out below:–

Category of Services	Fee Paid/Payable (HK$)
Audit Services	1,187,000
Non-audit Services	
– Internal control advisory work	188,000
– Tax compliance work	123,000
TOTAL	1,498,000

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 payout 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 overseeing 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 for reviewing 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 2020, 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 2020, the external consultant has assisted the Group to perform a review of the effectiveness of internal controls system for certain selected processes. The review results and proposed improvement opportunities were discussed and agreed with the 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 levels of management within the Group. The Board sets the tone and 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 sets 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 for 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 reviews the effectiveness of the Company's internal control procedures and is satisfied that the Company's internal control processes are adequate to meet the business needs of the Company. 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

Mr. Lo Hoi Wah, Heywood ("Mr. Lo") has been appointed the Company Secretary of the Company in February 2020. Mr. Lo has taken no less than 15 hours of relevant professional training during the financial year ended 31 March 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and ongoing communication with shareholders is essential for enhancing investor relations and investor's 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 2020, 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 the 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
(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 Environment, Social and Goverance ("ESG") Report of Rykadan Capital Limited (hereinafter referred to as "Rykadan" or the "Company") and its subsidiaries (collectively, referred to as the "Group"), covering the period from 1 April 2019 to 31 March 2020, to demonstrate our efforts in managing our environmental and social impact.

1 ABOUT THIS REPORT

1.1 Overview

Here at Rykadan, we strive to conduct our business in line with all applicable regulatory requirements, and achieve long-term corporate sustainability through our corporate social responsibility practices. 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.

1.2 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, 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.

1.3 Reporting boundary

This ESG report covers the ESG policies and initiatives of our property development and investment (including asset, investment and fund management) and the distribution of construction and interior decorative materials businesses. With our head office based in Hong Kong, our property projects spread across 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."); while the distribution of construction and interior decorative materials business is mainly conducted in Hong Kong and the PRC at our head office and mainland offices. Other investments (i.e. Quarella Holdings Limited and RS Hospitality Private Limited) are excluded from this report for we do not have direct control over the business operation of these investments.

Environmental and social key performance indicators (the "KPIs") disclosed in this ESG report cover our head office in Hong Kong, the Beijing office and three Tianjin warehouses of our distribution business. For property development, while the construction activities are carried out by contractors, we are also reporting the contractors' environmental and social performance at the construction sites to reflect the ESG impact of our projects. Properties that are not under construction and/or being marketed for sale or rental, are excluded from ESG data disclosure for there were neglectable consumptions. For easy reference, the list below summarises our real estate investments and the inclusion status of their ESG data in this report:

Region	Investment	Status as at 31 March 2020	ESG Data	Remarks
Hong Kong	Wong Chuk Hang Project	Under construction	Y	Expected to be completed in March 2022
	Jaffe Road Project	Under construction	Y	Expected to be completed in June 2022
	Maple Street Project	Completed	N	Remaining 3 workshops, 2 floors and various car parking spaces being marketed to buyers
	2702, 2802, 2803, 2804 and various car parking spaces at Rykadan Capital Tower	Completed	N	Classified as Investment properties
	Various car parking spaces at Rykadan Capital Tower	Completed	N	Classified as properties for sales
The U.S.A.	Winston Project	Under construction	Y	Expected to be completed in June 2020
	265 Naomi Project	Completed	N	Expected to be handed over in the second quarter of 2020
	Monterey Park Towne Centre	Under planning	N	–
	Singing Wood Project	Under construction	Y	Expected to be completed in October 2020
The U.K.	Shoreditch Project	Completed	N	Being marketed to buyer
The PRC	Kailong Nanhui Business Park	Completed	N	Being marketed to tenants

2 OUR ESG APPROACH

2.1 ESG management and governance

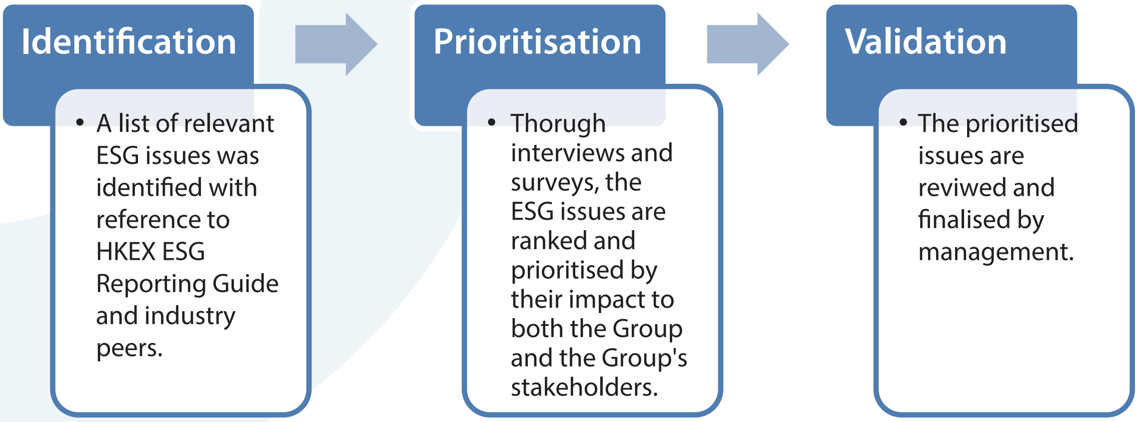
Rykadan recognises that sustainable development is important to the long-term growth of the Company. During our daily operations, we integrate where practicable different environmental and social considerations into our business activities to ensure full compliance to regulatory requirements while reducing our environmental and social impacts. The Board oversees ESG matters as a whole and receives updates from the management on key ESG matters and decisions.

In 2020, we worked with an external consultant on establishing an ESG structure to enhance the Board's oversight over ESG issues and facilitate better ESG management within our operations. The practice will look into the possible structures suitable for the Group's current business structure and give insights to the establishment of a formal ESG governance structure in the next two years.

2.2 Stakeholder engagement and materiality assessment

We regularly interact with our stakeholders to gain valuable feedback and address their concerns with regards to our ESG effort. Their input allows us to understand the key ESG issues that are important to the Group and focus our efforts on managing these issues.

In line with the reporting principle of materiality, we previously performed a materiality assessment by interviewing and conducting surveys with our senior management and employees to understand the priority of different ESG issues in our business.



In 2020, additional interviews were done with our senior management to revalidate the applicability of the identified material ESG issues to our operations. The updated results are categorised by aspect as follows:

Aspect	Material issue	Relevance to the business
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.
	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.
	Supply chain management	We rely on construction contractors and decorative material suppliers to deliver quality products to our customers. It is important that we pay attention to compliance and ESG performance of our suppliers and contractors to better manage the ESG impact on our businesses.
Environmental	Climate change and GHG emissions	The climate change brought by extreme weather may disrupt our property constructions and the logistics of our distribution business. Hence it is important that we work with our contractors and business partners to plan for contingences to minimise the impact of possible disruption brought by climatical events.
	Hazardous wastes	Hazardous wastes such as unused paints and solvents and their containers generated from our construction sites require proper storage and handling as required by regulations. Although we do not directly handle the hazardous wastes ourselves, we work closely with our contractors to ensure hazardous wastes are properly managed and disposed of.

3 OPERATING PRACTICE

3.1 Anti-corruption

Rykadan is committed to the highest standards of ethics and integrity, and does not tolerate any forms of bribery, corruption and fraud. This commitment is reinforced by our Code of Ethics and Conduct Policy, which aims at ensuring compliance with ethics and business integrity by acting in all operating activities with integrity. It prevents bribery, insider trading, conflicts of interests 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.

To encourage employees as well as external stakeholders to report any potential improprieties, we have in place a Whistle Blowing Policy to ensure that all complaints received are handled efficiently with impartiality. Under the policy, any unlawful or unethical conduct will be investigated promptly, and all information received shall be kept confidential to prevent retaliation.

Regulatory compliance

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

3.2 Supply chain management

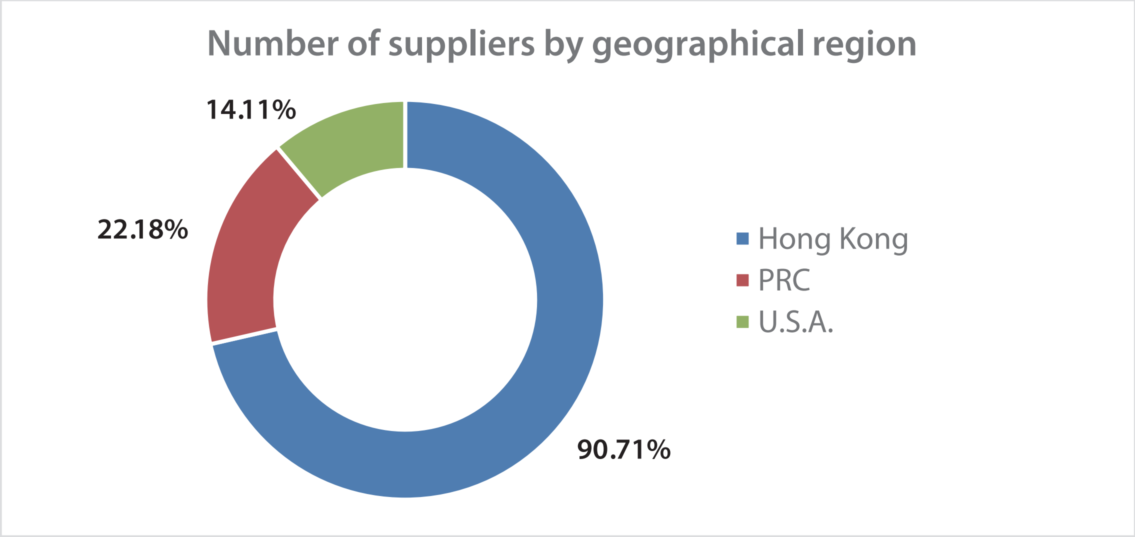
We strive to promote fair and open competition as well as develop and secure long-term relationships with suppliers and contractors based on mutual trust. We select suppliers and service providers based on the highest ethical standards, which also assure the quality of end products and the continued 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 in terms of regulatory compliance on environment, employment and labour as well as health and safety.

When dealing with suppliers, directors and employees shall follow the provisions in the Code of Ethics and Conduct Policy to avoid potential conflicts of interests. Under no circumstances are they permitted to use insider 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 throughout the 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 of maintaining a good track record in addressing health, safety and environmental issues and the ability to deliver quality services. Through regular progress meetings, we keep track of their environmental and safety performance and react timely to any non-compliance reported. We keep record of any breach of law or regulation by the contractors and take it into account when considering future partnering opportunities.

Regarding the distribution of construction and interior decorative materials business, 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 ports or the work sites so as to minimise transportation distance and hence fuel usage. As the starting point of managing the ESG impact of our suppliers, we requested our supplier, Quarella (which we have 43.5% stake), to switch to thinner blades in their production process to reduce energy consumption and material wastage.



3.3 Securing product and service quality

Property development

In our property development business, we strive to provide quality living areas to our customers. We understand our social 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, care for their needs and provide them with 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 communication materials on our redeveloped properties. In addition, we adhere to government regulations and industry guidelines, including the Residential Properties (First-hand Sales) Ordinance (Cap. 621), the Consent Scheme of the Hong Kong Lands Department and the self-regulatory regime of the Real Estate Developers Association of Hong Kong.

Distribution of construction and interior decorative materials

For the distribution of construction and interior decorative materials business, our products are mainly sourced from a well-known international brand – Quarella which is already subject to stringent quality control and safety testing and strictly regulated by local authorities on the environmental and social compliance of the production processes. When we deliver construction and interior decorative materials to our customers, we also provide them with essential training and precautions on handling the materials to reduce the health impact of dust from cutting and installation of the materials.

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 any unauthorised disclosure of personal 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.

4 EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment

We consider our employees as the cornerstone of our long-term business growth and strive to attract and retain quality talents through fair and transparent employment practices and competitive remuneration and welfare. Such commitment is detailed in our Employee Handbook and relevant policies on recruitment, appraisal and dismissal.

We are an equal-opportunity employer and implement a fair, open, objective and non-discriminatory recruitment process. Throughout the recruitment process, the assessing of eligibility is based on the attributes related to the job requirements such as education and professional qualifications, job knowledge and experience, and the competency of the applicants. We maintain and follow a Guideline on Recruitment that we will not discriminate of against race, gender, sex orientation, family status, colour, religion, age, disability or pregnancy.

To retain and motivate employees, we offer competitive remuneration packages that are reviewed annually based on the assessment results of the annual performance appraisal. During the appraisal, immediate supervisors are strongly recommended and encouraged to discuss personally with appraisees for more effective communication and better mutual understanding.

We also 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. Apart from annual leave, our employees are entitled to special leave such as marriage leave, paternity leave and birthday leave.

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 holiday for every four hours of overtime work, and meal allowances are provided for overtime work exceeding 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 relaxing environment and enjoy a sense of belonging.

Labour standards

Rykadan strictly abides by the applicable local labour regulations, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Labour Law of the PRC, and the Fair Labour Standards Act of the U.S.A. We prohibit any child or forced labour in our operations and expect the same for the suppliers we work with.

To ensure no child labour is used, the Group verifies the age of candidates with their identification documents during the recruitment process. As for our collaboration with suppliers and contractors, we only work with reputable companies with proven track record and relevant monitoring mechanisms in place to ensure their compliance with child and forced labour regulations.

Regulatory compliance

During the year under review, 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 2020)	Unit	Offices and warehouses	Construction sites (Note)
Total number of staff	No.	29	89
By gender			
Male		14	77
Female		15	12
By age group			
Below 30		6	8
31-50		19	57
Above 50		4	24
By employment type			
Permanent		28	87
Contract/Part-time		1	2
By geographical location			
Hong Kong		26	78
The PRC		2	0
The U.S.A.		1	11
Attrition rate	%	6.9	0

Note: Reported construction sites employment are all hired by contractors.

4.2 Occupational health and safety

The health and safety of our employees is one of the key concerns of the Group and it is our responsibility to keep employees safe at work. 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 appoint contractors for the construction work of our development projects. In the selection of contractors, we prefer to work with contractors with proven track record and reputation with regards to their safety performance. From time to time, we obtain updates on the projects' latest health and safety statistics to monitor the safety performance of the contractors. Any major accidents or non-compliance reported will be recorded and are taken into consideration in future tenders.

As for our office operations, we are firmly committed to maintaining a sound and safe working environment to prevent injury and illness, in compliance with all occupational health and safety laws and regulations. Besides basic health and safety provisions of first aid kits and fire extinguishing equipments, we also adopt special working arrangements in times of emergency to ensure safety of our employees. For example, during the global outbreak of COVID-19 in early 2020, we echoed the Hong Kong government's call to reduce social contact, allowed our employees to work from home and adopted a rotation roster for office staff to reduce the chances of infection. We have also adopted other preventive measures, such as daily body temperature measurement at our offices, employee health surveys and provision of face masks for our staff to prevent the spread of the disease in our offices.

In financial year 2019/2020, we recorded no work-related injury or fatality at our offices and construction sites, with zero days of lost working days.

Health and safety	Unit	2017/2018	2018/2019	2019/2020
Offices and warehouses				
Total number of fatal cases arising from work accidents	No. of case	New disclosure	0	0
Total number of injury cases arising from work accidents	No. of case	New disclosure	0	0
Total number of lost working days due to injuries	Day	New disclosure	0	0
Construction sites				
Total number of fatal cases arising from work accidents	No. of case	New disclosure	0	0
Total number of injury cases arising from work accidents	No. of case	New disclosure	4	0
Total number of lost working days due to injuries	Day	New disclosure	0	0

Regulatory compliance

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

4.3 Development and training

The success of the Group relies on our high calibre employees, and it is important that we provide our talents with adequate training to maintain their competence and competitiveness to support the long-term development of the Group.

We strive to provide an open, challenging and participative environment to all employees as well as provide opportunities to enhance their skill set. Besides on-the-job training, we encourage employees to seek external training opportunities to keep up with the latest industry trends and support their own professional development. 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. We also offer up to 3 days of examination leave per year and sponsorships up to HKD6,000 per year for further studies.

Average training hours by employee category	Unit	Offices and warehouses	Construction sites (Note)
Management	Hour	27.5	1.3
Non-management	Hour	2	0.8
Male	Hour	7.9	0.8
Female	Hour	3.3	0.5

Percentage of employees trained category	Unit	Offices and warehouses	Construction sites (Note)
Management	%	75	93
Non-management	%	16	88
Male	%	21	89
Female	%	27	58

Note: Reported construction sites employment are all hired by contractors.

5 ENVIRONMENTAL STEWARDSHIP

5.1 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 development

As a property developer, we are engaged in the design, construction and sales of properties. During the property 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 environmental responsibility 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 3.2 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 switching off of idle lighting and electrical appliances to minimise energy consumption.

5.2 Managing the impact of climate change

Climate change is a global challenge, it brings both immediate and long-term risks to the operation of corporates around the world. In particular, we are seeing more and more extreme weather events that may bring direct damages to our construction sites or disrupt the construction progress of the projects.

Recognising the impact brought by climate change to our projects, we take into consideration the possible disruptions of extreme climate events during project planning and reserve time buffer when we discuss with contractors the work schedule of the projects. We also follow the latest guidance of the Building Department during the design phase to ensure that our buildings can withstand the more frequent and severe weather events brought by climate change. As the construction work commences, we closely communicate and collaborate with our contractors to ensure that adequate contingency measures will be adopted in case of inclement weather like typhoons or heavy rainfall that may lead to flooding.

In addition to our construction projects, we also try to reduce our carbon emissions through more efficient use of resources at our offices, particularly in electricity and fuel use. For further details of the initiatives done, please refer to Section 5.4 Use of resources.

Greenhouse gas emissions[1]	Unit	2019/2020
Offices and warehouses – Scope 1	kg CO_2e	0
Offices and warehouses – Scope 2	kg CO_2e	28,946[2]

1 Emission factors are taken from the "Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by the Environmental Protection Department, and the average regional electricity emissions factors released by the National Development and Reform Commission.

2 Scope 2 emissions from the use of electricity in Hong Kong office and Beijing office.

5.3 Emissions and regulatory compliance

Our property development projects account for most of our environmental emissions, including air, wastewater, construction wastes, general wastes and hazardous wastes. As the project manager we are aware the impact of such emissions on the environment, and seek to ensure that such emissions are being properly managed and monitored by our service providers.

While the operational management of the sites are mainly performed by our main contractors, we keep track of their performance through regular project meetings, especially regarding their compliance performance to the applicable environmental regulations. Listed in our tender documents, the main contractors are required to comply with all of the laws of Hong Kong and the regulations made thereunder relating to the avoidance of nuisance and pollution including but not limited to:

- Oil Pollution (Land Use and Requisition) Ordinance (Cap. 247)
- Air Pollution Control Ordinance (Cap. 311)
- Waste Disposal Ordinance (Cap. 354)
- Water Pollution Control Ordinance (Cap. 358)
- Noise Control Ordinance (Cap. 400)

Waste management

Hazardous wastes

Hazardous wastes mainly come from our property development projects, and our contractors are responsible for the proper management and disposal of hazardous wastes at site-level. We work closely with our contractors and adhere to the government requirements in the storage and handling of the hazardous wastes at our construction sites. In addition, we seek to reduce the generation of hazardous wastes by using water-based paint instead of solvent-based paint in our construction sites. In the year under review, no disposal of hazardous wastes was recorded by our contractors.

Construction wastes

Construction wastes are managed by our contractors before being properly disposed of. Depending on the nature of the wastes, they are sent to the designated waste disposal facilities like public filling areas and landfills as per local requirements. As with hazardous wastes, we work closely with our contractors to ensure the proper management and disposal of the construction wastes.

General wastes

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

- reduce printing by adopting electronic communication means for the circulation of internal documents such as memorandum and reports;
- encourage duplex printing and the reuse of single-side printed paper;
- use environmentally friendly paper (such as PEFC[3] paper); and
- provide recycling bins to collect used papers, cardboard boxes, packing materials, toner and ink cartridges.

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3 Programme for the Endorsement of Forest Certification

Wastes disposal (Offices and warehouses)	Unit	2017/2018	2018/2019	2019/2020
General wastes disposed at our offices	kg	New disclosure	658	530

Wastes disposal (Construction sites)	Unit	2017/2018	2018/2019	2019/2020
Construction wastes disposed at construction sites	tonnes	1,803	6,640	2,351

Air emissions

During construction, fuel used in machinery and mobile generators and the fine particles from percussion procedures will result in air emissions. We ensure that our contractors adhere to the regulatory requirements on air emissions and obtain the necessary licenses for the machinery used on site. Dust control measures such as dust suppression through water spray and vehicle wheel washing facilities are also adopted to reduce the impact of dust emissions to the surrounding environment.

As for our distribution of construction and interior decorative material business, we employ third-party logistics service providers and have limited control over their air emissions. For our office operations, air emissions occur in business trips but the amount is immaterial.

Regulatory compliance

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

5.4 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.

Currently under construction, our Wong Chuk Hang Project and Jaffe Road Project have taken a step further to incorporate sky gardens as one of the design features of the buildings.

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

– keeping air conditioner temperature at 25℃ at office;

– turning off idle lights;

– 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

Use of resources (Offices and warehouses)	Unit	2017/2018	2018/2019	2019/2020
Use of electricity	kWh	70,192	60,332	55,570
Use of water	Litre	60,509	69,440	69,160[4]

Use of resources (Construction sites)[5]	Unit	2017/2018	2018/2019	2019/2020
Total energy consumption	GJ	1,046	5,764	2,678
Electricity	kWh	186,145	354,351	74,972
Diesel	Litre	10,456	124,721	35,000
Petrol	Litre	0	0	108
Use of water	m^3	2,098	3,905	14,443

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 sponsored and volunteered at Heep Hong Society to help children with physical difficulties to improve their physical wellness. We also sponsored the Fearless Dragon Charity Run 2020 organised by the Hong Kong Network for the Promotion of Inclusive Society Ltd, where the proceeds were used to promote social inclusion.

In response to the COVID-19 outbreak in early 2020, we also played our part to support the anti-epidemic effort in Wuhan by donating to the Macao Chamber of Commerce's fundraising to support the fight against COVID-19. For the financial year of 2019/2020, our donation to different causes amounted to HK$83,000 (2019: HK$141,000).

4 Water consumption of the Tianjin Warehouse in 2019 has been excluded for the water consumption is minimal and no accurate consumption data can be obtained.

5 The use of resources differs with the construction phase of each project, and with the addition of new projects and completion of existing ones, the yearly figures reported are not directly comparable.

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

	Aspects	Section	Remarks
A	**Environmental**		
A1	**Emissions**	5.3	
A1.1	The types of emissions and respective emission data	5.3	
A1.2	Greenhouse gas emissions in total (in kg CO_2e) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3	
A1.4	Total non-hazardous waste produced (in kg/tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3	
A1.5	Description of measures to mitigate emissions and result achieved	5.2, 5.3	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	5.3	
A2	**Use of Resources**	5.4	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (GJ) and intensity (e.g. per unit of production volume, per facility).	5.4	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.4	
A2.3	Description of energy use efficiency initiatives and result achieved.	5.4	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.4	There is no issue in the sourcing of water that is fit for purpose.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.4	Packaging material is not considered material to the Group and data is not tracked.
A3	**The Environment and Natural Resources**	5.3, 5.4	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	5.3, 5.4	

	Aspects	Section	Remarks
B			
B1	**Employment**	4.1	
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1	
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1	
B2	**Health and Safety**	4.2	
B2.1	Number and rate of work-related fatalities.	4.2	
B2.2	Lost days due to work injury.	4.2	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2	
B3	**Development and Training**	4.3	
B3.1	The percentage of employees trained by gender and employee category (e.g. management, non-management).	4.3	
B3.2	The average training hours completed per employee by gender and employee category.	4.3	
B4	**Labour Standards**	4.1	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1	
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1	
B5	**Supply Chain Management**	3.2	
B5.1	Number of suppliers by geographical region.	3.2	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.2	
B6	**Product Responsibility**	3.3	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.3	
B6.2	Number of products and service related complaints received and how they are dealt with.	3.3	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	–	We respect intellectual property rights and prohibit any act that may violate these rights. In our business operations, we provide licensed software for all staff and prohibit the use or installation of pirated software.
B6.4	Description of quality assurance process and recall procedures.	3.3	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.3	

	Aspects	Section	Remarks
B7	**Anti-corruption**	3.1	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1	
B7.2	Description of preventive measures and whisleblowing procedures, how they are implemented and monitored.	3.1	
B8	**Community Investment**	6	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6	
B8.2	Resources contributed (e.g. money or time) to the focus area.	6	

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chan William (陳偉倫先生), aged 45, is an Executive Director, 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 46, 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 and a member of Royal Institution of Chartered Surveyors.

Non-Executive Director

Mr. Ng Tak Kwan (吳德坤先生), aged 66, 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 of Hong Kong.

Independent Non-Executive Directors

Mr. Ho Kwok Wah, George (何國華先生), aged 62, 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. From 2012 to 2020, Mr. Ho was the member of HKSAR Buildings Appeal Tribunal Panel. 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 of Hong Kong. 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 60, 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 of Hong Kong.

Mr. Wong Hoi Ki (黃開基先生), aged 66, 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 37, is our Chief Financial Officer and Company Secretary. Mr. Lo has joined us since 2012. He is responsible for overseeing the financial planning, accounting, banking activities and compliance matters of the Group, managing new business unit growth and expanding different business. He also holds other directorships in the Company's subsidiaries. Mr. Lo has over 10 years' financial accounting experience in the field of building materials, property development and hospitality. Prior to joining us, he had worked in an international audit firm and held senior finance and management position with a private company. 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.

Mr. Lui Man Kit, Chris (呂文傑先生), aged 35, 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 has over 10 years of financial accounting and auditing experience. Prior to joining us, he had worked in an international audit firm as audit manager. Mr. Lui holds a Bachelor of Commerce degree in Accounting and Finance from the Curtin University in 2004 and a Master of Laws degree in International and Commercial Law from the University of Greenwich in 2019. He is also a member of the Hong Kong Institute of Certified Public Accountants.

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2020.

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 39 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and review of the Group's business in accordance with Section 388 and Schedule 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 business 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 of 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 TO 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 (the "CG 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 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 49 to 50.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2020.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124.

An analysis of the Group's results by segment for the year is set out in note 5 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 14(A) to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings are set out in note 34 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 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020 comprised:

	HK$'000
Share premium	469,130
Retained profits	1,042,857
	1,511,987

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

Notes: Mr. YIP Chun Kwok and Mr. HO Kwok Wah, George shall retire, and being eligible, offer themselves for re-election at the forthcoming 2020 annual general meeting ("AGM") pursuant to the Company's articles of association.

Pursuant to the code provision A.4.3 of the 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. HO Kwok Wah, George is an independent non-executive director serving the Company since 2010. Mr. Ho 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 ("Listing Rules") and have made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Ho 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 of the Company. Mr. Ho should be re-elected and a separate resolution will be proposed for his re-election at the 2020 AGM.

Information regarding directors' emoluments is set out in note 10 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 business was entered into or subsisted during the year.

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

As at 31 March 2020, 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)	87,604,000	18.35
	Long	Beneficial owner	33,700,000	7.05
			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 the sole director of Tiger Crown Limited and Rykadan Holdings Limited.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement. Hence, CHAN William is also deemed to be interested in the 87,604,000 shares of the Company owned by Scenemay Holdings Limited.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO:

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

Notes:

1. Tiger Crown Limited is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. Each of HSBC International Trustee Limited and Rykadan Holdings Limited is therefore deemed to be interested in the 97,104,000 shares of the Company beneficially owned by Tiger Crown Limited as well as the 121,304,000 shares of the Company in which Tiger Crown Limited is deemed to be interested as described in Note 2 below.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement.

3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 87,604,000 shares of the Company beneficially owned by Scenemay Holdings Limited.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the written resolutions of all the shareholders passed on 3 August 2009, in which the scheme has expired on 3 August 2019. As at 31 March 2020, no share option under the share option 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 38 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.

Continuing Connected Transactions

Mr. Cheng Hei Ming ("Mr. Cheng") is a director of both 美邦啓立光電科技(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 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 ("Assets Management Seivices") 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 RMB1,124,537 ("Assets 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 2020, the actual amount paid/payable by the Group to KLR Shanghai for the Asset Management Services rendered was approximately RMB337,000 (equivalent to HK$380,000).

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 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 equal 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 equal 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 Internal Rate of Return ("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 2020, the actual amount paid/payable by the Group to Kailong Investment Management for the investment management services rendered was approximately RMB337,000 (equivalent to HK$380,000).

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 2020 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, material related party transactions entered by the Group during the year, which do not constitute connected transactions under the Listing Rules are disclosed in note 38 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed under heading "Connected Transactions" in this report and the material related party transactions in note 38 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 business of the Group, which competes or may compete with the business 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 9 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 RULES 13.20 AND 13.22 OF THE LISTING RULES

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

(a) Advances to entities

As at 31 March 2020, the Group has advanced to Quarella Group Limited ("QGL") loans in an aggregate amount of HK$190,000,000 for the working capital of the QGL, which is 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, this working capital of QGL advanced is no longer interest-bearing since 1 April 2020 after considering the financial position of QGL, the interest receivable on loans to QGL of HK$33,203,000 and guarantee has issued by the Group in favour of banks in respect of banking facilities granted to QGL for an amount of HK$54,400,000.

As at 31 March 2020, an aggregate sum of HK$180,505,000 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 a fixed term 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 interest in those affiliated companies as at 31 March 2020 are presented as follows:

	HK$'000
Non-current assets	482,189
Current assets	2,056,390
Current liabilities	(1,821,789)
Non-current liabilities	(832,970)
Net liabilities	(116,180)
Share capital	9
Reserves	(116,189)
Capital and reserves	(116,180)

As at 31 March 2020, the Group's attributable accumulated losses in these affiliated companies amounted to HK$51,581,000.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$83,000 (2019: HK$142,000).

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the year, the five largest customers of the Group accounted for 55% of the Group's total revenue and total revenue from the largest customer included therein accounted for 31%. 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 32%.

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 17.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Environmental, Social and Governance Report is set out on pages 18 to 32.

EVENT AFTER THE REPORTING PERIOD

For the event after the reporting period, please refer to note 40 to the consolidated financial statements.

AUDITOR

In April 2020, KPMG resigned as external auditor of the Company and PricewaterhouseCoopers was appointed as the external auditor of the Company to fill the casual vacancy until the conclusion of the next Annual General Meeting ("AGM").

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

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

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

Hong Kong, 17 June 2020

羅兵咸永道

To the shareholders of Rykadan Capital Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Rykadan Capital Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 123, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judegment, 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 identified in our audit are summarised as follows:

- Impairment of trade receivables
- Impairment of interests in joint ventures

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to Notes 3.1(b), 4(a) and 19 to the consolidated financial statements. As at 31 March 2020, the gross trade receivables recognised by the Group was HK$112.4 million. The related provision for impairment of trade receivables recognised was HK$29.9 million as at 31 March 2020. Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. Management grouped trade receivables with similar credit risk characteristics and ageing profile, and estimated expected credit losses rates based on historical credit loss rates for different groups and adjusted to reflect the current and forward-looking information on economic factors that are considered relevant to determine the ability of customers settle the receivables in the future. We focused on this area because the impairment assessment of trade receivables requires the use of significant management judgement and estimates.	Our procedures to address this key audit matter included: • We assessed the appropriateness of the credit loss provisioning methodology and grouping of trade receivables profile used by the Group on a sample basis. • We evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as ageing analysis, default history of customers to supporting information and correspondence on any disputes or claim with the customers. • We evaluated the forward-looking information in management's assessment by sample checking the inputs to the assumptions to external data sources. • We tested, on a sample basis, the accuracy of the ageing reports of trade receivables prepared by management. • We checked the computation of the amount of provision for impairment. Based on the procedures performed, we considered management's judgement and estimates involved in the impairment assessment of trade receivables were supportable by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of interests in joint ventures	
Refer to Notes 4(e) and 31 to the consolidated financial statements. The Group had significant interests in joint ventures, which are accounted for under the equity method. As at 31 March 2020, interests in joint ventures amounted to HK$189.0 million. Interests in joint ventures are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts, which is the higher of the fair value less costs of disposal and value in use, of the Group's interests in the joint ventures, taking into consideration the share of the joint ventures' future cash flows, minority discount and the assumptions, including the growth rates used to prepare the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Based on the results of the impairment assessments conducted the Group determined that, there is no impairment of the Group's interests in joint ventures. This judgement is based on whether the value in use of the assets exceed the respective carrying amounts. We focused on this area due to the significant management's judgement and assumptions involved in the impairment assessments of interests in joint ventures.	Our procedures to address this key audit matter included: • We tested the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets or the Group's approved budgets. • We assessed the appropriateness of the valuation methodologies used. • We assessed the reasonableness of key assumptions, including growth rates and discount rates applied, and comparing cash flow projections to supporting evidence, such as approved budgets and external market data. • We performed sensitivity analyses on the key assumptions as stated above to assess the potential impact of a range of possible outcomes. Based on the procedures performed, we considered management's judgement and estimates involved in the impairment assessments of interests in joint ventures were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Audit Committee is responsible 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. We report our opinion 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.

- 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.

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

- 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 to 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 Sze To Wai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 June 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5(a)	**110,677**	881,095
Cost of sales and services		**(67,458)**	(463,733)
Gross profit		**43,219**	417,362
Other revenue	6	**15,870**	18,686
Other net loss	7	**(23,904)**	(22,932)
Selling and marketing expenses		**(3,562)**	(44,866)
Administrative and other operating expenses		**(63,713)**	(73,147)
(Loss)/profit from operations		**(32,090)**	295,103
(Decrease)/increase in fair value of investment properties	15	**(13,471)**	5,585
		(45,561)	300,688
Finance costs	11	**(13,524)**	(23,563)
Share of (loss)/profit of associates		**(85)**	121,144
Share of loss of joint ventures		**(19,772)**	(27,097)
(Loss)/profit before taxation		**(78,942)**	371,172
Income tax expense	12	**(5,998)**	(48,531)
(Loss)/profit for the year		**(84,940)**	322,641
Attributable to:			
– Equity shareholders of the Company		**(77,319)**	329,957
– Non-controlling interests		**(7,621)**	(7,316)
(Loss)/profit for the year		**(84,940)**	322,641
(Loss)/earnings per share	13		
Basic and diluted		**(16.2) cents**	69.1 cents

The Notes on pages 55 to 123 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year	**(84,940)**	322,641
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	**(11,067)**	(14,390)
– Share of translation reserve of joint ventures	**(3,231)**	(4,392)
	(14,298)	(18,782)
Items that will not be reclassified subsequently to profit or loss:		
– Share of remeasurement of defined benefit liability of a joint venture	**428**	(54)
– Financial assets measured at fair value through other comprehensive income – movement in fair value reserve (non-recycling)	**(1,199)**	(14,651)
	(771)	(14,705)
Other comprehensive income for the year	**(15,069)**	(33,487)
Total comprehensive income for the year	**(100,009)**	289,154
Attributable to:		
– Equity shareholders of the Company	**(87,254)**	302,393
– Non-controlling interests	**(12,755)**	(13,239)
Total comprehensive income for the year	**(100,009)**	289,154

The Notes on pages 55 to 123 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment properties	15	162,240	512,845
Other properties, plant and equipment	14(A)	39,901	41,407
Right-of-use assets	14(B)	9	–
Interests in associates	30	205,862	215,861
Interests in joint ventures	31	188,953	201,343
Financial assets measured at fair value through other comprehensive income	23	–	1,000
		596,965	972,456
Current assets			
Properties for sale	16	478,610	469,236
Inventories	17	9,815	12,935
Trade receivables	19	82,450	104,012
Other receivables, deposits and prepayments	20	64,553	29,911
Bank deposits and cash on hand	21	242,093	435,767
		877,521	1,051,861
Assets classified as held-for sale	22	329,211	–
		1,206,732	1,051,861
Current liabilities			
Trade and other payables	28	20,523	72,540
Contract liabilities	29	585	5,277
Lease liabilities	14(B)	9	–
Bank loans	34	296,331	338,459
Loans from non-controlling shareholders	35	78,482	78,218
Current tax liabilities		1,307	46,954
		397,237	541,448
Liabilities directly associated with assets classified as held-for-sale	22	57,310	–
		454,547	541,448
Net current assets		752,185	510,413

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Total assets less current liabilities		**1,349,150**	1,482,869
Non-current liabilities			
Bank loans	*34*	**8,372**	–
Deferred tax liabilities	*27*	**–**	13,435
		8,372	13,435
NET ASSETS		**1,340,778**	1,469,434
CAPITAL AND RESERVES			
Share capital	*24*	**4,774**	4,774
Reserves	*26*	**1,318,611**	1,434,512
Total equity attributable to equity shareholders of the Company		**1,323,385**	1,439,286
Non-controlling interests		**17,393**	30,148
TOTAL EQUITY		**1,340,778**	1,469,434

The consolidated financial statements on pages 49 to 123 were approved by the Board of Directors on 17 June 2020 and were signed on its behalf.

CHAN William	**YIP Chun Kwok**
Director	*Director*

The Notes on pages 55 to 123 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Actuarial reserve HK$'000	Other reserve HK$'000	Revaluation reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2018		4,774	469,130	4,433	1,596	(647)	35,440	11,474	–	625,016	1,151,216	43,387	1,194,603
Changes in equity for the 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		–	–	–	(12,866)	(47)	–	–	(14,651)	329,957	302,393	(13,239)	289,154
Dividend declared in respect of the prior year	*25*	–	–	–	–	–	–	–	–	(14,323)	(14,323)	–	(14,323)
At 31 March 2019 and 1 April 2019		**4,774**	**469,130**	**4,433**	**(11,270)**	**(694)**	**35,440**	**11,474**	**(14,651)**	**940,650**	**1,439,286**	**30,148**	**1,469,434**
Changes in equity for the year:													
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(77,319)**	**(77,319)**	**(7,621)**	**(84,940)**
Other comprehensive income		**-**	**-**	**-**	**(9,108)**	**372**	**-**	**-**	**(1,199)**	**-**	**(9,935)**	**(5,134)**	**(15,069)**
Total comprehensive income		**-**	**-**	**-**	**(9,108)**	**372**	**-**	**-**	**(1,199)**	**(77,319)**	**(87,254)**	**(12,755)**	**(100,009)**
Dividend declared in respect of the prior year	*25*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,647)**	**(28,647)**	**-**	**(28,647)**
At 31 March 2020		**4,774**	**469,130**	**4,433**	**(20,378)**	**(322)**	**35,440**	**11,474**	**(15,850)**	**834,684**	**1,323,385**	**17,393**	**1,340,778**

The Notes on pages 55 to 123 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32(a)*	**(81,129)**	447,880
Interest paid		**(13,953)**	(25,353)
Hong Kong profits tax paid		**(45,676)**	(5,840)
PRC Enterprise Income Tax refunded/(paid), net		**367**	(2,703)
Net cash (used in)/generated from operating activities		**(140,391)**	413,984
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	*37(b)*	**4,704**	–
Additions to investment properties		**–**	(297)
Purchases of other properties, plant and equipment		**(435)**	(387)
Repayment from a joint venture		**–**	6,060
Dividend received from a joint venture		**2,384**	1,192
Advances to joint ventures		**(12,569)**	(12,284)
Dividend received from an associate		**19,240**	103,309
Advances to associates		**(9,326)**	(26,634)
Repayment from an associate		**–**	47,493
Payment for equity investment in financial assets measured at fair value through other comprehensive income		**(199)**	–
Interest received		**12,861**	13,176
Decrease in pledged bank deposits and restricted deposit		**–**	20,429
Net cash generated from investing activities		**16,660**	152,057
Cash flows from financing activities			
Capital element of lease rentals paid	*32(b)*	**(112)**	–
Proceeds from new bank loans	*32(b)*	**141,608**	214,498
Repayments of bank loans	*32(b)*	**(175,175)**	(706,632)
Advances from non-controlling shareholders	*32(b)*	**679**	650
Dividend paid		**(28,647)**	(14,323)
Net cash used in financing activities		**(61,647)**	(505,807)
Net (decrease)/increase in cash and cash equivalents		**(185,378)**	60,234
Effect of foreign exchange rate changes		**(3,863)**	(3,143)
Cash and cash equivalents at the beginning of the year		**431,602**	374,511
Cash and cash equivalents at the end of the year		**242,361**	431,602
Analysis of balance of cash and cash equivalents:			
Cash and cash equivalents	*21*	**238,192**	431,602
Cash and cash equivalents included in assets classified as held-for-sale	*22*	**4,169**	–
		242,361	431,602

The Notes on pages 55 to 123 are integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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 39.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the year ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared on a historical cost basis, except for the investment properties and certain financial assets, which are carried at fair value and non-current assets (or disposal groups) held-for-sale as set out in Note 2.15.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) *New and amended standards and interpretations adopted by the Group*

The Group has applied the following new and amended standards, interpretation and annual improvements for the first time for their annual reporting period commencing 1 April 2019:

HKFRS 16	*Leases*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment features with negative compensation*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKAS 19	*Defined benefit plan amendment, curtailment or settlement*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2. Most of the other amendments, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New and amended standards and revised conceptual framework not yet adopted*

Certain new and amended standards and revised conceptual framework for financial reporting have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards and revised conceptual framework are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements.

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

The Group has adopted HKFRS 16 retrospectively from 1 April 2019 and has not restated comparative information for the year ended 31 March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

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

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients (if applicable) permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases,

- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed at 31 March 2019	853
Discounted using the lessee's incremental borrowing rate at the date of initial application	850
Less: short-term leases recognised on a straight-line basis as expense	(729)
Lease liability recognised at 1 April 2019	121
Of which are:	
Current lease liabilities	112
Non-current lease liabilities	9
	121

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

(iv) Adjustments recognised in the consolidated statement of financial position

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

a. Lease liabilities increased by HK$121,000

b. Right-of-use assets increased by HK$121,000

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

(v) Lessor accounting

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

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Intra-group balances, transactions 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.

(b) Changes in ownership interests in subsidiaries without loss of control

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.

(c) Disposal of subsidiaries

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.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment in the Company's statement of financial position. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates and joint ventures

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

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An investment in associate or joint venture is accounted for in the consolidated financial statement using equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. 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 gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not re-measured. 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 in Note 2.11.

2.5 Investment properties

Investment properties, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. These include land held for a currently undetermined future use and property. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in profit or loss.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Investment properties (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit or loss during the financial period in which they are incurred.

If an item of other properties, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increase the revaluation reserve within equity. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.6 Other properties, plant and equipment

Other properties, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Buildings	Over the shorter of the unexpired term of lease and their estimated useful lives of no more than 50 years
– 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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

2.7 Impairment of other non-current and non-financial assets

Assets, including other properties, plant and equipment, investment 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, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). These assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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.

2.9 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated income statement within 'other net loss'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their natures. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.11 Investments and other financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other net loss. Impairment losses are recognised in the consolidated income statement. The Group's financial assets carried at amortised cost comprise trade receivables, other receivables, deposits and prepayments and bank deposits and cash on hands in the consolidated statement of financial position.

Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other net loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other net loss and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on the financial assets that is subsequently measured at FVPL is recognised in profit or loss and presented in other net loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other net loss", in consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

The Group has determined that the investment in real estate funds, which are not controlled by the Group and classified as interests in associates, are unconsolidated structured entities.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 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.

(ii) *Property development*

– 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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Non-current assets (or disposal group) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable (e.g. have committed to a plan to sell the asset (or disposal group), an active programme to locate a buyer and complete the plan must have been initiated and where applicable, the required shareholders' approval for the related disposal could certainly be obtained). They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of disposal group is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interests and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

The assets of a disposal group classified as held-for-sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the consolidated statement of financial position.

2.16 Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2.25). 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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

2.17 Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hands and cash at bank and other short-term highly liquid investments with original maturity of three months or less.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transactions costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

2.22 Current and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses and any adjustments to tax payable in respect of previous years.

Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of reporting period in the countries where the Company's subsidiaries, associates and joint ventures operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Employee benefits

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.

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.

2.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to 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.

2.25 Revenue recognition

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

The Group's revenue and other income are primarily derived from 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.

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.*

(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.

(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 using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) 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 Euros ("EUR"), United States Dollars ("US$"), Renminbi ("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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

– 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.

	Exposure to foreign currencies				
	EUR HK$'000	**US$ HK$'000**	**RMB HK$'000**	**GBP HK$'000**	**SGD HK$'000**
At 31 March 2020					
Bank deposits and cash on hand	**279**	**3,844**	**8,836**	**9**	**1,831**
Trade and other payables	**–**	**(30)**	**–**	**(6)**	**–**
Loans from non-controlling shareholders	**–**	**–**	**(1,267)**	**–**	**–**
	279	**3,814**	**7,569**	**3**	**1,831**

	Exposure to foreign currencies				
	EUR HK$'000	US$ HK$'000	RMB HK$'000	GBP HK$'000	SGD HK$'000
At 31 March 2019					
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

In addition, at 31 March 2020, the Group is exposed to currency risk arising from inter-company balances amounting to US$94,926,000, RMB115,274,000, and GBP13,920,000 (in aggregate equivalent to HK$997,686,000. (2019: US$87,537,000, RMB137,782,000, and GBP12,565,000 (in aggregate equivalent to HK$978,325,000)) which are not denominated in the functional currency of the relevant companies.

– 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

– Sensitivity analysis (Continued)

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in post-tax result and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in post-tax result and retained profits HK$'000
RMB	**5%**	**5,583**	5%	6,672
	(5)%	**(5,583)**	(5)%	(6,672)
GBP	**5%**	**5,598**	5%	5,396
	(5)%	**(5,598)**	(5)%	(5,396)
EUR	**5%**	**12**	5%	21
	(5)%	**(12)**	(5)%	(21)
SGD	**5%**	**76**	5%	81
	(5)%	**(76)**	(5)%	(81)

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 2019.

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.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the reasonable possible change in interest rates.

The Group's interest rate risk mainly arises from banks deposits, amount due from a joint venture and bank loans at floating interest rates. At 31 March 2020, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax results for the year would have been approximately HK$444,000 (2019: HK$ 481,000) lower/higher.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, other receivables, deposits and prepayments, amounts due from associates and joint ventures, bank deposits and cash on hand. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(i) Risk management

The credit risk of bank deposits and cash on hand is limited because the counterparties are reputable commercial banks which are high-credit-quality financial institutions located in Hong Kong, the People's Republic of China (the "PRC"), the United Kingdom (the "U.K.") and the United States of America (the "U.S.A.").

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, 47% (2019: 42%) and 72% (2019: 74%) 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.

The Group has controls to closely monitor the billing and payment status by communications to minimise the credit risk. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue balances.

In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the ECL model:

- trade receivables; and
- other financial assets carried at amortised cost

While bank deposits and cash on hand is also subject to the impairment requirements of HKFRS 9, management considers that the impairment loss is immaterial.

Trade receivables

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward-looking information on economic factors affecting the ability of the customers to settle the receivables. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Trade receivables are written off when there is no reasonable expectation of recovery.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include other receivables, deposits and prepayments, amounts due from joint ventures and amounts due from associates in the consolidated statement of financial position. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets carried at amortised cost and considers that the ECL is immaterial at 31 March 2020.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long-term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table were based on the contractual undiscounted cash flows and the earliest date 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. Balance within 12 months equal their carrying balances as impact at discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Within 1 Year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Total carrying amount HK$'000
At 31 March 2020						
Trade and other payables (excluding non-financial liabilities)	**15,610**	**661**	**–**	**–**	**16,271**	**16,271**
Bank loans	**296,751**	**8,430**	**–**	**–**	**305,181**	**304,703**
Loans from non-controlling shareholders	**78,482**	**–**	**–**	**–**	**78,482**	**78,482**
Lease liabilities	**9**	**–**	**–**	**–**	**9**	**9**
	390,852	**9,091**	**–**	**–**	**399,943**	**399,465**
At 31 March 2019						
Trade and other payables (excluding non-financial liabilities)	35,889	880	979	4,665	42,413	42,413
Bank loans	338,868	–	–	–	338,868	338,459
Loans from non-controlling shareholders	78,218	–	–	–	78,218	78,218
	452,975	880	979	4,665	459,499	459,090

The following table summarises the maturity analysis of bank loans, including those subject to 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, including those subject to repayment on demand clause based on scheduled repayments dates

	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
31 March 2020	89,011	130,613	83,189	30,250	333,063
31 March 2019	112,907	82,923	134,584	38,279	368,693

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses internally generated funds and bank loans to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The Group's overall strategy remains unchanged from prior year.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by equity attributable to equity shareholders of the Company. Net debt is calculated as total interest-bearing bank loans (including current and non-current bank loans as shown in the consolidated statement of financial position) less unrestricted bank balances and cash.

At 31 March 2020, the net gearing net ratio was 5.0% (2019: Nil) as the Group has net debt of HK$66,511,000 (2019: net cash of HK$93,143,000).

3.3 Fair value estimation

(i) Financial instruments and investment properties carried at fair values

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level2)

- Inputs for the assets and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Financial assets measured at fair value through other comprehensive income and all investment properties of the Group measured at fair value are categorised as Level 3 in the fair value hierarchy. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between Levels 1, 2 and 3 during the year ended 31 March 2020 (2019: None).

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at other than fair value are not materially different from their fair values at 31 March 2020 and 31 March 2019.

3.4 The Group maximum exposure to the unconsolidated structured entities

The Group uses structured entities in the normal course of business for a number of purposes. The Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure approximates the carrying amount of direct investments made by the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade receivables

The Group's management determines the loss allowances for trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past event, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(b) 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.

(c) 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.

(d) Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgement based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of interests in joint ventures

Interests in joint ventures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates. Management judgements are required in the areas of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charged to profit or loss.

5 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:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of completed properties	**57,001**	785,833
– Distribution of construction and interior decorative materials	**10,616**	49,886
– Asset, investment and fund management income	**19,746**	22,318
– Property management fee and utility income	**8,756**	6,264
	96,119	864,301
Revenue from other source		
– Rental income	**14,558**	16,794
	110,677	881,095

Disaggregation of revenue from contracts with customers by timing of revenue recognition and by geographical markets are disclosed in Note 5(b).

For the year ended 31 March 2020, the Group's customer base is diversified and includes only one customer (2019: no customers) whose transaction has exceeded 10% of the Group's revenue.

For the year ended 31 March 2020, revenue from sales of completed properties to the customer in the U.S.A. was approximately HK$34,721,000.

5 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

At 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$64,829,000 (2019: HK$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 30 months.

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

(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:

	2020	2019
	HK$'000	HK$'000
Within one year	**2,459**	9,236
After one year but within five years	**1,765**	24,705
After five years	**–**	17,394
	4,224	51,335

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). To be consistent with the way how information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four (2019: four) reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Property development

This segment derives its revenue from repositioning and value enhancement of properties with a focus on development projects in prime locations in Hong Kong, the U.K. and the U.S.A..

(ii) Property investment

This segment derives its revenue from leasing of premises included in the Group's investment properties portfolio in Hong Kong and the PRC.

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Asset, investment and fund management

This segment derives its revenue from investing in and managing a portfolio of real estates in Hong Kong.

(iv) Distribution of construction and interior decorative materials

This segment derives its revenue from distribution of stone composite surfaces products in the Greater China region.

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

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

All assets are allocated to operating segments other than certain other properties, plant and equipment, right-of-use assets, interests in associates, interests in joint ventures, financial assets measured at fair value through other comprehensive income, certain other receivables, deposits and prepayments, certain bank deposits and cash on hand and assets classified as held-for-sale that are not managed directly by segments.

All liabilities are allocated to operating segments other than certain other payables, lease liabilities, certain bank loans, loans from non-controlling shareholders, deferred tax liabilities and liabilities directly associated with assets classified as held-for-sale that are not managed directly by segments.

In addition, management is provided with segment results and information concerning inter-segment sales, additions of other properties, plant and equipment (including investment properties at fair value), depreciation of other properties, plant and equipment, depreciation of right-of-use assets 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 2020 and 2019 is set out below.

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results

For the year ended 31 March 2020

	Property development HK$'000	Property investment HK$'000	Asset, investment and fund management HK$'000	Distribution of construction and interior decorative materials HK$'000	Elimination HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	57,001	–	–	10,616	–	67,617
Over time	–	8,756	19,746	–	–	28,502
Revenue from other source	–	14,558	–	–	–	14,558
External revenue	57,001	23,314	19,746	10,616	–	110,677
Inter-segment revenue	–	3,549	–	–	(3,549)	–
Total	57,001	26,863	19,746	10,616	(3,549)	110,677
Segment (loss)/profit from operations	(1,448)	7,352	6,319	(42)	–	12,181
Corporate expenses						(57,377)
Corporate income						13,106
Decrease in fair value of investment properties						(13,471)
Finance costs						(13,524)
Share of loss of associates						(85)
Share of loss of joint ventures						(19,772)
Loss before taxation						(78,942)

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

For the year ended 31 March 2019

	Property development HK$'000	Property investment HK$'000	Asset, investment and fund management HK$'000	Distribution of construction and interior decorative materials HK$'000	Elimination HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	785,833	–	–	49,886	–	835,719
Over time	–	6,264	22,318	–	–	28,582
Revenue from other source	–	16,794	–	–	–	16,794
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 of associates						121,144
Share of loss of joint ventures						(27,097)
Profit before taxation						371,172

5 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:

	2020 HK$'000	2019 HK$'000
Segment assets		
Property development	487,847	482,353
Property investment	162,730	518,535
Asset, investment and fund management	68,944	32,633
Distribution of construction and interior decorative materials	82,300	99,622
Total segment assets	801,821	1,133,143
Other properties, plant and equipment	39,241	40,436
Right-of-use assets	9	–
Interests in associates	205,862	215,861
Interests in joint ventures	188,953	201,343
Financial assets measured at fair value through other comprehensive income	–	1,000
Other receivables, deposits and prepayments	408	932
Bank deposits and cash on hand	238,192	431,602
Assets classified as held-for-sale	329,211	–
Total consolidated assets of the Group	1,803,697	2,024,317
Segment liabilities		
Property development	79,948	105,543
Property investment	65,171	107,764
Asset, investment and fund management	978	1,195
Distribution of construction and interior decorative materials	3,942	24,054
Total segment liabilities	150,039	238,556
Other payables	3,759	4,674
Lease liabilities	9	–
Bank loans	173,320	220,000
Loans from non-controlling shareholders	78,482	78,218
Deferred tax liabilities	–	13,435
Liabilities directly associated with assets classified as held-for-sale	57,310	–
Total consolidated liabilities of the Group	462,919	554,883

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Other segment information

For the year ended 31 March 2020

	Property development HK$000	Property investment HK$000	Asset, investment and fund management HK$000	Distribution of construction and interior decorative materials HK$000	Segment total HK$000	Unallocated HK$000	Total HK$000
Amounts included in the measure of segment results or segment assets:							
Additions of other properties, plant and equipment (including investment properties at fair value)	–	–	116	–	116	319	435
Depreciation of other properties, plant and equipment	–	–	(24)	(194)	(218)	(1,681)	(1,899)
Depreciation of right-of-use assets	–	–	–	–	–	(112)	(112)
Loss on disposal of other properties, plant and equipment	–	–	–	(23)	(23)	–	(23)

For the year ended 31 March 2019

	Property development HK$000	Property investment HK$000	Asset, investment and fund management HK$000	Distribution of construction and interior decorative materials HK$000	Segment total HK$000	Unallocated HK$000	Total HK$000
Amounts included in the measure of segment results or segment assets:							
Additions of 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)

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographical segment information

The Group's revenue from external customers attributed to the geographical areas based on the location at which the services were provided or the goods were delivered as follows:

	2020 HK$'000	2019 HK$'000
Hong Kong	**47,409**	816,118
The PRC	**26,061**	59,823
The U.S.A.	**34,721**	–
Others	**2,486**	5,154
	110,677	881,095

The analysis above includes rental income from external customers in Hong Kong, the PRC and others of HK$3,540,000 (2019: HK$3,182,000), HK$8,532,000 (2019: HK$8,458,000) and HK$2,486,000 (2019: HK$5,154,000) respectively.

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

	2020 HK$'000	2019 HK$'000
Hong Kong	**204,297**	236,716
The PRC	**233**	337,404
The U.S.A.	**–**	–
Others	**14,002**	15,140
	218,532	589,260

6 OTHER REVENUE

	2020 HK$'000	2019 HK$'000
Interest income on loans to joint ventures	**12,805**	12,616
Income from forfeiture of property sales deposits	**619**	2,914
Interest income on bank deposits	**56**	560
Others	**2,390**	2,596
	15,870	18,686

7 OTHER NET LOSS

	2020 HK$'000	2019 HK$'000
Net foreign exchange loss	**(23,881)**	(22,971)
Loss on disposal of other properties, plant and equipment	**(23)**	(18)
Others	**–**	57
	(23,904)	(22,932)

8 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Auditor's remuneration		
– Audit services	**1,187**	1,701
– Non-audit services	**311**	457
Cost of inventories	**6,546**	32,188
Cost of properties for recognised sales	**46,969**	418,026
Direct cost for management services provided (Note (i))	**6,089**	6,986
Depreciation of:		
– Other properties, plant and equipment (Note 14(A))	**1,899**	3,081
– Right-of-use asset (Note 14(B))	**112**	–
Employee benefit expenses (Note 9)	**41,127**	47,723
Operating lease payment in respect of leased properties	**2,419**	2,778
Direct outgoings of rental, property management fee and utilities	**7,854**	6,533
Impairment loss of:		
– Trade receivables (Note 19)	**807**	9,906
– Properties for sale	**3,441**	–
– Other receivables, deposits and prepayments	**3,680**	–

Note:

(i) Direct cost for management services provided includes HK$5,823,000 (2019: HK$6,289,000) relating to staff costs which is also included in the respective total amount disclosed separately above.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(a) Employee benefit expenses

	2020 HK$'000	2019 HK$'000
Salaries, wages and other benefits	**40,680**	47,069
Retirement benefit scheme contributions (i)	**447**	654
	41,127	47,723

(i) 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 HK$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.

(b) Five highest paid individuals

For the year ended 31 March 2020, the five individuals whose emoluments were the highest in the Group include three directors (2019: three directors) whose emolument is reflected in the analysis in Note 10. During the year ended 31 March 2020, the emolument paid/payable to the remaining two individuals (2019: two individuals) is as follows:

	2020 HK$'000	2019 HK$'000
Salaries, wages and other benefits	**3,870**	4,093
Retirement benefit scheme contributions	**36**	36
	3,906	4,129

	Number of individuals	
	2020	2019
Emolument bands:		
HK$Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	2	2

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES)

(a) Directors' emoluments

The remunerations of each director of the Company for the year ended 31 March 2020 are as below:

	Fee	Salary	Discretionary bonuses (Note (ii))	Allowances and benefits in kind	Employer's contribution of a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Chan William (Note (i))	–	12,000	6,500	–	18	18,518
Mr. Yip Chun Kwok	–	3,360	1,000	–	18	4,378
	–	15,360	7,500	–	36	22,896
Non-executive director:						
Mr. Ng Tak Kwan	960	–	3,300	–	–	4,260
Independent non-executive directors:						
Mr. To King Yan, Adam	264	–	–	–	–	264
Mr. Wong Hoi Ki	264	–	–	–	–	264
Mr. Ho Kwok Wah, George	264	–	–	–	–	264
	792	–	–	–	–	792
Total	1,752	15,360	10,800	–	36	27,948

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

The remunerations of each director of the Company for the year ended 31 March 2019 are as below:

	Fee	Salary	Discretionary bonuses (Note (ii))	Allowances and benefits in kind	Employer's contribution of a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Chan William (Note (i))	–	12,000	8,000	–	18	20,018
Mr. Yip Chun Kwok	–	3,360	1,500	–	18	4,878
	–	15,360	9,500	–	36	24,896
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
	792	–	–	–	–	792
Total	1,752	15,360	13,500	–	36	30,648

Notes:

(i) 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.

(ii) 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.

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HONG KONG LISTING RULES) (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 March 2020 (2019: None).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 March 2020 (2019: None).

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by any third parties for making available directors' services during the year ended 31 March 2020 (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealing arrangements in favour of the directors, controlled bodies corporate by and entities connected with such directors during the year ended 31 March 2020 (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save for disclosed under the material related party transactions in Note 38, no significant transactions, arrangements and contracts in relation to the Group's businesses to which the Group 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 ended 31 March 2020 (2019: Nil).

11 FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank loans	**13,694**	25,097
Interest on loan from a non-controlling shareholder	**256**	256
Interest on lease liabilities (Note 14 (B)(ii))	**3**	–
Less: interest expenses capitalised into properties under development for sale (Note (i))	**(429)**	(1,790)
	13,524	23,563

Note:

(i) Interest was capitalised at an average annual rate of approximately 5.0% (2019: 3.0%).

12 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statement represents:

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong profits tax		
– Provision for the year	106	45,703
– (Over)/under-provision in respect of prior year	(54)	8
	52	45,711
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	–	1,951
– Over-provision in respect of prior year	(375)	(149)
	(375)	1,802
	(323)	47,513
Deferred tax		
Origination and reversal of temporary differences (Note 27(a))	6,321	1,018
	5,998	48,531

The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 31 March 2020.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT tax rate is 25% (2019: 25%) for the year ended 31 March 2020.

12 INCOME TAX EXPENSE (Continued)

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation	**(78,942)**	371,172
Notional tax on (loss)/profit before taxation, calculated at rates applicable to (loss)/profit in the countries concerned	**(12,970)**	61,641
Tax effects of:		
Share of loss of joint ventures	**3,262**	4,466
Share of loss/(profit) of associates	**14**	(19,989)
Non-taxable income	**(1,357)**	(3,008)
Non-deductible expenses	**8,393**	3,513
Over-provision in prior year	**(429)**	(141)
Tax losses not recognised	**5,420**	3,177
Utilisation of tax losses previously not recognised	**(716)**	(192)
Derecognition of previously recognised deferred tax assets	**4,391**	–
Other	**(10)**	(936)
	5,998	48,531

(c) Share of associates' income tax expenses and joint ventures' income tax expenses for the year ended 31 March 2020 of HK$1,843,000 (2019: HK$32,761,000) and of HK$176,000 (2019: income tax credit of HK$2,004,000) respectively is included in the share of loss/(profit) of associates and share of loss of joint ventures respectively.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK$77,319,000 (2019: profit of HK$329,957,000) and 477,447,000 (2019: 477,447,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is of the same amount as the basic (loss)/earnings per share as there are no potential dilutive ordinary shares in existence during the year ended 31 March 2020 and 31 March 2019.

14(A) OTHER PROPERTIES, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At cost:				
At 1 April 2018	47,485	9,243	3,483	60,211
Additions	–	–	387	387
Disposals	–	(34)	(169)	(203)
Exchange adjustments	–	(139)	(52)	(191)
At 31 March 2019 and 1 April 2019	**47,485**	**9,070**	**3,649**	**60,204**
Additions	**–**	**88**	**347**	**435**
Disposals	**–**	**–**	**(245)**	**(245)**
Exchange adjustments	**–**	**(124)**	**(32)**	**(156)**
At 31 March 2020	**47,485**	**9,034**	**3,719**	**60,238**
Accumulated depreciation:				
At 1 April 2018	5,707	7,142	3,207	16,056
Charged for the year	1,428	1,515	138	3,081
Disposals	–	(34)	(151)	(185)
Exchange adjustments	–	(111)	(44)	(155)
At 31 March 2019 and 1 April 2019	**7,135**	**8,512**	**3,150**	**18,797**
Charged for the year	**1,429**	**275**	**195**	**1,899**
Disposals	**–**	**–**	**(222)**	**(222)**
Exchange adjustments	**–**	**(109)**	**(28)**	**(137)**
At 31 March 2020	**8,564**	**8,678**	**3,095**	**20,337**
Net book value:				
At 31 March 2020	**38,921**	**356**	**624**	**39,901**
At 31 March 2019	40,350	558	499	41,407

Buildings are situated in Hong Kong under medium-term leases.

At 31 March 2020 and 31 March 2019, all buildings are pledged as securities for bank loans (Note 34(c)).

14(B) LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Right-of-use assets		
Other properties leased for own use	9	121
Lease liabilities		
Current lease liabilities	9	112
Non-current lease liabilities	–	9
	9	121

Notes:

(a) As disclosed in Note 2.2, the Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

(b) During the year ended 31 March 2020, the Group had no additions to the right-of-use assets.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	31 March 2020 HK$'000
Depreciation of right-of-use assets – Other properties	112
Interest expense (included in finance costs) (Note 11)	3

The total cash outflow for leases in 2020 was HK$115,000.

15 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At valuation:		
At the beginning of the year	**512,845**	529,716
Additions	**–**	297
(Decrease)/increase in fair value of investment properties	**(13,471)**	5,585
Transfer to assets classified as held-for-sale (Note 22)	**(316,515)**	–
Exchange adjustments	**(20,619)**	(22,753)
At the end of the year	**162,240**	512,845

At 31 March 2020, investment properties of HK$160,140,000 (2019: HK$173,720,000) were pledged as securities for bank loans (Note 34(c)).

	Investment properties in Hong Kong HK$'000	**Investment properties in the PRC** HK$'000	**Total** HK$'000
At 1 April 2018	170,300	359,416	529,716
Additions	–	297	297
Increase in fair value of investment properties	5,520	65	5,585
Exchange adjustments	–	(22,753)	(22,753)
At 31 March 2019 and 1 April 2019	**175,820**	**337,025**	**512,845**
(Decrease)/increase in fair value of investment properties	**(13,580)**	**109**	**(13,471)**
Transfer to assets classified as held-for-sale (Note 22)	**–**	**(316,515)**	**(316,515)**
Exchange adjustments	**–**	**(20,619)**	**(20,619)**
At 31 March 2020	**162,240**	**–**	**162,240**

Valuation processes

The investment properties in Hong Kong (2019: Hong Kong and the PRC) were revalued at 31 March 2020 by Asset Appraisal Limited (2019: Asset Appraisal Limited and Beijing Colliers International Real Estate Valuation Co., Ltd., respectively), an independent firm of surveyors who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued.

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.

15 INVESTMENT PROPERTIES (Continued)

Valuation techniques

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 correlated to the discount/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 stablised 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 stabilised occupancy rate and negatively correlated to the discount rate.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Investment properties			
– Hong Kong	Direct comparison approach	Discount/premium on quality of the building	-15% – 5% (2019: 0% – 10%)
– The PRC	Discounted cash flow method	Expected market rental growth	0% – 3% (2019: 0% – 3%)
		Discount rate	9% (2019: 9%)
		Stabilised occupancy rate	90% (2019: 90%)

Following an extraordinary general meeting held in September 2019 in relation to the disposal of the entire equity interests in an indirect subsidiary of the Company, Bestlinkage NHI Co., Ltd. ("Bestlinkage"), the Company's shareholders approved a new framework agreement with the purchaser, an independent third party, in order to effectively dispose of the business park held by Bestlinkage. At 31 March 2020, the Group's interest in Bestlinkage has been classified as held-for-sale. For further details please refer to Note 22.

16 PROPERTIES FOR SALE

	2020 HK$'000	2019 HK$'000
Completed properties held for sale	**197,199**	183,099
Properties under development for sale	**281,411**	286,137
	478,610	469,236

(a) Properties for sales of the Group are located:

	2020 HK$'000	2019 HK$'000
In Hong Kong	**74,720**	85,653
Outside Hong Kong	**403,890**	383,583
	478,610	469,236

(b) At 31 March 2020, properties under development for sale of HK$217,581,000 (2019: HK$195,698,000) are expected to be completed after more than one year.

(c) At 31 March 2020, properties for sale of HK$100,575,000 (2019: HK$69,222,000) were pledged as securities for bank loans (Note 34(c)).

17 INVENTORIES

	2020 HK$'000	2019 HK$'000
Construction and interior decorative materials:		
Finished goods	**9,806**	12,113
Goods-in-transit	**9**	822
	9,815	12,935

18 FINANCIAL INSTRUMENTS BY CATEGORIES

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
Amounts due from associates	**203,482**	195,993
Amounts due from joint ventures	**174,951**	186,203
Trade receivables	**82,450**	104,012
Other receivables and deposits	**61,000**	24,367
Bank deposits and cash on hand	**242,093**	435,767
	763,976	946,342
Financial liabilities at amortised cost		
Trade and other payables	**16,271**	42,413
Lease liabilities	**9**	–
Bank loans	**304,703**	338,459
Loans from non-controlling shareholders	**78,482**	78,218
	399,465	459,090

19 TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**112,354**	135,875
Loss allowance	**(29,904)**	(31,863)
	82,450	104,012

19 TRADE RECEIVABLES (Continued)

At 31 March 2020, the ageing analysis of the trade receivables based on invoice date, net of loss allowance, is as follows:

	2020 HK$'000	2019 HK$'000
1 – 30 days	**10,474**	11,151
31 – 60 days	**928**	9,954
61 – 90 days	**5,530**	3,437
Over 90 days	**65,518**	79,470
	82,450	104,012

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

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

The Group applies the HKFRS 9 simplified approach to ECLs measurement which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk and currency risk are disclosed in Notes 3.1(b) and 3.1(a)(i) respectively.

Movements in the loss allowance account in respect of trade receivables is as follows:

	2020 HK$'000	2019 HK$'000
Balance at 31 March 2018 under HKAS 39		20,974
Amounts additionally provided through retained profits on adoption of HFKRS 9		2,203
At the beginning of the year	**31,863**	23,177
Impairment losses recognised during the year	**807**	9,906
Uncollectible amounts written off	**(827)**	(18)
Exchange adjustments	**(1,939)**	(1,202)
At the end of the year	**29,904**	31,863

The creation and release of loss allowance for impaired trade receivables was charged to the profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Deposits and prepayments (Note)	**60,779**	24,310
Other receivables	**3,774**	5,601
	64,553	29,911

Note:

At 31 March 2020, the balance included deposit paid for acquisition of properties for sale of HK$58,563,000 (2019: HK$16,900,000). Due to the change of investment plan, the proposed acquisition has been withdrawn and the respective deposit of HK$55,929,000 was refunded to the Group subsequent to the end of the reporting period.

21 BANK DEPOSITS AND CASH ON HAND

	2020 HK$'000	2019 HK$'000
Deposits with banks	**3,901**	4,165
Cash at banks and on hand	**238,192**	431,602
	242,093	435,767
Less: restricted deposits (Note (ii))	**(3,901)**	(4,165)
Cash and cash equivalents in the consolidated cash flow statement	**238,192**	431,602

Notes:

(i) At 31 March 2020, bank deposits and cash on hand include HK$9,658,000 (2019: HK$26,357,000) which are denominated in RMB, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) At 31 March 2020, the Group was required to place deposit at designated bank account amounting to HK$3,901,000 (2019: HK$4,165,000) for securing the deposit received from tenant.

22 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

The Group has entered into a new framework agreement dated 13 June 2019 with Shanghai Medicilon Inc. (the "Purchaser"), an independent third party, to dispose of the entire equity interest in Bestlinkage, an indirect subsidiary of the Company and the shareholder's loan owing by Bestlinkage to the Group (collectively referred to the "Disposal"). Bestlinkage is a property investment holding company and its major asset is its legal and beneficial interest in Kailong Nanhui Business Park (the "Business Park"), an industrial complex located in Shanghai, the PRC. There are certain conditions precedent pursuant to the Disposal which included, but not limited to, the approvals at the shareholders' meetings of the Company and the Purchaser respectively. Such approvals were obtained during the year. The previous framework agreement and property sale and purchases agreement were automatically terminated upon the new framework agreement became effective.

Since the new framework agreement is legally binding, in which the Group is committed to complete the Disposal, the respective assets and the liabilities are classified as "Assets classified as held-for-sale" and "Liabilities directly associated with assets classified as held-for-sale" respectively in the Group's consolidated statement of financial position at 31 March 2020 in accordance with Hong Kong Financial Reporting Standard 5, *Non-current assets held-for-sale and discontinued operations*.

22 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE (Continued)

At 31 March 2020 the formal sale and purchase agreement in relation to the Disposal is yet to be signed. The discussion and negotiation between the Group and the Purchaser for finalising the terms and arrangements of the Disposal were in progress.

Assets and liabilities classified as held-for-sale at 31 March 2020 are analysed as follows:

	2020 HK$'000
Asset classified as held-for sale	
Investment properties (Note)	316,515
Trade receivables	6,748
Other receivables, deposits and prepayments	1,779
Bank deposits and cash on hand	4,169
Total assets classified as held-for-sale	329,211
Liabilities directly associated with assets classified as held-for-sale	
Trade and other payables	39,502
Amount due to immediate holding company	87,889
Deferred tax liabilities	17,808
Total liabilities directly associated with assets classified as held-for-sale	145,199
Less: Amount due to immediate holding company	(87,889)
Liabilities directly associated with assets classified as held-for-sale	57,310

Note: The investment properties are held in the PRC under medium-term leases and were revalued at 31 March 2020 by Beijing Colliers International Real Estate Valuation Co., Ltd., an independent firm of surveyors who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued.

23 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Unlisted equity securities designated at FVOCI (non-recycling)

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**1,000**	15,651
Additions	**199**	–
Net fair value loss charged to equity	**(1,199)**	(14,651)
At the end of the year	**–**	1,000

Note: 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 from this investment during the year ended 31 March 2020 (2019: Nil).

24 SHARE CAPITAL

Ordinary shares, issued and fully paid	**Number of ordinary shares of HK$0.01 each** '000	**Amount** HK$'000
At 1 April 2018 and 31 March 2019	477,447	4,774
At 1 April 2019 and 31 March 2020	**477,447**	**4,774**

25 DIVIDENDS

(i) Dividend payable to equity shareholders attributable to the year

	2020 **HK$'000**	2019 HK$'000
Final dividend declared and paid after the end of the reporting period of HK$ Nil per share (2019: 6 cents per share)	**–**	28,647

The board of directors does not recommend the payment of an interim dividend for the year ended 31 March 2020 (2019: HK$ Nil per share).

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the year

	2020 **HK$'000**	2019 HK$'000
Final dividend in respect of the previous financial year 6 cents per share (2019: 3 cents per share)	**28,647**	14,323

26 RESERVES

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 HK$'000	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	4,774	469,130	659,630	1,133,534
Changes in equity for the year				
Profit and other comprehensive income for the year	–	–	1,372	1,372
Dividend declared in respect of the prior year (Note 25)	–	–	(14,323)	(14,323)
At 31 March 2019 and at 1 April 2019	**4,774**	**469,130**	**646,679**	**1,120,583**
Changes in equity for the year				
Profit and other comprehensive income for the year	**–**	**–**	**424,825**	**424,825**
Dividend declared in respect of the prior year (Note 25)	**–**	**–**	**(28,647)**	**(28,647)**
At 31 March 2020	**4,774**	**469,130**	**1,042,857**	**1,516,761**

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 policy set out in Note 2.9.

(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 2.5.

(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 2.11.

27 DEFERRED TAX LIABILITIES

(a) Deferred tax (assets)/liabilities recognised:

The movements in deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax (assets)/liabilities	Accelerated tax depreciation	Tax losses	Revaluation of properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 April 2019	**20,028**	**(20,028)**	**13,435**	**13,435**
Charged to profit or loss	**1,352**	**4,941**	**28**	**6,321**
Transfer to assets classified as held-for- sale (Note 22)	**(15,663)**	**9,556**	**(11,701)**	**(17,808)**
Exchange adjustments	**(957)**	**771**	**(1,762)**	**(1,948)**
At 31 March 2020	**4,760**	**(4,760)**	**–**	**–**

(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 HK$54,929,000 (2019: HK$60,472,000) 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.

(c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2020		2019	
	Tax losses	**Deferred tax assets**	Tax losses	Deferred tax assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Hong Kong	**196,204**	**32,374**	166,700	27,506
Outside Hong Kong	**27,893**	**5,510**	33,356	6,418
	224,097	**37,884**	200,056	33,924

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.

28 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	2,872	6,566
Retention payables	–	5,130
Deposits received from tenants (Note)	4,579	6,989
Deposits received from sales of investment properties	–	27,121
Other payables and accruals	13,072	26,734
	20,523	72,540

Note:

Except for certain deposits received from tenants of HK$661,000 (2019: HK$6,524,000) at 31 March 2020 which are expected to be settled after more than one year, the remaining balance is expected to be settled within one year.

At 31 March 2020, the ageing analysis of trade payables, based on invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
1 – 30 days	2,756	2,783
31 – 60 days	79	–
61 – 90 days	–	–
Over 90 days	37	3,783
	2,872	6,566

29 CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Distribution of construction and interior decorative materials		
– Advanced payments received	**476**	1,504
Sales of completed properties		
– Deposits received from sale of properties	**–**	3,773
Asset, investment and fund management services		
– Advanced payments received	**109**	–
	585	5,277

Notes:

(i) The balance is expected to be recognised as income within one year.

(ii) The amount of income recognised in the profit or loss during the year ended 31 March 2020 that was included in contract liabilities at 31 March 2019 is HK$5,277,000 (2019: HK$384,623,000).

(iii) 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 customers. The rest of the consideration is typically paid when legal assignment is completed.

– Asset, investment and fund management services

The Group receives payments from customers according to the services agreement. These advance payments are recognised as contract liabilities until the services are provided to the customers.

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 2020.

30 INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	**2,380**	19,868
Amounts due from associates (Note (d))	**207,352**	198,026
Share of net liabilities	**(3,870)**	(2,033)
	203,482	195,993
	205,862	215,861
Dividend received from an associate	**19,240**	103,309

Set out below are associates of the Group at 31 March 2020 which, in the opinion of the directors, are material to the Group. All of which are unlisted corporate entities whose quoted market prices are 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 2020	Proportion of issued capital held by the Group 2019	Proportion of voting power held at the board of directors 2020	Proportion of voting power held at the board of directors 2019	Principal activity
Epic Quest Global Limited ("Epic Quest")	Incorporated	British Virgin Islands ("BVI")	US$100	**26%**	26%	**33%**	33%	Investment holding
Smart Wealth Asia Pacific Limited	Incorporated	Hong Kong	HK$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	HK$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%**	1%	**33%**	33%	Investment holding
Waltz Delight Limited (Note (b))	Incorporated	BVI	US$1,000	**12.5%**	12.5%	**33%**	33%	Investment holding

30 INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Dynamic Power Global Limited and Capital Universal Investment Limited are the wholly-owned subsidiaries of Fastest Runner Limited ("Fastest Runner"). The 20% equity interests in Fastest Runner 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 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 into 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) 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 Limited ("Waltz Delight"), an indirectly wholly-owned subsidiary of the Group at 31 March 2018, to RREPFLP at a consideration of US$884 (equivalent to approximately HK$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 into 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.

(c) Summarised financial information of associates

Set out below is the summarised financial information of the material associates, Epic Quest and its subsidiary ("Epic Quest Group") and Fastest Runner and its subsidiaries ("Fastest Runner Group") as at 31 March 2020, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amounts in the consolidated financial statements.

	Epic Quest Group	
	2020	2019
	HK$'000	HK$'000
Gross amounts of the associate		
Current assets	**140,556**	255,640
Non-current assets	**–**	–
Current liabilities	**(131,401)**	(179,224)
Non-current liabilities	**–**	–
Net assets	**9,155**	76,416
Revenue	**13,366**	1,958,107
Profit for the year	**6,739**	491,141
Total comprehensive income for the year	**6,739**	491,141
Reconciled to the Group's interest in the associate		
Gross amounts of consolidated net assets of the associate	**9,155**	76,416
Group's effective interest	**26%**	26%
Group's share of consolidated net assets of the associate	**2,380**	19,868
Carrying amount in the consolidated financial statements	**2,380**	19,868
Group's share of associate's profit for the year	**1,752**	123,177
Dividend received from the associate	**19,240**	103,309

30 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(c) Summarised financial information of associates (Continued)

	Fastest Runner Group	
	2020	2019
	HK$'000	HK$'000
Gross amounts of the associate		
Current assets	**1,736,941**	1,645,958
Non-current assets	**–**	–
Current liabilities	**(931,127)**	(874,081)
Non-current liabilities	**(821,334)**	(779,254)
Net liabilities	**(15,520)**	(7,377)
Revenue	**–**	–
Loss for the year	**(8,143)**	(3,069)
Total comprehensive income for the year	**(8,143)**	(3,069)
Reconciled to the Group's interest in the associate		
Gross amounts of consolidated net liabilities of the associate	**(15,520)**	(7,377)
Group's interest held through a wholly-owned subsidiary of the Company	**20%**	20%
Group's share of consolidated net liabilities of the associate	**(3,104)**	(1,475)
Carrying amount in the consolidated financial statements	**(3,104)**	(1,475)
Group's share of associate's loss for the year	**(1,629)**	(1,475)
Dividend received from the associate	**–**	–

(d) Amounts due from associates

At 31 March 2020 and 31 March 2019, the amounts due from associates are interest-free and unsecured. All the amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

(e) Aggregate information of associates that are not individually material:

	2020	2019
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**(766)**	(558)
Aggregate amounts of the Group's share of these associates' losses and total comprehensive income for the year	**(208)**	(558)

(f) At 31 March 2020, RREFLP's aggregate capital contribution was HK$740,686,000 (2019: HK$703,909,000).

(g) At 31 March 2020, RREPFLP's aggregate capital contribution was HK$140,808,000 (2019: HK$136,687,000).

31 INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**14,002**	15,140
Amounts due from joint ventures (Note (e))	**223,203**	210,634
Share of net liabilities	**(48,252)**	(24,431)
	174,951	186,203
	188,953	201,343
Dividend received from a joint venture	**2,384**	1,192

At 31 March 2020, 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 2020	2019	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	HK$1	**43.5%**	43.5%	Distribution of construction and interior decorative materials
Q.R.B.G. S.r.L. (Note (a))	Incorporated	Italy	EUR5,000,000	**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	RMB100,000,000	**43.5%**	43.5%	Distribution of construction and interior decorative materials
Star Wonder Investments Limited (Note (a))	Incorporated	Hong Kong	HK$1	**43.5%**	43.5%	Investment holding
Quarella Building Materials (Malaysia) Sdn. Bhd. (Note (a))	Incorporated	Malaysia	MYR100	**43.5%**	–	Distribution of construction and interior decorative materials
RB Le Roy, LLC (Note (c))	Incorporated	The U.S.A.	–	**50%**	50%	Property development

31 INTERESTS IN JOINT VENTURES (Continued)

Notes:

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

(b) This entity is a foreign owned 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) 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 2020, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amount in the consolidated financial statements.

	Quarella Group	
	2020	2019
	HK$'000	HK$'000
Gross amounts of the joint venture		
Current assets	**319,409**	341,801
Non-current assets	**214,914**	225,040
Current liabilities	**(617,688)**	(599,853)
Non-current liabilities	**(11,636)**	(13,807)
Net liabilities	**(95,001)**	(46,819)
Included in the above assets and liabilities:		
Cash and cash equivalents	**21,720**	60,792
Current financial liabilities (excluding trade and other payables)	**(504,167)**	(460,585)
Non-current financial liabilities (excluding trade and other payables)	**(11,635)**	(13,807)
Revenue	**405,833**	411,691
Loss for the year	**(43,159)**	(57,134)
Other comprehensive income for the year	**(5,023)**	(8,665)
Total comprehensive income for the year	**(48,182)**	(65,799)
Included in the above loss:		
Depreciation and amortisation	**(14,355)**	(14,086)
Interest income	**262**	165
Interest expense	**(27,487)**	(25,698)
Income tax (expense)/credit	**(352)**	4,008

Note: The joint venture has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach and adjusted the opening balance at 1 April 2019 to recognise additional right of use assets and lease liabilities of HK$1,339,000 relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.

31 Interests in joint ventures (Continued)

Notes: (Continued)

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

	Quarella Group 2020 HK$'000	2019 HK$'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of consolidated net liabilities of the joint venture	**(95,001)**	(46,819)
Group's effective interest	**43.5%**	43.5%
Group's share of consolidated net liabilities of the joint venture (effective interest)	**(41,325)**	(20,366)
Non-controlling interests' share of consolidated net liabilities of the joint venture	**(6,176)**	(3,043)
Unrealised profits resulting from transactions between the Group and the joint venture	**(432)**	(699)
Carrying amount in the consolidated financial statements	**(47,933)**	(24,108)
Group's share of joint venture's loss	**(21,313)**	(28,451)

(e) At 31 March 2020, the amount due from a joint venture of HK$190,000,000 (2019: HK$190,000,000) is interest bearing at 4.5% (2019: 4.5%) per annum over 3-month Hong Kong Interbank Offer Rate ("HIBOR") and unsecured while the remaining balance of HK$33,203,000 (2019: HK$20,634,000) is interest-free, and unsecured. All the amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

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

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**13,683**	14,817
Aggregate amounts of the Group's share of these joint ventures		
Profit for the year	**1,541**	1,354
Other comprehensive income for the year	**(291)**	114
Total comprehensive income for the year	**1,250**	1,468

32 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations:

	Note	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation		**(78,942)**	371,172
Adjustments for:			
Decrease/(increase) in fair value of investment properties		**13,471**	(5,585)
Depreciation of other properties, plant and equipment	8	**1,899**	3,081
Depreciation of right-of-use assets	8	**112**	–
Loss on disposal of other properties, plant and equipment	7	**23**	18
Interest income on bank deposits	6	**(56)**	(560)
Interest income on loans to joint ventures	6	**(12,805)**	(12,616)
Interest expenses	11	**13,524**	23,563
Share of losses of joint ventures		**19,772**	27,097
Share of losses/(profit) of associates		**85**	(121,144)
Impairment loss on trade receivables	8	**807**	9,906
Impairment loss on other receivables, deposits and prepayments	8	**3,680**	–
Impairment loss on properties for sale	8	**3,441**	–
Exchange loss		**24,586**	23,445
Operating (loss)/profit before changes in working capital		**(10,403)**	318,377
Changes in working capital:			
(Increase)/decrease in properties for sale		**(22,340)**	249,908
Decrease in inventories		**2,426**	21,766
Decrease/(increase) in trade receivables		**8,283**	(8,126)
(Increase)/decrease in other receivables, deposits and prepayments		**(44,805)**	104,195
Decrease in amounts due from associates		**–**	3,267
Decrease in cash held by stakeholders		**–**	188,325
Decrease in trade and other payables		**(9,945)**	(46,616)
Decrease in contract liabilities		**(4,345)**	(383,216)
Cash (used in)/generated from operations		**(81,129)**	447,880

32 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Bank loans HK$'000	Loan from non-controlling shareholders HK$'000	Total HK$'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
Repayment 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 11)	23,307	256	23,563
Capitalised borrowing costs (Note 11)	1,790	–	1,790
Interest paid	(25,097)	(256)	(25,353)
Total other changes	–	–	–
At 31 March 2019	338,459	78,218	416,677

32 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Lease liabilities HK$'000	Bank loans HK$'000	Loan from non-controlling shareholders HK$'000	Total HK$'000
At 31 March 2019	–	338,459	78,218	416,677
Adoption of HKFRS 16	121	–	–	121
At 1 April 2019	121	338,459	78,218	416,798
Changes from financing cash flows:				
Proceeds from new bank loans	–	141,608	–	141,608
Repayment of bank loans	–	(175,175)	–	(175,175)
Repayment of lease liabilities	(112)	–	–	(112)
Loans from non-controlling shareholders	–	–	679	679
Total changes from financing cash flows	(112)	(33,567)	679	(33,000)
Exchange adjustments	–	(189)	(415)	(604)
Other changes:				
Interest expenses (Note 11)	3	13,265	256	13,524
Capitalised borrowing costs (Note 11)	–	429	–	429
Interest paid	(3)	(13,694)	(256)	(13,953)
Total other changes	–	–	–	–
At 31 March 2020	9	304,703	78,482	383,194

33 COMMITMENTS

(a) Operating lease commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, which are disclosed in Note 14(B).

At 31 March 2020, the Group future aggregate minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements are payable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	7	853

(b) At 31 March 2020, capital commitments outstanding and not provided for in the consolidated financial statements were as follows:

	2020 HK$'000	2019 HK$'000
Authorised but not contracted for	722,813	696,314
Contracted for	50,835	38,763
	773,648	735,077

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

34 BANK LOANS

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

	2020 HK$'000	2019 HK$'000
Current liabilities		
Portion of bank loans due for repayment within one year	78,649	102,119
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	217,682	236,340
	296,331	338,459
Non-current liabilities		
Bank loans	8,372	–

34 BANK LOANS (Continued)

At 31 March 2020, the bank loans are due for repayment as follows:

	2020 HK$'000	2019 HK$'000
Portion of bank loans due for repayment within one year	**78,649**	102,119
Bank loans due for repayment after one year (Notes (e) and (f)):		
After one year but within two years	**123,701**	75,454
After two years but within five years	**74,450**	126,403
After five years	**27,903**	34,483
	226,054	236,340
	304,703	338,459

At 31 March 2020, the secured bank loans and unsecured bank loans are as follows:

	2020 HK$'000	2019 HK$'000
Secured bank loans	**304,703**	323,459
Unsecured bank loans	**–**	15,000
	304,703	338,459

Notes:

(a) At 31 March 2020, bank loans drawn in Hong Kong bear interest at rates range from 1.8% to 3.0% (2019: 1.8% to 3.0%) per annum over HIBOR. The interests are repriced every one to three months.

(b) At 31 March 2020, bank loans drawn in the U.S.A. bear interest at 5.0% (2019: 5.0%) per annum.

(c) At 31 March, certain of the banking facilities of the Group were secured by mortgages over:

	2020 HK$'000	2019 HK$'000
Investment properties (Note 15)	**160,140**	173,720
Buildings (Note 14(A))	**38,921**	40,350
Properties for sale (Note 16)	**100,575**	69,222
	299,636	283,292

Such banking facilities amounted to HK$392,017,000 (2019: HK$396,052,000) were utilised to the extent of HK$304,703,000 at 31 March 2020 (2019: HK$323,459,000).

34 BANK LOANS (Continued)

Notes: (Continued)

(d) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group was to breach the covenants, the utilised facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

None of the covenants relating to the utilised facilities had been breached for the years ended 31 March 2020 and 31 March 2019.

(e) The amounts due are based on the scheduled repayment dates set out in bank loan agreements and ignore the effect of any repayment on demand clause.

(f) Certain of the Group's bank loan agreements contain clauses which give the lenders the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.

The Group does not consider it probable that banks will exercise their discretion to demand repayment so long as the Group continues to meet the scheduled repayment obligations. Further details of the Group's management of liquidity risk are set out in Note 3.1(c).

35 LOANS FROM NON-CONTROLLING SHAREHOLDERS

At 31 March 2020, the loan from a non-controlling shareholder of HK$1,689,000 (2019: HK$1,709,000) is unsecured, interest bearing of 15% (2019: 15%) per annum and repayable on demand while the remaining loans from other non-controlling shareholders of HK$76,793,000 (2019: HK$76,509,000) are unsecured, interest-free and are repayable on demand.

36 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries and a joint venture of HK$383,877,000 (2019: HK$393,426,000) and HK$54,400,000 (2019: HK$20,000,000) respectively. Such banking facilities were utilised by its subsidiaries and the joint venture to the extent of HK$131,382,000 (2019: HK$120,764,000), including the bank guarantee in favour of a utility service provider to secure the payment obligation of a subsidiary of the joint venture for an amount of EUR Nil (equivalent to HK$Nil) (2019: EUR250,000 (equivalent to HK$2,215,000)) and HK$20,000,000 (2019: HK$20,000,000) respectively.

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

As at 31 March 2020 and 2019, the Group did not recognise any liabilities in respect of each corporate financial guarantees as the amounts of loss allowance estimated under the expected credit loss model were insignificant.

37 BUSINESS COMBINATION

(a) Worth Celestial Limited – Step acquisition from joint venture to subsidiary

On 10 December 2019 the Group acquired additional 60% of the equity interests in Worth Celestial Limited and its subsidiaries ("Worth Celestial Group"). Upon the completion of the acquisition, Worth Celestial Limited became a wholly-owned subsidiary of the Group. The net assets acquired were as follows:

	HK$'000
Purchases consideration	
Cash paid	7

The net assets of Worth Celestial Group as at the date of acquisition were as follows:

	Fair value HK$'000
Other receivables, deposits and prepayments	190,610
Bank deposits and cash on hand	4,711
Amount due to the Group	(195,314)
Net identifiable assets	7

(b) Purchase consideration – cash outflow

	HK$'000
Outflow of cash to acquire subsidiary, net cash acquired	7
Less: Balance acquired	4,711
Net cash inflow – investing activities	4,704

Worth Celestial Group does not have any operations during the year.

38 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:

	2020 HK$'000	2019 HK$'000
Asset management expense to a related company (Note (ii))	(380)	(396)
Investment advisory fee expense to a related company (Note (ii))	(380)	(396)
Sales of construction materials to joint ventures	1,760	8,523
Sales of construction materials to a related company (Note (i))	–	3,040
Sales of completed properties to related parties of a key management personnel	–	5,202
Purchase of construction materials from joint ventures	(2,782)	(6,481)
Investment management fee income from an associate	7,674	7,518
Project management fee income from associates	11,007	13,851
Rental and building management fee income from joint ventures	389	1,109
Rental and building management fee income from a related company (Note (iii))	513	513
Rental deposit from a related company (Note (iii))	108	108
Rental deposit received from a joint venture	–	135
Trade receivable from a joint venture	41,797	43,894
Trade receivable from a related company (Note (i))	1,227	5,113
Trade receivables from associates	10,065	15,523
Trade payables to joint ventures	–	3,747
Contract liabilities to an associate	(104)	–

Notes:

(i) The non-executive director of the Company is the key management personnel of these entities.

(ii) 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).

(iii) 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:

	2020 HK$'000	2019 HK$'000
Salaries and short-term employee benefits	28,053	30,283
Post-employment benefits	107	108
	28,160	30,391

Total remuneration is included in employee benefit expenses (see Note 9(a)).

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	**38,552**	35,552
Amount due from a joint venture	**223,203**	210,311
	261,755	245,863
Current assets		
Other receivables and deposits	**665**	632
Amounts due from subsidiaries	**1,350,674**	1,262,230
Bank deposits	**115,740**	232,210
	1,467,079	1,495,072
Current liabilities		
Payables and accruals	**1,453**	2,182
Amounts due to subsidiaries	**37,300**	398,170
Bank loans	**173,320**	220,000
	212,073	620,352
Net current assets	**1,255,006**	874,720
NET ASSETS	**1,516,761**	1,120,583
CAPITAL AND RESERVES		
Share capital	**4,774**	4,774
Reserves	**1,511,987**	1,115,809
TOTAL EQUITY	**1,516,761**	1,120,583

The financial statements were approved by the Board of Directors on 17 June 2020 and were signed on its behalf.

CHAN William
Director

YIP Chun Kwok
Director

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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		Principal activities
				2020	2019	
Power City Investments Limited*	Hong Kong	Ordinary	HK$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	HK$1	**100%**	100%	Property development
Prime Talent Development Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Property holding
Win Expo Enterprises Limited*	Hong Kong	Ordinary	HK$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	HK$1	**100%**	100%	Investment holding
Rykadan Management Services Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Provision of management services
Rykadan Capital Asset Management Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Provision of asset management services
Rykadan Capital Management Limited	Hong Kong	Ordinary	HK$3,000,000	**100%**	100%	Provision of asset management services
Rykadan Project Management Limited*	Hong Kong	Ordinary	HK$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	HK$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

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. (continued)

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 2020	2019	Principal activities
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	US12,700,000	**59.1%**	59.1%	Property holding

* These entities are indirectly held by the Company.

\# These entities are foreign owned enterprises established in the PRC.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has acquired approximately 2.53% partnership interest of RREFLP. The total partnership interest indirectly held by the Group has increased from 1% to approximately 3.53% upon the completion of the acquisition. RREFLP and the Group own 80% and 20% respectively of the interest of Fastest Runner, an associate of the Group, which was formed for the single purpose to redevelop a property located in Hong Kong. The Group's effective interest in Fastest Runner has therefore increased from 20.80% to approximately 22.82% as a result of the acquisition.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented and continued to be carried out around the world. The Group has paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. At the date on which this set of financial statements were authorised for issue, the financial impact on the Group's consolidated financial statements is not material for the year ended 31 March 2020 as a result of the COVID-19 outbreak. The Group will continue to monitor the situation closely and carry out any necessary assessments on the potential financial impact to the Group's consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue	153,108	602,325	408,144	881,095	**110,677**
(Loss)/profit for the year	(91,636)	54,385	34,676	322,641	**(84,940)**
(Loss)/profit for the year attributable to:					
Equity shareholders of the Company	(83,363)	53,510	31,120	329,957	**(77,319)**
Non-controlling interests	(8,273)	875	3,556	(7,316)	**(7,621)**
	(91,636)	54,385	34,676	322,641	**(84,940)**

ASSETS AND LIABILITIES

	As at 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	1,973,558	1,671,381	2,639,256	2,024,317	**1,803,697**
Total liabilities	857,783	526,865	1,442,450	554,883	**462,919**
	1,115,775	1,144,516	1,196,806	1,469,434	**1,340,778**
Equity attributable to equity shareholders of the Company	1,080,018	1,112,449	1,153,133	1,439,286	**1,323,385**
Non-controlling interests	35,757	32,067	43,673	30,148	**17,393**
	1,115,775	1,144,516	1,196,806	1,469,434	**1,340,778**