# RYKADAN CAPITAL LIMITED
# 宏基資本有限公司

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

**(Stock code : 2288)**

RYKADAN CAPITAL

# Annual Report 2022

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

CHAN William *(Chairman and Chief Executive Officer)*
YIP Chun Kwok *(Chief Operating Officer)*
LO Hoi Wah, Heywood *(Chief Financial Officer)*

### Non-executive Director

NG Tak Kwan

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

LUI Man Kit

## AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*

## LEGAL ADVISORS

Woo, Kwan, Lee & Lo
北京德恒(福州)律師事務所

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Macau Chinese Bank Limited

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(With effect from 15 August 2022:
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong)

## STOCK CODE

2288

## COMPANY'S WEBSITE

www.rykadan.com

## INVESTOR RELATIONS CONTACT

Think Alliance Group
Room 1102, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

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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 2022.

Ongoing uncertainties and challenging market conditions endured for much of the past year, leading us to focus on strategy execution while mitigating any risks facing our various property projects. We also instilled financial discipline and maintained a solid balance sheet to fund our future growth in an increasingly volatile external environment.

Despite the heightened uncertainties, our investment strategy of growing asset values and exiting within a three-to-five-year horizon has continued to serve the Group well. It has enabled us to build up a diversified portfolio of commercial, industrial, residential and mixed-use properties, encompassing entrepreneurial hubs across Hong Kong, the United Kingdom and the United States of America, helping us offset local challenges.

To combat the ongoing pandemic and supply chain disruption, the Group implemented digital tools and operational protocols to ensure the health and safety of our staff and partners, while optimising remote construction monitoring to ensure that project milestones continued to be met without compromising on quality. As a result, despite extended travel restrictions imposed in different locations, only our hospitality joint venture, a minor part of our business, was impacted.


Our redevelopment projects in Hong Kong, located in vibrant commercial centres, Wong Chuk Hang and Wanchai, have progressed smoothly. Both projects are scheduled to be completed by the summer of 2022. We believe these projects, which incorporate new design elements and sustainable building principles, will attract reputable companies seeking efficient hybrid work environments in convenient locations. In addition, the Wong Chuk Hang Project has won a number of prestigious industry awards, including the Muse Design Award 2020 and the Best International Interior Design Award 2021.

We have also sharpened our management ability to better navigate volatile market cycles, enhance credit management and identify new promising projects that can generate stable returns for shareholders.

Looking forward, rising geographical tension and uneven macroeconomic policies will continue to impact investment sentiment. Nevertheless, gradual reopening and plans for return-to-office will drive demand for modern commercial real estate assets. A higher inflation environment, while impacting material and construction costs, will also support fixed asset prices. This is being reflected by growing fund flows into commercial and logistics buildings in Hong Kong and other international commercial hubs.

Our diversified and value-adding portfolio will continue to broaden our revenue stream and enhance our capability to deliver stable returns. We will maintain our prudent and selective approach to identify new opportunities both overseas and in China.

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

**William Chan**
*Chairman and Chief Executive Officer*

Hong Kong, 28 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

The Group once again faced a very uncertain operating environment during the year, but this did not stop the Group from making satisfactory headways in each of its ongoing property development projects. It still managed to monetise its earlier completed assets despite industry headwinds. Its steadfast efforts allowed the Group to pursue its long-term investment strategy – identifying and progressively adding new diversified and promising property redevelopment projects to its portfolio, and efficiently growing their asset value before monetising them within a three-to-five year horizon. With a focus on the future, the Group continued to steadily forge ahead with growing its asset, investment and fund management business.

During the year, the Group proactively identified and evaluated investment opportunities. It redeployed capital into higher return projects such as the high-potential luxury residential and mixed-use property projects overseas. It monetised one redevelopment project and acquired a new property in the United States of America (the "U.S.A."). It also acquired a minority stake in a residential and commercial property redevelopment project in the United Kingdom (the "U.K.").

In Hong Kong, despite the ongoing pandemic, the construction of the Group's two promising commercial redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project remains on track and is scheduled for completion in the summer of 2022. The Group also continued to explore other high-potential real estate redevelopment projects around the world during the year under review.

Elsewhere, the Group continued to maintain its revenue base by prudently managing its asset, investment and fund management business. The Group currently manages two private, closed-end funds. It also explored various fixed income investment opportunities to deliver higher value to shareholders.

During the financial year under review, the Group's investments included commercial, industrial and residential property developments in Hong Kong, the U.S.A. and the U.K.. It also invested in a leading international producer and distributor of construction and interior decorative materials and hospitality operations.

As of 31 March 2022, the Group's total assets were valued at HK$1,591 million (2021: HK$1,549 million), of which HK$595 million (2021: HK$852 million) were current assets, approximately 1.66 times (2021: 3.16 times) of current liabilities. Equity attributable to equity shareholders of the Company was HK$1,234 million (2021: HK$1,277 million).

## Overall Performance

During the year ended 31 March 2022, the Group's consolidated revenue amounted to HK$87 million (2021: HK$168 million). The consolidated revenue was mainly attributable to the recurring income generated from the Group's asset, investment and fund management business and the monetisation of property redevelopment project in the U.S.A.. Its gross profit and gross profit margin were HK$11 million (2021: HK$19 million) and 12.8% (2021: 11.3%) respectively. The fall in revenue was attributable to a high base recorded in the previous financial year.

The Group recorded a loss of HK$39 million during the year (2021: profit of HK$31 million), while the loss attributable to equity shareholders of the Company was HK$35 million (2021: profit attributable to equity shareholders of the Company of HK$5 million). The turn from profit to loss was mainly attributable to the absorption of losses incurred by joint ventures during the year and the absence of a one-off gain arising from the disposal of interest in a subsidiary during the year.

Basic and diluted loss per share for the year ended 31 March 2022 was HK9.3 cents (2021: basic and diluted earnings per share of HK1.0 cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: HK3 cents per share).

## Material Acquisition and Disposal

In September 2021, the Group entered into a subscription agreement under which the Group agreed to increase its capital commitment in Rykadan Real Estate Fund LP by HK$15,750,000. Upon completion of the subscription, the partnership interest indirectly held by the Company has been increased from approximately 3.53% to approximately 5.26%. (For details, please refer to note 16 to the consolidated financial statements).

## Investment Portfolio

As at 31 March 2022, the Group's bank deposits and cash was HK$110 million (2021: HK$370 million), representing 6.9% (2021: 23.9%) of the Group's total assets.

The following table shows the Group's investments as at 31 March 2022.

*Real estate investments*

| Investment | Location | Type | Group's interest | Status as of 31/3/2022 | Area | Attributable area |
|---|---|---|---|---|---|---|
| Winston Project | 1135 Winston Avenue, San Marino, CA 91108, the U.S.A. | Residential property | 100% | Completed and being marketed to buyers | 4,021 square feet (gross floor) | 4,021 square feet (gross floor) |
| Monterey Park Towne Centre Project | 100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA 91755, the U.S.A. | Residential and retail property | 100% | Under planning | 237,644 square feet (gross floor) | 237,644 square feet (gross floor) |
| Anoakia Project | 701 Anoakia Lane, Arcadia, CA 91006, the U.S.A. | Residential property | 100% | Under planning | 11,335 square feet (gross floor) | 11,335 square feet (gross floor) |
| Broadway Project | 216 – 220 East Broadway, San Gabriel, CA 91776, the U.S.A. | Residential property | 50% | Under planning | 16,740 square feet (gross floor) | 8,370 square feet (gross floor) |
| Graphite Project | Graphite Square, Vauxhall, London SE11, the U.K. | Residential and commercial property | 21.25% | Under construction. Expected to be completed in March 2025 | 27,523 square metres (gross floor) | 5,849 square metres (gross floor) |
| Jaffe Road Project | 216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, Hong Kong | Commercial and retail property | 3.55% | Under construction. Expected to be completed in July 2022 | 49,019 square feet (gross floor) | 1,740 square feet (gross floor) |
| Wong Chuk Hang Project | 23 Wong Chuk Hang Road, Hong Kong | Commercial and retail property | 24.21% | Under construction. Expected to be completed in July 2022 | 107,208 square feet (gross floor) | 25,955 square feet (gross floor) |

| Investment | Location | Type | Group's interest | Status as of 31/3/2022 | Area | Attributable area |
|---|---|---|---|---|---|---|
| Maple Street Project | 124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon | Industrial property | 100% | Completed. Remaining 2 floors and various car parking spaces expected to be handed over in the third quarter of 2022 | 6,323 square feet (gross floor) | 6,323 square feet (gross floor) |
| 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 (gross floor) | 13,467 square feet (gross floor) |
| 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 |
| Shouson Hill | House 11 (including two car parking spaces), No. 1 Shouson Hill Road East, Shouson Hill, Hong Kong | Residential property | 100% | Investment properties | 2,657 square feet (saleable) | 2,657 square feet (saleable) |

*Note:* The above gross floor area is calculated based on the Group's development plans, which may be subject to change.

## *Other investments*

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

## Summary and Review of Investments

*Property development/Asset, investment and fund management*

During the year under review, the Group completed its sales of the Singing Wood Project in Arcadia, California, the U.S.A., and acquired the Anoakia Project, a residential property redevelopment project also located in Arcadia, California. Both the Anoakia Project and the Broadway Project are under planning. Due to the delays caused by the pandemic, the Monterey Park Towne Centre Project remains in the design approval and planning phase.

In the U.K., the Group acquired a minority stake in the Graphite Project in London's Vauxhall district. This riverside district is currently undergoing rapid gentrification with a number of commercial businesses moving to the area. The scheduled completion for the Graphite Project is by the end of the first quarter of 2025.

In Hong Kong, the Group entered into a provisional sale and purchase agreement for the remaining floors and various car parking spaces of the Maple Street Project. The full exit of the Maple Street Project is expected to be completed by the third quarter of 2022.

For the Wong Chuk Hang Project and the Jaffe Road Project, the former is jointly funded by the Group and a private equity fund, while the latter is jointly funded by the Group, international investors and a private equity fund. Both private equity funds are managed by the Group's asset, investment and fund management business. The projects are being redeveloped jointly in accordance with the respective fund's mandate. Both the Wong Chuk Hang Project and the Jaffe Road Project are scheduled to be completed by the summer of 2022. The slight delay was attributable to the temporary disruption from the COVID-19 pandemic.

The Group continues to build up its asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects. It provides 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.

Besides the projects mentioned above, the Group continues to seek and identify new property redevelopment opportunities and evaluate its projects on hand to capitalise on these investments at an appropriate time.

*Property investment*

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

In Hong Kong, the Group acquired a Shouson Hill property during the year under review and retains two floors of Rykadan Capital Tower and various car parking spaces for its own use and for earning stable rental income.

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

*Distribution of construction and interior decorative materials*

Quarella, controlled by Quarella Holdings Limited, a joint venture of the Group, is a world leader in the design and manufacturing of quartz and marble-based engineered stone composite surfaces products, with factories and research and development centres in Italy. Established over 50 years, its products are used in many prominent hotels, airports, train stations, commercial buildings and shopping malls around the world.

During the year under review, although the pace of recovery for Quarella remained uneven due to logistics challenges and sporadic restrictions in different parts of the world, it is proactively mitigating these challenges by identifying new channels and growth opportunities domestically and abroad.

## Direct impact of the COVID-19 pandemic

A tourism ban in Bhutan which remained in force throughout the year under review impacted the Group's share of operational income from RS Hospitality. As of the date of this report, RS Hospitality expects its operational income to remain impacted until the removal of the tourism ban.

As of 31 March 2022, the financial impact of the COVID-19 pandemic on the Group is not material.

## Outlook

The global economic recovery remains uneven and overshadowed by the U.S. interest rate hikes, inflation and geographical tensions. Nevertheless, the Group expects further border reopening will revitalise business activities and spur demand for selective hybrid commercial assets. Meanwhile, rising replacement costs and construction delays from logistical disruption will support asset prices.

The Group remains cautiously optimistic about the prospects of its current property redevelopment portfolio. In Hong Kong, the extension of revitalisation policies has continued to attract robust funding and investment activities into the commercial and industrial markets. At the same time, the extension of the cross-harbour rail link will further boost the attractiveness of the Group's projects on Hong Kong Island. The Group plans to monetise these projects appropriately upon further relaxation of pandemic restrictions. Elsewhere, the Group remains cautiously optimistic about its overseas property portfolio, given the resilience of real estate assets and capital seeking consistent yields.

The Group will continue to explore high-potential assets in overseas markets and debt investment opportunities to deliver additional returns to 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 2022, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 20.8% (2021: 15.6%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was 17.9% (2021: Nil) as the Group has net debts of HK$221 million as at 31 March 2022 (2021: net cash of HK$129 million).

As of 31 March 2022, the total bank borrowings of the Group amounted to HK$332 million (2021: HK$241 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, the Shouson Hill property, the property development projects and its investment in Quarella. Certain of the 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 2022, the Group's current assets and current liabilities were HK$595 million (2021: HK$852 million) and HK$359 million (2021: HK$270 million) respectively. The Group's current ratio decreased to 1.66 (2021: 3.16). The internally generated funds, together with unutilised banking facilities will enable the Group to meet its business development needs.

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

### *Pledge of Assets*

For the pledge of assets, please refer to note 26 to the consolidated financial statements.

### *Commitments and Contingent Liabilities*

For commitments and contingent liabilities, please refer to notes 33 and 34 to the consolidated financial statements respectively.

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

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

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

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

*Credit Exposure*

The Group continues to adopt prudent credit policies to deal with credit exposure. The Group's major customers are institutional organisations and reputable property developers. Therefore, the Group is not exposed to significant credit risk. For loans and other receivables, the Group performs credit assessments before approving loans to applicants and regularly reviews the recoverability of each individual receivable.

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

*Employees and Remuneration Policies*

As at 31 March 2022, the total number of employees of the Group is 27 (2021: 27). The Group is committed to the concept of fair and responsible remuneration for its executive members and prescribed officers in line with the Company's and individual performance, market trends and in the context of overall employee remuneration. Total remuneration for employees (including the directors' remuneration) was HK$29 million for the year (2021: HK$25 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 2022.

## 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 2022, save for the deviations for code provisions A.1.1 and A.2.1 which deviations are explained in the relevant parts of this report.

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

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

## DELEGATION BY THE BOARD

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

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

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

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

## BOARD OF DIRECTORS

The Board of the Company currently comprises the following directors:

### Executive directors:

Mr. CHAN William
*(Chairman of the Board and the Nomination Committee, Chief Executive Officer)*
Mr. YIP Chun Kwok
*(Chief Operating Officer)*
Mr. LO Hoi Wah, Heywood
*(Chief Financial Officer)*

### Non-executive director:

Mr. NG Tak Kwan

**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 pages 37 to 38 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 2022, 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 2022, 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 are 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.

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. WONG Hoi Ki ("Mr. Wong"), is an independent non-executive director serving the Company since 2009. Mr. Wong has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Wong who served the Company for more than nine years, remains independent, and considers that he would be able to continue to discharge his duties as an independent non- executive director to the Company. Mr. Wong should be re-elected and separate resolution will be proposed for his re-election at the 2022 annual general meeting ("AGM").

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 March 2022, 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 2022.

## 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 2022. 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 of the CG Code, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2022 is set out below

| **Remuneration Band** | **Number of Individuals** |
|---|---|
| HK$1,000,001 to HK$1,500,000 | 2 |

### 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 2022.

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 three Audit Committee meetings held during the year ended 31 March 2022. 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 2021 and the interim results for the half year ended 30 September 2021; (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 2022 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 2022, the Board reviewed its CG Manual, the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were two Board meetings held during the year ended 31 March 2022, which were regular meetings held for (i) approving the final results for the year ended 31 March 2021, and (ii) approving the interim results for the period ended 30 September 2021. The Company has not held another regular Board meeting as it is not required under the Listing Rules to publish quarterly results.

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 2022 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 | 2/2 | N/A | 1/1 | 1/1 | 1/1 |
| Yip Chun Kwok | 2/2 | N/A | N/A | 1/1 | 1/1 |
| Lo Hoi Wah, Heywood | 1/1 | N/A | N/A | 1/1 | 1/1 |
| **Non-Executive Director** | | | | | |
| Ng Tak Kwan | 2/2 | N/A | N/A | 1/1 | 1/1 |
| **Independent Non-Executive Directors** | | | | | |
| Ho Kwok Wah, George | 2/2 | 3/3 | 1/1 | 1/1 | 1/1 |
| To King Yan, Adam | 2/2 | 3/3 | N/A | 1/1 | 1/1 |
| Wong Hoi Ki | 2/2 | 3/3 | 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 2022.

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.

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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" in the Independent Auditor's Report.

## 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 2022 is set out below:–

| Category of Services | Fee Paid/Payable (HK$) |
|---|---|
| Audit Services | 1,250,000 |
| Non-audit Services | |
| – Internal control advisory work | 188,000 |
| – Tax compliance work | 214,000 |
| – Others | 172,000 |
| TOTAL | 1,824,000 |

## 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 2022, 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 2022, 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 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 rather than eliminate 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 Group's internal control procedures and is satisfied that the Group's internal control processes are adequate to meet the business needs of the Group. The Board considers that the risk management and internal control systems of the Group are effective and adequate. The Board is monitoring the risk management and internal control systems on an ongoing basis.

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

## COMPANY SECRETARY

Mr. LUI Man Kit ("Mr. Lui") has been appointed the Company Secretary of the Company in July 2021. Mr. Lui has taken no less than 15 hours of relevant professional training during the financial year ended 31 March 2022.

## 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 2022, 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 of Directors ("the Board") is pleased to present this Environment, Social and Governance ("ESG") report (the "Report" or "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 2021 to 31 March 2022, to demonstrate our efforts in managing our environmental and social impacts.

## 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 Standards

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). An index table aligning the report content with the ESG guide requirements has been included in Appendix I of this report for reference.

### 1.3 Reporting Principles

We applied principles of materiality, quantitative, balance and consistency according to the ESG Reporting Guide, and responded to the above principles during the preparation process to ensure that the Report presents clear, quantifiable and comparable information on the environmental, social and governance issues of concern to stakeholders.

| Principles | | The Group's response |
|---|---|---|
| Materiality | The issues covered in the report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected. | Through continuous communication with stakeholders and based on the strategic development and business operation, the Group has identified current material issues with regard to sustainable development. |
| Quantitative | Key performance indicators (KPIs) disclosed in the report should be measurable to evaluate and validate the performance of ESG policies and management systems. | The Group has made quantitative disclosures on KPIs' information of the year and provided textual explanations so that stakeholders can clearly understand the overall performance of the Group. |
| Balance | The ESG report should provide an unbiased picture of the sustainability performance of the issuer. | The Report elaborates the Group's achievements and challenges, and discloses relevant quantitative information for reasonable analysis and comparison. |
| Consistency | The issuer should adopt consistent disclosure principles and statistical methods when preparing the report. | The Group ensures that the disclosure scope and reporting methods of the Report are generally consistent every year. |

### 1.4 Scope of the Report

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 United States of America (the "U.S.A.") and the United Kingdom (the "UK"); while the distribution of construction and interior decorative materials business is mainly conducted in Hong Kong and Mainland China at our head office and mainland offices. Other investments (i.e. Quarella Holdings Limited and RS Hospitality Private Limited) are excluded from this Report since we do not have direct control over the business operation of these investments.

Environmental and social KPIs disclosed in this ESG Report cover our head office in Hong Kong and the Beijing office. For property development, as the construction activities are carried out by contractors, we also report our contractors' environmental and social performance at the construction sites to reflect the ESG impact of our projects. Properties that are under construction and being managed by the Group, are included in ESG data disclosure. 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 2022 | ESG Data | Remarks |
|---|---|---|---|---|
| Hong Kong | Wong Chuk Hang Project | Under construction | Y | Expected to be completed in July 2022 |
| | Jaffe Road Project | Under construction | Y | Expected to be completed in July 2022 |
| | Maple Street Project | Completed | N/A | Remaining 2 floors and various car parking spaces expected to be handed over in the third quarter of 2022 |
| | 2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower | Completed | N/A | Classified as investment properties |
| | Various car parking spaces of Rykadan Capital Tower | Completed | N/A | Classified as properties for sales |
| | Shouson Hill | – | N/A | Classified as investment properties |
| The U.S.A. | Winston Project | Completed | N/A | Being marketed to buyers |
| | Monterey Park Towne Centre Project | Under planning | N/A | – |
| | Anoakia Project | Under planning | N/A | – |
| | Broadway Project | Under planning | N/A | – |
| The U.K. | Graphite Project | Under construction | N/A | Expected to be completed in March 2025 |

## 2. OUR ESG APPROACH

### 2.1 ESG management and governance

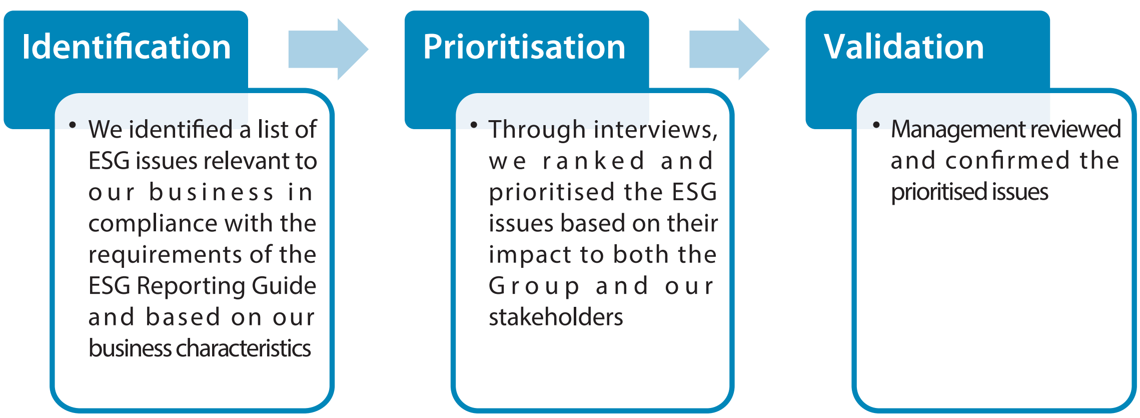
Rykadan is well aware that assuming corporate social responsibilities is essential to the sustainable development of the Group. In full compliance with regulatory requirements, we incorporate the concept of sustainable development into all aspects of our business operations to reduce the impact of our business on the environment and society. With the focus on ESG issues, we continue to improve our ESG management to foster sustainable development.

We take a top-down approach to manage our ESG issues. The Board and the senior management supervise ESG matters, determine the ESG issues that have a significant impact on stakeholders, identify relevant risks and opportunities and review and sign annual ESG reports to disclose ESG information of the Group. Relevant functional departments of the Group, under the leadership of the Board, are responsible for carrying out specific work, monitoring the implementation of ESG measures, collecting ESG-related information and data and reporting the progress to the Board on a regular basis. The management approach enables the Board to tighten its supervision over ESG issues and improves the ESG management within the Group.

### 2.2 Stakeholder engagement and materiality assessment

To fully understand and respond to the demands and expectations of our stakeholders, we regularly interact with them through various channels to collect their constructive feedback on our ESG efforts. Based on their input, we identify and prioritise the material ESG issues which are highly relevant to our business and make the following ESG work plan to better manage the issues. We continue to improve our sustainable development performance and work with stakeholders to achieve mutual benefits and win-win results.

Following the principle of materiality, we undertook a material assessment by conducting interviews with our stakeholders to understand the importance of ESG issues to our business.



In 2022, we completed the interview with the senior management and identified and prioritised material issues. The results of the materiality assessment are as follows:

| | |
|---|---|
| Product responsibility | As a property developer, we recognise the importance of product responsibility to our business development and continue to improve the quality of our products and services. We focus on responsible "design and build" of our properties to meet the expectations from users such as ventilation and natural light penetration in the buildings. For more information on product responsibility, please refer to the Section 3.1 Securing product and service quality. |
| Health and safety | We give priority to the health and safety of our employees and provide them with a good and safe working environment. We take measures to reduce health and safety risks at office operations and construction sites. We regularly organise evacuation and escape exercises to raise employees' safety awareness and guarantee occupational health and safety. Meanwhile, we encourage our contractors to strive to reach the goal of zero accident in all our construction sites. For more information on health and safety, please refer to the Section 4.2 Occupational health and safety. |
| Supply chain management | Supply chain management is another key issue for our business development since we rely on construction contractors and decorative material suppliers to deliver quality products to our customers. To better manage the ESG impact of our contractors and suppliers, we focus on their ESG performance and compliance with relevant laws and regulations. For more information on supply chain management, please refer to the Section 3.3 Supply chain management. |
| Anti-corruption | We comply with applicable laws, rules and regulations to ensure ethics and integrity. We prohibit any forms of corruption, bribery, extortion, fraud and money laundering among our staff as well as suppliers and contractors in our business operations. For more information on anti-corruption, please refer to the Section 3.2 Anti-corruption. |
| Climate change and GHG emissions | The impact of climate change on business operations has become increasingly noticeable such as the impact of extreme weather on the construction activities and progress. We work with our business partners to make emergency plans to reduce the impact of potential disruption caused by climate events. For more information on climate change and emissions, please refer to the Section 5.2 Responding to climate change and 5.3 Emissions and regulatory compliance. |

## 3. OPERATING PRACTICE

### 3.1 Securing product and service quality

We are convinced that offering high-quality products to customers is the cornerstone for our success, profitability and long-term growth and exerts a direct impact on our brand image. Therefore, we strive to continuously improve our products and services to meet the expectations from our customers.

#### *Property development*

In terms of our business in property development, we are committed to delivering quality properties to consistently meet the requirements of our customers. As a property developer, we understand our social responsibilities towards the community and the impact of our business on it. In the design of our projects, we take the demands of our end users into account to try to live up to their expectations and offer them user-friendly designs where practicable. We comply with the health and safety requirements of local regulations on building designs, including fire safety and other necessary provisions to guarantee the safety of our buildings. To better save resources and protect the environment, we consider resource-efficient deigns in our buildings where it is economically sound. In financial year 2021/2022, Jaffe Road project, which is one of our managed projects in Hong Kong, obtained BEAM Plus Unclassified Rating, a green building certification.

We adhere to government regulations and industry guidelines, including the Residential Properties (First-hand Sales) Ordinance, the Consent Scheme of the Hong Kong Lands Department and the self-regulatory regime of the Real Estate Developers Association of Hong Kong. When carrying out marketing activities and preparing communication materials for our redeveloped properties, we strictly ban any kind of exaggeration.

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

In terms of our business in distribution of construction and interior decorative materials, we primarily source our products from Quarella, an internationally recognised brand. Quarella has been subject to rigorous quality control and safety testing to maintain a high standard of safety, ensuring its compliance with local environmental and social laws and regulations during production processes. To better safeguard the health safety of our customers, we give them basic training and guide them through the safety precautions of handling construction and interior decorative materials when offering them our decoration products. In this way, we can better prevent the dust produced during the cutting and installation of the materials from undermining their health.

With the goal of making our customers satisfied, we have increased our communication with them to collect their feedback and recommendations so as to better improve the quality of our products and services. We stay connected with our customers through multiple channels such as emails, phone calls and physical meetings. In the meantime, we have formulated effective policies and procedures to receive and deal with customer complaints to improve their satisfaction and safeguard their rights and interests. We also attach great importance to customer privacy. We strictly abide by relevant regulations including the Personal Data (Privacy) Ordinance (Cap. 486) and forbid the disclosure of proprietary information without authorization.

#### *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.

## 3.2 Anti-corruption

Rykadan complies with applicable laws, rules and regulations to ensure ethics, integrity, accountability and responsibility. We have formulated and implemented the Code of Ethics and Conduct Policy and Whistle Blowing Policy to provide general guidelines for appropriate ethical standards and conduct for employees to confirm, thus fostering a law-abiding and honest corporate culture.

We take a zero-tolerance approach to corruption and prohibit all forms of bribery, extortion, fraud and money laundering. We require all directors and employees to sign and conform to the Code of Conduct and non-compliance with the Policy will result in disciplinary action, including summary dismissal. The Code of Conduct clarifies specific regulations on bribery, illegal gifts and commissions. Directors or employees of Rykadan are prohibited from soliciting or accepting any advantage in connection with their duties from clients, suppliers or any person in connection with our business.

To ensure the ethical behaviour and conduct of our employees in the business environment, the Board regularly communicates to all employees about the ethical standard and any update of the policy by e-mail, communication sessions and other means of communication. We also provide our employees with anti-corruption training such as the Anti-Money Laundering Webinar for Licensed Money Lenders. Directors are required to receive special training concerning practical solutions to implementing the anti-money laundering/counter-terrorism financing requirements, virtual bank and recent enforcement cases on anti-money laundering/know your customer and other cases by SFC and emerging money laundering risk triggered in outbreak.

We strongly encourage employees and external stakeholders to report irregularities to ensure company accountability and transparency. We have a Whistle Blowing Policy in place to provide employees with whistle-blowing channels and guidelines for reporting any improper behaviour, including but not limited to crimes, fraud, bribery and corruption, contravention of the Code of Conduct, and unauthorised activity for personal gain. In the policy, we specify complete procedures for reporters to raise their concerns. Reporters can raise concerns either verbally or in writing to the head of human resource department or report through our Whistle Blowing Hotline. After the reports are received, management or Audit Committee may investigate the matters or refer them to police or relevant reporting parties, depending on the seriousness and sensitivity of the issues. We ensure that the identities and personal information of whistle-blowers are kept in strict confidence to protect them from retaliation or victimization.

### *Regulatory compliance*

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

## 3.3 Supply chain management

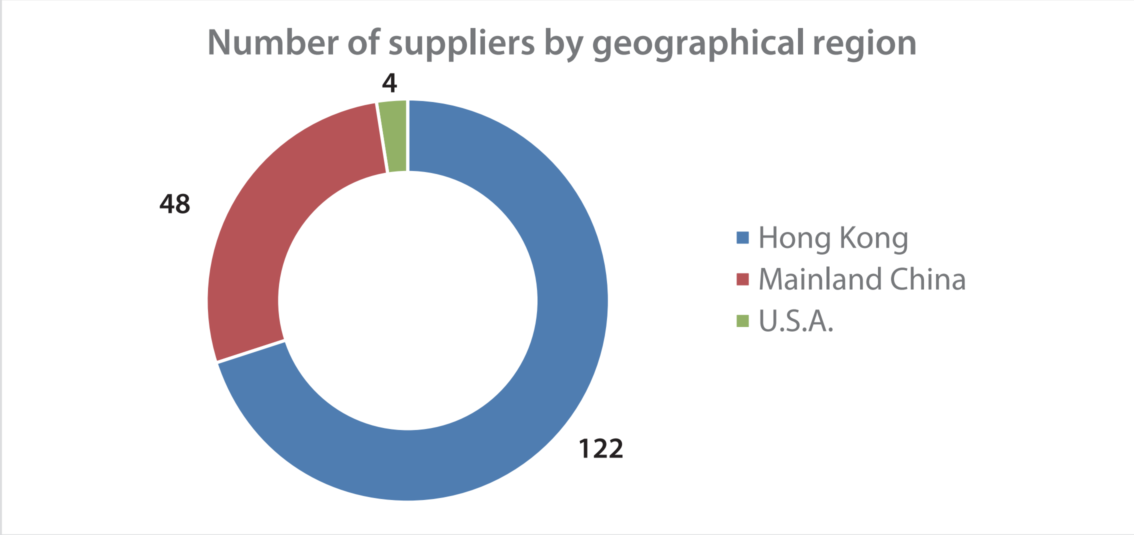
Building a sustainable supply chain is an important part of promoting the Group's sustainable development. We adhere to relevant laws and regulations, improve the supplier management and identify, evaluate and manage environmental and social risks in the supply chain to facilitate sustainable development. We provide a fair competition platform for suppliers and conduct evaluation and assessment on a regularly basis, striving to create a friendly atmosphere of cooperation and work together to achieve win-win results.

To better support our business operations, we have established transparent procurement and tendering procedures. We formulate basic principles for procurement and tendering actions and require that the hire of services or the purchase of goods should be based solely on price, quality, need and other relevant factors. When assessing our suppliers, we take their ESG performance into account, particularly in respect of regulatory compliance on environment, employment, health and safety. Meanwhile, we also adopt an effective monitoring system and management controls to detect and prevent bribery, fraud or other malpractices in the process of procurement and tendering.

When corporating with suppliers, directors and employees shall comply with the provisions in the Code of Ethics and Conduct Policy to avoid engaging in situations that may lead to conflict of interests. Under no conditions are they allowed to use the information inside the Company for personal interests. Personnel participating in the selection of and purchase from suppliers and contractors are prohibited from abusing their authority or engaging in situations that could interfere with their ability to make independent decisions in procurement process.

With regard to property construction, we choose to work with major contractors who have good industry reputation and track record in environmental issues and equip with ability to provide quality services. To better manage and evaluate contractors, we regularly receive progress reports on their environment and health and safety performance at the construction sites. For the purpose of ensuring their compliance with laws and regulations, we keep record of their violations and irregularities. We will regard their compliance as an important consideration if we want to carry out further cooperation with them in the future.

For the distribution of construction and interior decorative materials business, we intend to select suppliers with a good record of product quality. We are adopting measures to intensify the evaluation and supervision of suppliers' ESG performance. As the starting point of managing the ESG impact of our suppliers, we demand our supplier, Quarella (of which we own 43.5% stake), to switch to thinner blades in their production process to reduce energy usage and material wastage. We select stone- cutting factories which are located close to ports or work sites to minimise transportation distance and therefore fuel usage. In addition, we track the consumption of office supplies that meet specific environmental criteria, for example, whether the products have been certified or accredited by reputable and independent third parties. We use the consumption data to evaluate sustainable procurement performance and identify further opportunities to source more sustainable products.



### 3.4 Protection of intellectual property rights

Rykadan actively responds to the protection of intellectual property rights and strictly complies with relevant laws and regulations. We respect intellectual property rights and prohibit any act that may violate these rights. We ensure the use of authorised software in our business operations and prohibit the use or installation of pirated software. We also clarify relevant provisions in the Employee Handbook by stipulating that the Company owns the right to use, own and transfer the finished products, reports, file systems, computer software, programming, etc. which are researched, developed, improved, designed, written, edited, created or manufactured by the employees during their employment.

## 4. EMPLOYMENT AND LABOUR PRACTICES

### 4.1 Employment

We are convinced that employees are one of our most valuable assets and key to our sustainable development. We are in strict compliance with relevant labour laws and regulations in our business operations to respect and protect the legitimate rights and interests of our employees. Adhering to the people-oriented management philosophy, we strive to offer a platform to help them realise their career goals, take multiple measures to ensure their health and safety, and provide an open, supportive and inclusive working environment, thus creating a win-win situation in which they achieve growth and we gain more benefits. We also lay down requirements in our Employee Handbook in terms of recruitment, performance appraisal, welfare, termination of employment, etc. to strengthen our employment management.

#### *Recruitment*

We are dedicated to providing equal opportunities for all of our employees and implementing a fair, open, objective and non-discriminatory recruitment process to select the most qualified candidates who meet the skills and competency of our job vacancies. After evaluating the job nature and requirements, we attract and recruit talents from multiple channels, including internal promotion, talent pool, employee referral, printed media, recruitment websites and agencies, etc. 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 skills and competency.

The recruitment process of the Company mainly includes the following stages:

- Screening applications: On receipt of job applicants, human resources and administration departments will screen and short list suitable candidates in accordance with job requirements.

- Telephone discourse: Under certain circumstances, telephone discourse may be arranged before an interview to serve as a preliminary assessment of the candidate for the suitability of the job.

- Job interviews: Interviews are conducted in two rounds by human resources and administration departments and managers of relevant departments and candidates are selected based on our evaluation criteria.

- Written test: Candidates of certain positions may need to attend a written test designated by the relevant department heads.

#### *Performance appraisal and promotion*

Rykadan has established performance appraisal mechanism and set out the purposes, principles, methods and procedures in the Rykadan Performance Appraisal Policy. To enhance mutual understanding and communication between staff and the company, we conduct assessment on the performance of probationary staff during probation period and other permanent or contract staff in a year or in a specific employment period. We follow SMART principles, namely specific, measurable, actionable, realistic and timely, to conduct performance assessment and implement the related follow-up actions so as to arrive at a coherent and overall performance management mechanism.

Staff performance is appraised through assessment by the immediate supervisor as well as interactive communication to assess the personality, attributes, competence, attitude and work results of staff. The results of performance appraisal serve as a basis of reference for making further decisions on salary increment, bonus allocation, promotion, jobs rotation, training and development, etc. We strongly encourage all immediate supervisors to have personal conversation with the staff concerned during the process of performance appraisal. During the conversation, immediate supervisors review the results of the performance assessment and discuss the questions on the appraisal form with staff and offer recommendations for performance improvement so as to arrive at a more effective and fruitful mutual understanding and communication.

Upholding the principle of discovering competent people and put them at suitable posts, we offer employees with outstanding performance opportunities for internal promotion based on our business need and human resources strategy. When promoting qualified candidates to fill the vacancies in the Company, we consider multiple factors, including their performance, competence, potential quality, ethics, seniority, etc. We strive to provide our employees with a platform for broader development and accumulate human capital for the Company, thus laying a solid foundation for future development.

### *Development and training*

Rykadan places high priority on the development and training of employees. We recognise that continuing education is important for the enhancement of the knowledge and skill of our employees. Therefore, we strive to provide development opportunities for employees to help them achieve their career goals and motivate them to further support the long-term development of the Company.

We endeavour to provide an open, challenging and participative environment and provide our employees with adequate training to maintain their competence and competitiveness. We organise on-the-job training and encourage our staff to participate in external seminars to improve their knowledge and skills for discharging duties at work and keep abreast of the latest development trends in the industry and broaden their horizons. We set an Education Sponsorship and Allowance Scheme which sponsors and grants paid leaves to spur them to attend external courses relevant to their work. Under the Scheme, every employee is entitled to up to 3 days of examination leave and sponsorship of HK$6,000 per year if he/she takes part in job-related training courses or professional seminars.

| Percentage of employees trained category | Unit | Offices | Construction sites |
|---|---|---|---|
| Management | % | 66.67 | 85.71 |
| Non-management | % | 28.57 | 70.18 |
| Male | % | 46.15 | 15.69 |
| Female | % | 28.57 | 61.54 |

| Average training hours by employee category | Unit | Offices | Construction sites[1] |
|---|---|---|---|
| Management | Hour | 27.42 | 5.00 |
| Non-management | Hour | 4.07 | 5.79 |
| Male | Hour | 13.31 | 0.31 |
| Female | Hour | 5.50 | 1.31 |

1 Reported construction sites employment are all hired by contractors.

### *Remuneration and welfare*

Abiding by relevant laws and regulations, we have established a fair, transparent and reasonable remuneration management system. To retain and motivate employees, we provide them with competitive remuneration and welfare packages which are reviewed annually with reference to their job positions, years of experience and performance records as well as the Company's performance and market situation.

We lay down clear procedures in the Employee Handbook to compensate employees for overtime work. If employees work overtime or over weekends, they will be compensated with a half-day holiday for every four hours of overtime work. Meal allowances and traffic allowances are offered as well.

We provide full-time employees with other fringe benefits and document relevant policies in our Employee Handbook. Employees can enjoy such benefits as medical insurance coverage and long service payment and are entitled to special leave including marriage leave, paternity leave, compassionate leave and birthday leave.

We organise recreational activities every year to enhance mutual understanding and connection among employees, offer them a stronger sense of happiness and belonging, strengthen corporate cohesiveness, thus creating a friendly and harmonious working atmosphere.

### *Labour standards*

Rykadan strictly complies with 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. In the recruitment process, we avoid any discrimination on race, gender, sex orientation, family status, colour, religion, age, disability or pregnancy and treat every candidate equally and fairly when evaluating their suitability for the job.

We forbid recruiting and using child and forced labour. To prevent recruiting child labour, we conduct reference check to ensure the identification documents and other information provided by candidates is factual. In the meantime, we expect the suppliers we work with to focus on those issues. In the collaboration with suppliers and contractors, we choose to work with companies with high reputation, proven track record and relevant monitoring mechanisms in place so as to ensure that they abide by relevant labour regulations.

In addition, we have taken a zero-tolerance approach to any form of sexual harassment and framed a related policy in our Employee Handbook. We call on all employees to pay attention to the issue and report violations against the policy to the relevant department. After investigation, the person who is found to have such behaviour will be severely disciplined and even referred to police, depending on the seriousness and sensitivity of the cases.

### *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 2022) | Total Workforce Offices | Total Workforce Construction sites[2] | Employee turnover rate (%) offices |
|---|---|---|---|
| Total | 27 | 64 | 11.1% |
| By gender | | | |
| Male | 13 | 51 | 23.1% |
| Female | 14 | 13 | 0.0% |
| By age group | | | |
| Below 30 | 4 | 19 | 0.0% |
| 31-50 | 19 | 29 | 5.3% |
| Above 50 | 4 | 16 | 50.0% |
| By employment type | | | |
| Permanent | 26 | 64 | 11.5% |
| Contract/Part- time | 1 | 0 | 0.0% |
| By geographical location | | | |
| Hong Kong | 25 | 64 | 12.0% |
| Mainland China | 1 | 0 | 0.0% |
| The U.S.A. | 1 | 0 | 0.0% |

## 4.2 Occupational health and safety

In compliance with the laws and regulations related to occupational health and safety, we are committed to providing a health and safe working environment free from any occupational hazards and strive to guarantee the construction safety of our property development projects.

### *Property development*

Regarding our property development, we, as the project manager, appoint contractors for the construction work of our development projects. When selecting contractors, we choose to work with reputable contractors with proven track record on safety performance. To supervise the safety performance of contractors, we occasionally request the latest health and safety statistics of projects. Any major accidents or non-compliance reported will be recorded and taken into consideration in future tenders.

### *Offices*

As for our office operations, we have taken measures to maintain a sound and safe working environment to prevent injury and illness. We properly maintain first aid kits and locate fire extinguishing equipment at prominent locations in the offices. We regularly clean the ventilation system and keep the air-conditioning at an appropriate temperature. We also organise evacuation and escape exercises at least once a year to raise employees' safety awareness and prevent safety accidents.

To guarantee the health and safety of our employees, we also adopt flexible measures to respond to emergencies. For instance, as the COVID-19 spreads across the world, we have adopted prevention and control measures in accordance with relevant government requirements to minimise the adverse impact of the pandemic on the life and work of our employees. We arranged cleaners to disinfect offices regularly, conducted strict temperature measurement and offered masks and other anti- pandemic materials to employees on time. At the same time, we flexibly adjusted working hours and adopted a rotation roster for office staff and shifted to work from home to reduce the chances of infection.

2 Reported construction sites employment are all hired by contractors.

In financial year 2021/2022, 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 | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| **Offices** | | | | |
| Total number of fatal cases arising from work accidents | No. of case | 0 | 0 | 0 |
| Total number of injury cases arising from work accidents | No. of case | 0 | 0 | 0 |
| Total number of lost working days due to injuries | Day | 0 | 0 | 0 |
| **Construction sites** | | | | |
| Total number of fatal cases arising from work accidents | No. of case | 0 | 0 | 0 |
| Total number of injury cases arising from work accidents | No. of case | 0 | 3 | 0 |
| Total number of lost working days due to injuries | Day | 0 | 32 | 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.

## 5. ENVIRONMENTAL STEWARDSHIP

### 5.1 Our commitment and targets

We comply with all relevant environmental laws and regulations and adhere to the concept of green and sustainable development. We have been committed to improving the resource utilisation efficiency, reducing the impact of our operations on the environment and fulfilling the corporate responsibility of environmental protection. We regularly review and strengthen our environmental practices to improve our environmental performance and will gradually influence our suppliers and prompt them to simultaneously improve their ESG performance.

***Property development***

We focus on responsible "design and build" of our properties during the process of property development and are committed to reducing emissions at our property development sites and properly disposing of waste in full compliance with all applicable guidelines, regulations and laws. Meanwhile, we partner with service providers, such as engineers, architects and contractors, to integrate environmental responsibility considerations throughout the entire process from design and building to operations.

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

Our distribution of construction and interior decorative materials business is mainly carried out in the office and also in a few warehouses with a minimal consumption of electricity and water. And other activities including material-cutting and logistics are outsourced to third-party suppliers. We are committed to reducing the impact of the activities on the environment, especially the emissions generated from the factory operations and logistics. Therefore, we strive to encourage suppliers to reduce their impact where possible.

***Offices***

We integrate the concept of environmental protection into our daily operations, continuously strengthen the management and control of resource and energy consumption in the process of office operations and adopt appropriate measures such as saving energy and water resources and reducing waste generation, so as to create a green and low-carbon working environment. We encourage green office practices such as using duplex printing and copying to save paper, turning off idle lights and electrical devices to save electricity and reducing unnecessary business trips to cut carbon footprint.

### 5.2 Responding to climate change

As extreme weather events become more frequent and severe, tackling climate change has become a global consensus. We recognise that climate change will affect various aspects of our business operations, such as damaging our construction sites and disrupting the construction progress of the projects. Therefore, we pay close attention to the possible risks of climate change and take corresponding actions to manage climate-related risks to facilitate our business sustainability.

As we realise that extreme weather events possibly disrupt the construction progress during project planning, we discuss with contractors to reserve buffer time in the work schedule of our projects to reduce the potential impact. At the stage of project design, we follow the latest guidelines of the regulatory department, e.g. the Building Department, to protect our buildings against the impact of climate change. At the beginning of the construction work, we discuss emergency plans with our contractors to respond to extreme weather events in the construction process.

To effectively prevent and control the risks imposed by climate change, we have taken measures to investigate and eliminate various hazards at construction sites in a timely manner and make proper plans if the weather suddenly changes to ensure the safety of front-line workers. In the meantime, we have prepared safety policies on information communication and hazard investigation. We promptly share disaster information to make a quick response to emergencies and carry out comprehensive inspections on construction facilities to eliminate hazards in time and continuously develop the ability to address the risks of climate change.

Furthermore, we actively explore new technologies and materials that are environmentally friendly. We strengthen the research and promotion of green buildings and new processes and promote the use of renewable energy, so as to substantially enhance the resilience of buildings to adapt to climate change. At the same time, we continue to promote the concept of green office and operation. We advocate green travel, encourage employees to save resources, work with stakeholders to put green concepts into practice, and improve building operation efficiency.

In addition, we have formulated an emergency policy in our Employee Handbook to protect our employees against the impact of extreme weather events, such as typhoon and rainstorm. We will issue internal memo to all staff regarding the work arrangement when typhoon or rainstorm is expected to be hoisted. In addition, management will discuss the latest development of typhoon and rainstorm so as to make special arrangements in case of emergencies. For example, when a typhoon signal or rainstorm warning is issued, staff may release from work earlier.

In addition to our construction projects, we also try to reduce carbon emissions by reducing energy consumption, especially in terms of electricity and fuel use. For further details of the measures taken, please refer to the Section 5.4 Resource consumption.

| Greenhouse gas emissions[3] | Unit | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| Offices – Scope 1 | kg $CO_2e$ | 0 | 0 | 0 |
| Offices – Scope 2[4] | kg $CO_2e$ | 28,946 | 27,046 | 20,452 |

[3] Average regional electricity emissions factors are taken from the Reporting Guidelines for Environmental Key Performance Indicators issued by the Stock Exchange.

[4] Scope 2 emissions from the use of electricity in Hong Kong office.

## 5.3 Emissions and regulatory compliance

We attach great importance to the management of our emissions. There is air emission, wastewater production and waste generation in the course of our property development projects, as well as in our daily operation. As the project manager, we are aware of the environmental impact of the emissions and seek to ensure that the emissions are properly managed and monitored by our suppliers. Regular meetings are held to keep track of our contractors' performance, who are directly in charge of the operational management of the sites.

We pay particular attention to ensure the compliance with applicable environmental regulations. We require our main contractors to comply with all Hong Kong laws and regulations on the prevention 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)

### *Air emissions*

The exhaust gases generated during our construction mainly come from fuel burning of machinery and mobile generators, and fine particles from percussion procedures. We regular test relevant indicators to strictly supervise the emission process and apply dust control measures such as water spraying and vehicle washing facilities to suppress dust. At the same time, we require our contractors to obtain necessary licenses for the machinery used on site and comply with regulatory requirements on air emissions. And for our office operations, air emissions occur mainly in business trips but in immaterial amounts.

### *Waste management*

*General wastes*

General wastes mainly come from our offices. The main component of general waste is used paper from 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:

– adopt electronic communication for the circulation of internal documents such as memorandum and reports instead of printing;

– choose environmentally friendly paper (such as PEFC[5] paper);

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

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

*Construction wastes*

Construction wastes, classified as hazardous and non-hazardous wastes, are managed by our contractors before being properly disposed. We work closely with our contractors in the storage and handling of the hazardous wastes at our construction sites to ensure they are managed and disposed in line with government requirements. Non-hazardous wastes are categorised based on their nature and sent to designated waste disposal facilities for landfill or incineration, etc., according to local requirements.

In the meantime, we seek to minimise the environmental impact of our waste production by using water-based paint instead of solvent-based paint at our construction sites. In the year under review, no disposal of hazardous wastes was recorded at our offices.

[5] Programme for the Endorsement of Forest Certification.

| Waste disposal (offices) | Unit | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| Non-hazardous wastes disposed at our offices | kg | 530 | 678 | 584 |

| Waste disposal (construction sites) | Unit | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| Non-hazardous wastes disposed at our construction sites | kg | 2,351 | 4,547 | 2,070 |
| Hazardous wastes disposed at our construction sites | kg | 0 | 0 | 2.4 |

### *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 Resources consumption

We believe that efficient energy and resource management is crucial to achieving sustainable development. With the commitment to efficient use of resources, we proactively integrate the feasible environmentally friendly or green design features into the design of our property development projects.

We incorporate the sky garden into the construction of Wong Chuk Hang Project and Jaffe Road Project as one of the design features of the buildings. Apart from decorative and recreational benefits, sky garden serves the purpose of providing architectural enhancement and reducing energy costs by absorbing heat instead of attracting it.

We also attach great importance to the energy consumption and resource use of the building. We actively implement resource-efficient techniques. For example, we adopt water-saving devices including faucets and water closets, as well as the use of natural lighting and efficient lighting equipment (such as LEDs), and energy-efficient appliances. In addition, we proactively promote appropriate property development projects to obtain green and healthy building certifications, such as Leadership in Energy and Environmental Design (LEED).

For our office operations, the following management initiatives are implemented to conserve energy and minimise resource consumption:

– turn off idle lights and office equipment, set electronic appliances such as computers and printers to energy-saving modes after a period of inactivity;

– set the temperature for the air conditioners at 25℃ at office;

– set up water-saving and energy-efficient signs to heighten employees' awareness of water and energy conservation; and

– incorporate energy-efficient and environmentally friendly factors into consideration during the procurement of office equipment and materials.

| Use of resources (Offices) | Unit | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| Use of electricity | kWh | 55,570 | 53,032 | 55,275 |
| Use of water | $m^3$ | 69,160 | 75,916 | 71,701 |

| Use of resources (Construction sites)[6] | Unit | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|---|
| Total energy consumption | kWh | 743,889 | 989,012 | 190,482 |
| Energy consumption intensity | kWh/square feet | 4.39 | 5.98 | 1.22 |
| Electricity | kWh | 74,972 | 144,937 | 179,654 |
| Diesel | Litre | 35,000 | 79,226 | 1,083 |
| Petrol | Litre | 108 | 0 | 0 |
| Use of water | $m^3$ | 14,443 | 142,182 | 2,406 |
| Water consumption intensity | $m^3$/square feet | 0.09 | 0.86 | 0.02 |

## 6. COMMUNITY INVESTMENT

In addition to pursuing quality development, Rykadan proactively takes on corporate social responsibility and participates in public welfare activities. We formulate a compensation policy to encourage employees to invest their efforts in voluntary activities outside working hours. We leverage our resources to contribute to charitable causes in the hope of lighting up the path forward with love and touching people's hearts with warmth.

During the reporting year, we took part in sponsorship and voluntary programs to contribute our efforts to public welfare undertakings. We continued to care about the groups in need and promote social inclusion. We sponsored sand painting class for vision or hearing impaired families and Fearless Dragon Virtual Ultra Marathon Charity Run, both organised by Hong Kong Network for the Promotion of Inclusive Society Ltd. For the financial year of 2021/2022, total donations made by the Group to different causes amounted to HK$125,000 (2021: HK$50,000).

[6] 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.

## APPENDIX I: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

| | Aspects | Section | Remarks |
|---|---|---|---|
| **A** | **Environmental** | | |
| **A1** | **Emissions** | 5.2, 5.3 | |
| A1.1 | The types of emissions and respective emission data. | 5.3 | |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) 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 tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 5.3 | |
| A1.5 | Description of emissions target(s) set and steps taken to achieve them. | 5.2, 5.3 | |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | 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 (kWh in '000s) 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 target(s) set and steps taken to achieve them. | 5.4 | |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | 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. | – | 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 | |
| **A4** | **Climate Change** | 5.2 | |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | 5.2 | |

| | Aspects | Section | Remarks |
|---|---|---|---|
| **B** | **Social** | | |
| **B1** | **Employment** | 4.1 | |
| B1.1 | Total workforce by gender, employment type (for example, full- or part-time), 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 occurred in each of the past three years including the reporting year. | 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** | 4.1 | |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | 4.1 | |
| B3.2 | The average training hours completed per employee by gender and employee category. | 4.1 | |
| **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** | 3.3 | |
| B5.1 | Number of suppliers by geographical region. | 3.3 | |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 3.3 | |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | 3.3 | |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | 3.3 | |

| | Aspects | Section | Remarks |
|---|---|---|---|
| **B6** | **Product Responsibility** | 3.1 | |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | – | Percentage of total products sold or shipped subject to recalls for safety and health reasons is not considered material to the Group and data is not tracked. |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | 3.1 | Number of products and service related complaints received considered to be disclosed in the following years. |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 3.4 | |
| B6.4 | Description of quality assurance process and recall procedures. | 3.1 | |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 3.1 | |
| **B7** | **Anti-corruption** | 3.2 | |
| 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. | 3.2 | |
| B7.2 | Description of preventive measures and whistle- blowing procedures, how they are implemented and monitored. | 3.2 | |
| B7.3 | Description of anti-corruption training provided to directors and staff. | 3.2 | |
| **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 47, 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 48, 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 Chartered Governance Institute and the Chartered Governance Institute, a CFA charter holder of the CFA Institute and a member of the Royal Institution of Chartered Surveyors.

**Mr. Lo Hoi Wah, Heywood (勞海華先生)**, aged 39, is an Executive Director and the Chief Financial Officer of the Company. Mr. Lo has joined us since 2012. He is responsible for overseeing the financial planning, accounting and banking activities of the Group, managing new business unit growth and expanding different businesses. 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.

## Non-Executive Director

**Mr. Ng Tak Kwan (吳德坤先生)**, aged 68, 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 64, 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 2022, Mr. Ho was the member of the 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 62, 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 68, 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. Lui Man Kit, Chris (呂文傑先生)**, aged 37, is our Company Secretary and Financial Controller. Mr. Lui has joined us since 2014. He is responsible for overseeing the financial and accounting activities and compliance matters of the Group. Mr. Lui has over 15 years of financial accounting and auditing experience. Prior to joining the Group, he had worked in an international audit firm as an audit manager. Mr. Lui holds a Bachelor of Commerce degree in Accounting and Finance from the Curtin University and a Master of Laws degree in International and Commercial Law from the University of Greenwich. He is also a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

**Mr. Timothy Leung (梁卓斌先生)**, aged 49, is the Director of Investments and Head of Asset Management of the Group. Mr. Leung joined the Group in 2020 and is responsible for management of the Group's investments including its sourcing, execution and management. Mr. Leung has more than 18 years of experience in capital markets and asset management. Prior to joining the Group, he was with Credit Suisse Japan in the Real Estate Finance & Securitization Group, as the trader and financial engineer for the Commercial Mortgage Back Securities program and as the Asia head for the Wind Down Group. He began his career at Goldman Sachs in New York in Foreign Exchange Operations supporting FX trading and sales and later in Hong Kong, as an executive director in the Asia Special Situations Group which managed Goldman Sachs' Asia Distressed Debt Fund and the Fixed Income Division's proprietary debt investments. He graduated from the State University of New York at Albany with a Bachelor of Science in Economics in 1995.

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2022.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

## BUSINESS REVIEW

Discussion and review of the Group's business during the year 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 the 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 improving 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 duplex 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 2022 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 51 to 52.

No interim dividend had been declared to the shareholders during the year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2022.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 122.

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 15 to the consolidated financial statements.

## BANK BORROWINGS

Details of bank borrowings are set out in note 26 to the consolidated financial statements.

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2022 comprised:

| | HK$'000 |
|---|---|
| Share premium | 400,859 |
| Retained profits | 1,015,651 |
| | 1,416,510 |

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)*
Mr. LO Hoi Wah, Heywood *(Chief Financial 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, Mr. NG Tak Kwan and Mr. WONG Hoi Ki shall retire, and being eligible, offer themselves for re-election at the forthcoming 2022 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. WONG Hoi Ki ("Mr Wong") is an independent non-executive director serving the Company since 2009. Mr. Wong has met the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and have made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Wong who served the Company for more than nine years, remains independent, and considers that he would be able to continue to discharge his duties as an independent non-executive director of the Company. Mr. Wong should be re-elected and a separate resolution will be proposed for his re-election at the 2022 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 section headed "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, UNDERLYING SHARES AND DEBENTURES

Up to the date of this report, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company were deemed or taken to have pursuant to such provisions of the SFO); (ii) entered in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

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

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company is 100% owned by Rykadan Holdings Limited which in turn is 100% held by CHAN William. CHAN William is also the sole director of Tiger Crown Limited and Rykadan Holdings Limited.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement. Hence, CHAN William is also deemed to be interested in the 18,153,211 shares of the Company owned by Scenemay Holdings Limited.

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

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

## SUBSTANTIAL SHAREHOLDERS

Up to the date of this report, so far as is known to the Directors or chief executive of the Company, the interests and short positions of the shareholders (other than the directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

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

Notes:

1. Tiger Crown Limited is 100% owned by Rykadan Holdings Limited which in turn is 100% held CHAN William. Rykadan Holdings Limited is therefore deemed to be interested in the 97,104,000 shares of the Company beneficially owned by Tiger Crown Limited as well as the 51,853,211 shares of the Company in which Tiger Crown Limited is deemed to be interested as described in Note 2 below.

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

3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 18,153,211 shares of the Company beneficially owned by Scenemay Holdings Limited.

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

Save as disclosed above, up to the date of this report, so far as is known to any director and chief executive of the Company, no other persons or companies had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## 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 AND RELATED PARTY TRANSACTIONS

Save as the de minimis transactions as disclosed in note 37 to the consolidated financial statements, the Group has not entered into any significant connected transactions or continued connected transactions during the year and up to date of this annual report, which is required to be disclosed under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save as disclosed in note 37 to the consolidated financial statements, there were no other material related party transactions during the year.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed under material related party transactions in note 37 to the consolidated financial statements, no other transactions, arrangement or contracts of significance in relation to the Group's business 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 is decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

## 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 2022, the Company has advanced to Quarella Group Limited ("QGL") loans in an aggregate amount of HK$250,000,000 for the working capital of the QGL, which is non-interest bearing since 1 April 2020 and the interest on loans to QGL of HK$33,116,000. The entire amounts are unsecured and be repayable by written notice demand by the Company.

As at 31 March 2022, an aggregate sum of HK$219,640,000 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 ("the Property") and financing its development and general working capital. The advances are non-interest bearing, unsecured and do not have a fixed terms of repayment and were made pro rata to the percentage of shareholding of the relevant subsidiary of the Group in Fastest Runner Limited. In addition, a guarantee amounted to HK$20,000,000 has been issued by the Company to secure a banking facility granted to the subsidiary of Fastest Runner Limited which holds the Property. Such banking facility was obtained for the purpose of application to the Lands Department of the Hong Kong Government for the pre-sale consent in relation to the Property.

### (b) Financial assistance and guarantees to affiliated companies

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 March 2022 are presented as follows:

| | HK$'000 |
|---|---|
| Non-current assets | 693,741 |
| Current assets | 2,794,257 |
| Current liabilities | (3,356,824) |
| Non-current liabilities | (246,309) |
| Net liabilities | (115,135) |
| Share capital | 221 |
| Reserves | (115,356) |
| Capital and reserves | (115,135) |

As at 31 March 2022, the Group's attributable accumulated losses in these affiliated companies amounted to HK$47,197,000.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$125,000 (2021: HK$50,000).

## MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the year, the five largest customers of the Group accounted for 93% of the Group's total revenue and total revenue from the largest customer included therein accounted for 73%. Delight Land Investments Limited and Capital Universal Investment Limited are two of the five largest customers, and Mr. CHAN William and Mr. YIP Chun Kwok are acting as their directors during the year. Mr. CHAN William is also a representative on the Investment Committee of Rykadan Real Estate Fund LP, which is also one of the five largest customers. The aggregate purchase attributable to the five largest suppliers of the Group during the year accounted for 87% of the total purchases of the Group and the largest supplier included therein accounted for 38%.

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 36.

## AUDITOR

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**
**YIP Chun Kwok**
*Executive Director and Chief Operating Officer*

Hong Kong, 28 June 2022

pwc

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"), which are set out on pages 51 to 121, comprise:

- the consolidated statement of financial position as at 31 March 2022;
- 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 and other explanatory information.

### 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 2022, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters 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 21 to the consolidated financial statements.<br><br>As at 31 March 2022, the gross trade receivables recognised by the Group was HK$71.0 million. The related provision for impairment of trade receivables recognised was HK$49.1 million as at 31 March 2022.<br><br>Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.<br><br>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.<br><br>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:<br><br>• We assessed the appropriateness of the credit loss provisioning methodology and grouping of trade receivables profile used by the Group on a sample basis.<br><br>• 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, and challenged the judgement and estimates involved in the assessment with management.<br><br>• We evaluated the forward-looking information in management's assessment by sample checking the inputs to the assumptions to external data sources.<br><br>• We tested, on a sample basis, the accuracy of the ageing reports of trade receivables prepared by management.<br><br>• We checked the computation of the amount of provision for impairment.<br><br>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 17 to the consolidated financial statements.<br><br>The Group had significant interests in joint ventures, which are accounted for under the equity method. As at 31 March 2022, interests in joint ventures amounted to HK$266.1 million.<br><br>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 of the Group's interest in 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.<br><br>Based on the results of the impairment assessments conducted the Group determined that, there is no impairment of the Group's interest in joint ventures. This judgement is based on whether the value in use of the assets exceed the respective carrying amounts.<br><br>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:<br><br>• We understood and assessed the key control over management's internal control and assessment process of impairment of interests in joint ventures and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.<br><br>• 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.<br><br>• We assessed the appropriateness of the valuation methodologies used.<br><br>• 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, and challenged the judgement and estimates involved in the assessment with management.<br><br>• We performed sensitivity analyses on the key assumptions as stated above to assess the potential impact of a range of possible outcomes.<br><br>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, actions taken to eliminate threats or safeguards applied.

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, 28 June 2022

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2022*

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Revenue | *5(a)* | **86,942** | 168,157 |
| Cost of sales and services | | **(75,809)** | (149,235) |
| **Gross profit** | | **11,133** | 18,922 |
| Other revenue | *6* | **9,744** | 6,506 |
| Other net (loss)/income | *7* | **(911)** | 23,932 |
| Gain on disposal of interest in a subsidiary | *35* | **–** | 46,657 |
| Selling and marketing expenses | | **(1,522)** | (4,773) |
| Administrative and other operating expenses | | **(24,503)** | (65,941) |
| **(Loss)/profit from operations** | | **(6,059)** | 25,303 |
| Decrease in fair value of investment properties | *14* | **(6,342)** | (4,000) |
| | | **(12,401)** | 21,303 |
| Finance costs | *11* | **(5,326)** | (6,462) |
| Share of (loss)/profit of associates | | **(5,832)** | 396 |
| Share of (loss)/profit of joint ventures | | **(14,598)** | 16,425 |
| **(Loss)/profit before taxation** | | **(38,157)** | 31,662 |
| Income tax | *12* | **(828)** | (252) |
| **(Loss)/profit for the year** | | **(38,985)** | 31,410 |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **(34,870)** | 4,500 |
| – Non-controlling interests | | **(4,115)** | 26,910 |
| **(Loss)/profit for the year** | | **(38,985)** | 31,410 |
| **(Loss)/earnings per share** | *13* | | |
| Basic and diluted | | **(9.3 cents)** | 1.0 cents |

The Notes on pages 56 to 121 are integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2022*

| | Note | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **(Loss)/profit for the year** | | **(38,985)** | 31,410 |
| **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 | | **1,766** | 7,385 |
| – Release of translation reserve upon disposal of interest in a subsidiary | *35* | **–** | 17,721 |
| – Share of translation reserve of joint ventures | | **1,399** | 4,553 |
| | | **3,165** | 29,659 |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| – Share of remeasurement of defined benefit liability of a joint venture | | **57** | (56) |
| **Other comprehensive income for the year** | | **3,222** | 29,603 |
| **Total comprehensive income for the year** | | **(35,763)** | 61,013 |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **(31,970)** | 23,060 |
| – Non-controlling interests | | **(3,793)** | 37,953 |
| **Total comprehensive income for the year** | | **(35,763)** | 61,013 |

The Notes on pages 56 to 121 are integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2022*

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 14 | 362,500 | 158,240 |
| Other properties, plant and equipment | 15 | 36,446 | 38,106 |
| Interests in associates | 16 | 330,911 | 231,630 |
| Interests in joint ventures | 17 | 266,072 | 269,148 |
| Financial assets measured at fair value through other comprehensive income | 18 | – | – |
| | | 995,929 | 697,124 |
| **Current assets** | | | |
| Properties for sale | 19 | 399,969 | 402,282 |
| Inventories | 20 | 2,521 | 5,977 |
| Trade receivables | 21 | 21,891 | 36,405 |
| Other receivables, deposits and prepayments | 22 | 60,618 | 37,105 |
| Bank deposits and cash on hand | 23 | 110,143 | 369,788 |
| | | 595,142 | 851,557 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 18,865 | 27,114 |
| Contract liabilities | 25 | 7,507 | 280 |
| Bank loans | 26 | 331,592 | 240,991 |
| Current tax liabilities | | 1,320 | 1,483 |
| | | 359,284 | 269,868 |
| **Net current assets** | | 235,858 | 581,689 |
| **NET ASSETS** | | 1,231,787 | 1,278,813 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 27 | 3,754 | 3,754 |
| Reserves | 29 | 1,230,167 | 1,273,400 |
| **Total equity attributable to equity shareholders of the Company** | | 1,233,921 | 1,277,154 |
| Non-controlling interests | | (2,134) | 1,659 |
| **TOTAL EQUITY** | | 1,231,787 | 1,278,813 |

The consolidated financial statements on pages 51 to 121 were approved by the Board of Directors on 28 June 2022 and were signed on its behalf.

**YIP Chun Kwok**
*Director*

**LO Hoi Wah, Heywood**
*Director*

The Notes on pages 56 to 121 are integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2022*

| | 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 2020** | | 4,774 | 469,130 | 4,433 | (20,378) | (322) | 35,440 | 11,474 | (15,850) | 834,684 | 1,323,385 | 17,393 | 1,340,778 |
| **Changes in equity for the year:** | | | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | – | 4,500 | 4,500 | 26,910 | 31,410 |
| Other comprehensive income | | – | – | – | 18,609 | (49) | – | – | – | – | 18,560 | 11,043 | 29,603 |
| Total comprehensive income | | – | – | – | 18,609 | (49) | – | – | – | 4,500 | 23,060 | 37,953 | 61,013 |
| Buy-back of shares | | (1,020) | (68,271) | – | – | – | – | – | – | – | (69,291) | – | (69,291) |
| Dividend paid to non-controlling shareholders | | – | – | – | – | – | – | – | – | – | – | (53,687) | (53,687) |
| **At 31 March 2021 and 1 April 2021** | | 3,754 | 400,859 | 4,433 | (1,769) | (371) | 35,440 | 11,474 | (15,850) | 839,184 | 1,277,154 | 1,659 | 1,278,813 |
| **Changes in equity for the year:** | | | | | | | | | | | | | |
| Loss for the year | | – | – | – | – | – | – | – | – | (34,870) | (34,870) | (4,115) | (38,985) |
| Other comprehensive income | | – | – | – | 2,850 | 50 | – | – | – | – | 2,900 | 322 | 3,222 |
| Total comprehensive income | | – | – | – | 2,850 | 50 | – | – | – | (34,870) | (31,970) | (3,793) | (35,763) |
| Dividend declared in respect of previous financial year | 28 | – | – | – | – | – | – | – | – | (11,263) | (11,263) | – | (11,263) |
| **At 31 March 2022** | | 3,754 | 400,859 | 4,433 | 1,081 | (321) | 35,440 | 11,474 | (15,850) | 793,051 | 1,233,921 | (2,134) | 1,231,787 |

The Notes on pages 56 to 121 are integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2022*

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 32(a) | (8,636) | 125,957 |
| Interest paid | | (5,418) | (7,269) |
| Hong Kong Profits Tax paid | | – | (93) |
| PRC Enterprise Income Tax refunded | | – | 7 |
| Overseas tax paid | | (1,001) | – |
| **Net cash (used in)/generated from operating activities** | | (15,055) | 118,602 |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of assets and liabilities through acquisition of subsidiaries | 36 | (210,090) | – |
| Acquisition of additional interest in an associate | | (15,750) | (17,500) |
| Purchases of properties, plant and equipment | | (74) | (91) |
| Net cash inflow from disposal of interest in a subsidiary | 35 | – | 352,200 |
| Advances to joint ventures | | (10,000) | (59,273) |
| Dividend received from an associate | | – | 2,600 |
| Advances to associates | | (85,124) | (8,221) |
| Capital contribution to associates | | (4,239) | (2,251) |
| Interest received | | 583 | 394 |
| Decrease in pledged bank deposits and restricted deposit | | – | 4,104 |
| **Net cash (used in)/generated from investing activities** | | (324,694) | 271,962 |
| **Cash flows from financing activities** | | | |
| Repayments of lease liabilities | 32(b) | – | (9) |
| Proceeds from new bank loans | 32(b) | 230,927 | 14,091 |
| Repayments of bank loans | 32(b) | (140,418) | (77,893) |
| Repayment to non-controlling shareholders | 32(b) | – | (78,482) |
| Dividend paid to non-controlling shareholders | | – | (53,687) |
| Dividend paid | | (11,263) | – |
| Buy-back of shares | | – | (69,360) |
| **Net cash generated from/(used in) financing activities** | | 79,246 | (265,340) |
| **Net (decrease)/increase in cash and cash equivalents** | | (260,503) | 125,224 |
| Effect of foreign exchange rate changes | | 858 | 2,203 |
| Cash and cash equivalents at the beginning of the year | | 369,788 | 242,361 |
| **Cash and cash equivalents at the end of the year** | 23 | 110,143 | 369,788 |

The Notes on pages 56 to 121 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 activities of its principal subsidiaries are set out in Note 38.

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 2022 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.

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 amendments to HKFRSs adopted by the Group*

The Group has applied the following new amendments to HKFRSs that are first effective for the current accounting period of the Group:

| | |
|---|---|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendments to HKFRS 16 | *Covid-19-Related Rent Concessions* |
| Amendments to HKFRS 16 | *Covid-19-Related Rent Concessions Beyond 30th June 2021* |

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(b) *New and amended standards, revised accounting guideline and annual improvements not yet adopted by the Group*

Certain new and amended standards, annual improvements and accounting guideline have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Annual Improvements | *Annual Improvements to HKFRSs 2018-2020* | 1 January 2022 |
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds Before Intended Use* | 1 January 2022 |
| Amendments to HKAS 37 | *Onerous Contracts – Costs of Fulfilling a Contract* | 1 January 2022 |
| Accounting Guideline 5 (revised) | *Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations* | 1 January 2022 |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| HKFRS 17 | *Insurance Contracts* | 1 January 2023 |
| HKFRS 17 | *Amendments to HKFRS 17* | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to HKAS 12 | *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* | To be determined |

The Group is in the process of making an assessment of what the impact of these new and amended standards, revised accounting guideline and annual improvements is expected to be in the period of initial application. The Group does not anticipate the adoption of them to have a significant impact on the Group's results of operations and financial position.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries

*2.2.1 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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (Continued)

*2.2.1 Consolidation (Continued)*

(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.

*2.2.2 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.

### 2.3 Associates and joint ventures

An associate is an 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 statements 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 2.6.

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 2.10.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Investment properties

Investment properties, principally comprising leasehold land and buildings, are 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).

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 costs 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.

### 2.5 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Other properties, plant and equipment (Continued)

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.

### 2.6 Impairment of other non-current assets

Assets, including other properties, plant and equipment, investments in subsidiaries in the Company's statement of financial position and investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements, 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.

### 2.7 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 purpose 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.

### 2.8 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)/income.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Foreign currency translation (Continued)

*(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.

### 2.9 Leases

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Leases (Continued)

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.

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 nature.

### 2.10 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Investments and other financial assets (Continued)

*(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.

Debt instruments

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:

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)/income. Impairment losses are recognised in the consolidated income statement. The Group's financial assets carried at amortised cost comprise amounts due from associates, amounts due from joint ventures, trade receivables, other receivables and deposits and bank deposits and cash on hand 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)/income. 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)/income 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 a financial asset that is subsequently measured at FVPL is recognised in profit or loss and presented in other net (loss)/income 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 other comprehensive income, 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 as other net (loss)/income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other net (loss)/income, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Investments and other financial assets (Continued)

*(d) 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.

### 2.11 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.

### 2.12 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.

### 2.13 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)

### 2.14 Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2.23). 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.

### 2.15 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.

### 2.16 Cash and cash equivalents

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

### 2.17 Share capital

Ordinary shares are classified as equity.

### 2.18 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.

### 2.19 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 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 the reporting period in the countries where the Group 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 and 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 Group 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.

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.

### 2.21 Employee benefits

(a) *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.

(b) *Termination benefit*

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 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 can be 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.

### 2.23 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.

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*.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Revenue recognition (Continued)

The Group's revenue and other income are primarily derived from as follows: (Continued)

*(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 service 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.

### 2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Further information on how the Group accounts for government grants is set out in Note 7.

### 2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Related parties (Continued)

(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 and 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 relate. The currencies giving rise to this risk are primarily Euros ("EUR"), United States Dollar ("US$"), Renminbi ("RMB"), British Pound ("GBP"), Singaporean Dollar ("SGD") and Canadian Dollar ("CAD").

The Group currently does not have a foreign currencies hedging policy. However, management of the Group monitors the foreign currencies exposure of each business segment 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$'000** | **CAD HK$'000** | **US$ HK$'000** | **RMB HK$'000** | **GBP HK$'000** | **SGD HK$'000** |
| **At 31 March 2022** | | | | | | |
| Amount due from an associate | **–** | **–** | **–** | **–** | **54,916** | **–** |
| Bank deposits and cash on hand | **284** | **111** | **23,254** | **–** | **3,772** | **1,863** |
| | **284** | **111** | **23,254** | **–** | **58,688** | **1,863** |

| | Exposure to foreign currencies | | | | | |
|---|---|---|---|---|---|---|
| | EUR HK$'000 | CAD HK$'000 | US$ HK$'000 | RMB HK$'000 | GBP HK$'000 | SGD HK$'000 |
| **At 31 March 2021** | | | | | | |
| Bank deposits and cash on hand | 298 | 33,107 | 176,482 | 2,501 | 4,068 | 1,903 |
| Other receivables, deposits and prepayments | – | – | – | 9,147 | – | – |
| Trade and other payables | – | – | – | (12,313) | – | – |
| | 298 | 33,107 | 176,482 | (665) | 4,068 | 1,903 |

In addition, at 31 March 2022, the Group is exposed to currency risk arising from inter-company receivables/payables amounting to US$75,495,000, RMB9,131,000, CAD1,100,000, GBP1,366,000 and SGD2,871,000 (equivalent to net HK$608,610,000). (2021: US$49,947,000, RMB9,131,000, CAD3,794,000, GBP2,466,000 and SGD2,878,000 (equivalent to net HK$433,861,000)) which are not denominated in the functional currency of the relevant companies.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(a) Market risk (Continued)*

(i) Currency risk (Continued)

– 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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **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%** | **470** | 5% | 423 |
| | **(5)%** | **(470)** | (5)% | (423) |
| GBP | **5%** | **3,040** | 5% | 1,280 |
| | **(5)%** | **(3,040)** | (5)% | (1,280) |
| EUR | **5%** | **12** | 5% | 12 |
| | **(5)%** | **(12)** | (5)% | (12) |
| SGD | **5%** | **(618)** | 5% | (619) |
| | **(5)%** | **618** | (5)% | 619 |
| CAD | **5%** | **293** | 5% | 2,368 |
| | **(5)%** | **(293)** | (5)% | (2,368) |

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 exposes 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 currency 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 2021.

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.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(a) Market risk (Continued)*

(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 and bank loans at floating interest rates. The directors consider the Group's exposure to interest rate risk of variable-rate bank deposits is not significant as interest bearing deposits are within short maturity periods so no sensitivity analysis is presented for bank deposits. At 31 March 2022, if interest rates of bank loans 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$1,384,000 (2021: HK$912,000) lower/higher.

*(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 and bank deposits. 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 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."), the United States of America (the "U.S.A.") and Canada.

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, the Group's largest and the five largest trade receivables represents 49% (2021: 57%) and 95% (2021: 87%) of the total trade receivables respectively, which are within the asset, investment and fund management and 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.

The Group regularly reviews the recoverability of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

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

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(b) Credit risk (Continued)*

(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 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.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include other receivables and deposits, 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 HK$732,000 (2021: HK$419,000) at 31 March 2022.

*(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 2022** | | | | | | |
| Trade and other payables (excluding non-financial liabilities) | **13,018** | **162** | **–** | **–** | **13,180** | **13,180** |
| Bank loans | **331,592** | **–** | **–** | **–** | **331,592** | **331,592** |
| | **344,610** | **162** | **–** | **–** | **344,772** | **344,772** |
| **At 31 March 2021** | | | | | | |
| Trade and other payables (excluding non-financial liabilities) | 20,996 | – | 268 | – | 21,264 | 21,264 |
| Bank loans | 241,144 | – | – | – | 241,144 | 240,991 |
| | 262,140 | – | 268 | – | 262,408 | 262,255 |

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 table. 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$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flow HK$'000 |
|---|---|---|---|---|---|
| **31 March 2022** | **66,249** | **20,709** | **254,683** | **14,146** | **355,787** |
| 31 March 2021 | 141,868 | 12,504 | 75,219 | 21,847 | 251,438 |

## 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 total equity attributable to equity shareholders of the Company. Net debt is calculated as total interest-bearing bank loans less unrestricted bank balances and cash.

At 31 March 2022, the net gearing net ratio was 17.9% (2021: Nil) as the Group has net debt of HK$221,449,000 (2021: net cash of HK$128,797,000).

### 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) (level 2)

- 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 2022 (2021: None).

*(ii) Financial instruments carried at other than fair values*

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 2022 and 31 March 2021.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.4 Interests in unconsolidated structured entities

(a) *The Group's maximum exposure to the unconsolidated structured entities*

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 March 2022, the Group's total interest in unconsolidated structured entities was HK$47,310,000 (2021: HK$27,884,000) on the Group's statement of financial position. The Group's total interest in unconsolidated structured entities is classified as interests in associates.

As at 31 March 2022, a summary of the Group's interest in unconsolidated structured entities is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Interests in associates:** | | |
| Rykadan Real Estate Fund LP ("RREFLP") | 46,007 | 26,603 |
| Rykadan Real Estate Prospect Fund LP ("RREPFLP") | 1,303 | 1,281 |
| | 47,310 | 27,884 |

The Group's maximum exposure to loss related to the interests in unconsolidated structured entities is HK$47,310,000 (2021: HK$27,884,000).

(b) *Other interests in unconsolidated structured entities*

The Group received management fee in respect of its asset, investment and fund management business. Management fee received for investments that the Group manages, also represent an interest in unconsolidated structured entities. The Group's maximum exposure to loss relates to future management fee income. The table below shows the assets under management of entities that the Group manages and the fees earned from those entities.

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Investment management fee income:** | | |
| RREFLP | 6,019 | 6,019 |
| RREPFLP | 1,655 | 1,655 |
| | 7,674 | 7,674 |

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated 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 values, 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 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 factor 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 judgement is required in the area 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:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| – Sales of completed properties | **63,703** | 138,073 |
| – Distribution of construction and interior decorative materials | **–** | 657 |
| – Asset, investment and fund management income | **17,611** | 14,950 |
| – Property management fee and utility income | **538** | 5,741 |
| | **81,852** | 159,421 |
| **Revenue from other source** | | |
| – Rental income | **5,090** | 8,736 |
| | **86,942** | 168,157 |

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 2022, the Group's customer base is diversified and includes only one customer (2021: two customers) whose transaction has exceeded 10% of the Group's revenue.

For the year ended 31 March 2022, revenue from sales of completed properties to the customer in the U.S.A. was approximately HK$63,703,000.

For the year ended 31 March 2021, revenue from sales of completed properties to the two customers in the U.K. and the U.S.A. amounted to approximately HK$96,783,000 and HK$32,783,000 respectively.

## 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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$78,101,000 (2021: HK$14,425,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties for sale 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; or (ii) the relevant services are provided to the customers, which are expected to occur within the next 14 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:

| | **2022<br>HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Within one year | **877** | 3,466 |
| After one year but within five years | **314** | 504 |
| | **1,191** | 3,970 |

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). To be consistent with the way how information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four (2021: 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 property with a focus on development projects in prime locations in Hong Kong 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.

*(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.

## 5 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

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

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

All liabilities are allocated to operating segments other than certain other payables and certain bank loans that are not managed directly by segments.

In addition, management is provided with segment results and information concerning inter-segment sales, additions of/transfer to other properties, plant and equipment/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 2022 and 2021 is set out below.

## 5 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

*Segment results*

**For the year ended 31 March 2022**

| | Property development HK$'000 | Property investment Hk$'000 | Asset, investment and fund management HK$'000 | Distribution of construction and interior decorative materials HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 63,703 | – | – | – | – | 63,703 |
| Over time | – | 538 | 17,611 | – | – | 18,149 |
| **Revenue from other source** | – | 5,090 | – | – | – | 5,090 |
| External revenue | 63,703 | 5,628 | 17,611 | – | – | 86,942 |
| Inter-segment revenue | – | 3,549 | – | – | (3,549) | – |
| Total | 63,703 | 9,177 | 17,611 | – | (3,549) | 86,942 |
| Segment profit/(loss) from operations | 3,818 | 1,169 | (2,100) | 996 | – | 3,883 |
| Corporate expenses | | | | | | (18,328) |
| Corporate income | | | | | | 8,386 |
| Decrease in fair value of investment properties | | | | | | (6,342) |
| Finance costs | | | | | | (5,326) |
| Share of loss of associates | | | | | | (5,832) |
| Share of loss of joint ventures | | | | | | (14,598) |
| Loss before taxation | | | | | | (38,157) |

## 5 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

*Segment results (Continued)*

For the year ended 31 March 2021

| | Property development HK$'000 | Property investment HK$'000 | Asset, investment and fund management HK$'000 | Distribution of construction and interior decorative materials HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 138,073 | – | – | 657 | – | 138,730 |
| Over time | – | 5,741 | 14,950 | – | – | 20,691 |
| **Revenue from other source** | – | 8,736 | – | – | – | 8,736 |
| External revenue | 138,073 | 14,477 | 14,950 | 657 | – | 168,157 |
| Inter-segment revenue | – | 3,549 | – | – | (3,549) | – |
| Total | 138,073 | 18,026 | 14,950 | 657 | (3,549) | 168,157 |
| Segment profit/(loss) from operations | 498 | 4,945 | 536 | (29,197) | – | (23,218) |
| Corporate expenses | | | | | | (25,899) |
| Corporate income | | | | | | 27,763 |
| Gain on disposal of interest in a subsidiary | | | | | | 46,657 |
| Decrease in fair value of investment properties | | | | | | (4,000) |
| Finance costs | | | | | | (6,462) |
| Share of profit of associates | | | | | | 396 |
| Share of profit of joint ventures | | | | | | 16,425 |
| Profit before taxation | | | | | | 31,662 |

## 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:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Property development | 407,872 | 402,626 |
| Property investment | 363,326 | 158,818 |
| Asset, investment and fund management | 20,843 | 12,233 |
| Distribution of construction and interior decorative materials | 9,922 | 34,819 |
| Total segment assets | 801,963 | 608,496 |
| Other properties, plant and equipment | 36,292 | 37,768 |
| Interests in associates | 330,911 | 231,630 |
| Interests in joint ventures | 266,072 | 269,148 |
| Financial assets measured at fair value through other comprehensive income | – | – |
| Other receivables, deposits and prepayments | 45,690 | 31,851 |
| Bank deposits and cash on hand | 110,143 | 369,788 |
| Total consolidated assets of the Group | 1,591,071 | 1,548,681 |
| **Segment liabilities** | | |
| Property development | 65,064 | 83,624 |
| Property investment | 52,147 | 58,677 |
| Asset, investment and fund management | 821 | 667 |
| Distribution of construction and interior decorative materials | 4,246 | 3,881 |
| Total segment liabilities | 122,278 | 146,849 |
| Other payables | 9,006 | 18,019 |
| Bank loans | 228,000 | 105,000 |
| Total consolidated liabilities of the Group | 359,284 | 269,868 |

## 5 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

*Other segment information*

**For the year ended 31 March 2022**

| | 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/transfer to other properties, plant and equipment/investment properties at fair value | – | 212,300 | – | – | 212,300 | 74 | 212,374 |
| Depreciation of other properties, plant and equipment | – | – | (36) | (89) | (125) | (1,551) | (1,676) |
| Loss on disposal of other properties, plant and equipment | – | – | – | (61) | (61) | – | (61) |

For the year ended 31 March 2021

| | Property development HK$000 | Property investment HK$000 | Asset, investment and fund management HK$000 | Distribution of construction and interior decorative materials HK$000 | 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/ investment properties at fair value | – | – | 18 | – | 18 | 73 | 91 |
| Depreciation of other properties, plant and equipment | – | – | (31) | (95) | (126) | (1,633) | (1,759) |
| Depreciation of right-of-use assets | – | – | – | – | – | (9) | (9) |
| Loss on disposal of other properties, plant and equipment | – | – | – | (138) | (138) | (1) | (139) |

## 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | 23,239 | 28,129 |
| The PRC | – | 10,462 |
| The U.S.A. | 63,703 | 32,783 |
| The U.K. | – | 96,783 |
| | 86,942 | 168,157 |

The analysis above includes rental income from external customers in Hong Kong and the PRC of HK$5,090,000 (2021: HK$4,187,000) and HK$Nil (2021: HK$4,549,000) 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | 437,493 | 216,192 |
| The PRC | 43 | 101 |
| The U.S.A. | 83 | – |
| The U.K. | – | – |
| Others | 12,398 | 13,249 |
| | 450,017 | 229,542 |

## 6 OTHER REVENUE

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Interest income on loan to a joint venture | 515 | 86 |
| Interest income on bank deposits | 68 | 308 |
| Income from loans and other receivables | 7,385 | 3,403 |
| Others | 1,776 | 2,709 |
| | 9,744 | 6,506 |

## 7 OTHER NET (LOSS)/INCOME

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Net foreign exchange (loss)/gain | **(850)** | 22,705 |
| Loss on disposal of other properties, plant and equipment | **(61)** | (139) |
| Government grants (Note) | **–** | 1,366 |
| | **(911)** | 23,932 |

Note: For the year ended 31 March 2021, subsidies from Employment Support Scheme of HK$1,366,000 were granted from the Hong Kong SAR Government related to the employment in Hong Kong. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 8 EXPENSES BY NATURE

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| – Audit services | **1,250** | 1,277 |
| – Non-audit services | **574** | 1,062 |
| Cost of inventories | **–** | 446 |
| Cost of properties for recognised sales | **53,627** | 132,181 |
| Direct cost for management services provided (Note) | **16,307** | 11,458 |
| Depreciation of: | | |
| – Other properties, plant and equipment (Note 15) | **1,676** | 1,759 |
| – Right-of-use asset | **–** | 9 |
| Employee benefit expenses (Note 9) | **28,685** | 25,356 |
| Operating lease payments in respect of leased properties | **202** | 206 |
| Direct outgoings of rental, property management fee and utilities | **886** | 5,150 |
| Reversal of impairment loss of trade receivables (Note 21) | **(7,142)** | – |
| Impairment loss of: | | |
| – Trade receivables (Note 21) | **3,507** | 22,777 |
| – Properties for sales | **4,989** | – |
| – Other receivables, deposits and prepayments | **732** | 419 |
| Provision for inventories | **2,084** | 2,525 |

Note: Direct cost for management services provided includes HK$16,307,000 (2021: HK$11,185,000) 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

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Salaries, wages and other benefits | **28,238** | 24,986 |
| Retirement benefit schemes contributions (Note) | **447** | 370 |
| | **28,685** | 25,356 |

Note: 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 per month, 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 2022, the five individuals whose emoluments were the highest in the Group include three directors (2021: three directors) whose emoluments are reflected in the analysis in Note 10. During the year ended 31 March 2022, the emolument paid/payable to the remaining two individuals (2021: two individuals) is as follows:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Salaries, wages and other benefits | **2,828** | 2,818 |
| Retirement benefit scheme contributions | **36** | 36 |
| | **2,864** | 2,854 |

| | **Number of individuals** | |
|---|---|---|
| | **2022** | 2021 |
| Emolument bands: | | |
| HK$1,000,001 to HK$1,500,000 | **2** | 1 |
| HK$1,500,001 to HK$2,000,000 | **–** | 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 2022 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)) | – | 9,660 | 1,600 | – | 18 | 11,278 |
| Mr. Yip Chun Kwok | – | 1,980 | 320 | – | 18 | 2,318 |
| Mr. Lo Hoi Wah, Heywood | – | 1,710 | 300 | – | 14 | 2,024 |
| | – | 13,350 | 2,220 | – | 50 | 15,620 |
| *Non-executive Director:* | | | | | | |
| Mr. Ng Tak Kwan | 768 | – | – | – | – | 768 |
| *Independent Non-executive Directors:* | | | | | | |
| Mr. To King Yan, Adam | 216 | – | – | – | – | 216 |
| Mr. Wong Hoi Ki | 216 | – | – | – | – | 216 |
| Mr. Ho Kwok Wah, George | 216 | – | – | – | – | 216 |
| | 648 | – | – | – | – | 648 |
| Total | 1,416 | 13,350 | 2,220 | – | 50 | 17,036 |

## 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 2021 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)) | – | 10,000 | – | – | 18 | 10,018 |
| Mr. Yip Chun Kwok | – | 2,608 | – | – | 18 | 2,626 |
| | – | 12,608 | – | – | 36 | 12,644 |
| *Non-executive Director:* | | | | | | |
| Mr. Ng Tak Kwan | 800 | – | – | – | – | 800 |
| *Independent Non-executive Directors:* | | | | | | |
| Mr. To King Yan, Adam | 224 | – | – | – | – | 224 |
| Mr. Wong Hoi Ki | 224 | – | – | – | – | 224 |
| Mr. Ho Kwok Wah, George | 224 | – | – | – | – | 224 |
| | 672 | – | – | – | – | 672 |
| Total | 1,472 | 12,608 | – | – | 36 | 14,116 |

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 HONGKONG LISTING RULES) (Continued)

**(b) Directors' retirement benefits**

None of the directors received or will receive any retirement benefits during the year ended 31 March 2022 (2021: None).

**(c) Directors' termination benefits**

None of the directors received or will receive any termination benefits during the year ended 31 March 2022 (2021: 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 2022 (2021: 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 2022 (2021: Nil).

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

Save as disclosed under the material related party transactions in Note 37, no significant transactions, arrangements and contracts in relation to the Group's business 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 2022 (2021: Nil).

## 11 FINANCE COSTS

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Interest on bank loans | **5,418** | 7,152 |
| Interest on loan from a non-controlling shareholder | **–** | 117 |
| Less: interest expenses capitalised into properties under development for sale (Note) | **(92)** | (807) |
| | **5,326** | 6,462 |

Note: Interest was capitalised at an average annual rate of approximately 5.0% (2021: 5.0%).

## 12 INCOME TAX

### (a) Taxation in consolidated income statement represents:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Current tax** | | |
| Hong Kong Profits Tax | | |
| – Provision for the year | 7 | – |
| – Under/(over)-provision in respect of prior year | 48 | (13) |
| | 55 | (13) |
| PRC Enterprise Income Tax ("EIT") | | |
| – Over-provision in respect of prior year | – | (7) |
| Overseas tax | | |
| – Provision for the year | 721 | 272 |
| – Under-provision in respect of prior year | 52 | – |
| | 773 | 272 |
| | 828 | 252 |

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2022.

No provision for Hong Kong Profits Tax has been made in these consolidated financial statements as the Group did not have any assessable profits for the year ended 31 March 2021.

Under the laws of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT tax rate is 25% (2021: 25%) for the year ended 31 March 2022.

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

## 12 INCOME TAX (Continued)

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

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| (Loss)/profit before taxation | **(38,157)** | 31,662 |
| Notional tax on (loss)/profit before taxation, calculated at rates applicable to (loss)/profit in the countries concerned | **(5,817)** | 2,853 |
| Tax effects of: | | |
| Share of loss/(profit) of joint ventures | **2,407** | (2,724) |
| Share of loss/(profit) of associates | **962** | (65) |
| Non-taxable income | **(4,063)** | (12,346) |
| Non-deductible expenses | **6,383** | 8,570 |
| Under/(over)-provision in prior years | **100** | (20) |
| Tax losses not recognised | **2,535** | 5,519 |
| Utilisation of tax losses previously not recognised | **(1,545)** | (219) |
| Others | **(134)** | (1,316) |
| | **828** | 252 |

**(c)** For the year ended 31 March 2022, share of associates' income tax expense of HK$19,000 (2021: income tax credit of HK$395,000) is included in the share of loss/(profit) of associates and share of joint ventures' income tax credit for the year ended 31 March 2022 of HK$1,884,000 (2021: income tax expense of HK$822,000) is included in share of loss/(profit) of joint ventures.

## 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$34,870,000 (2021: profit of HK$4,500,000) and 375,447,000 (2021: 447,266,000) weighted average number of 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 years ended 31 March 2022 and 31 March 2021.

## 14 INVESTMENT PROPERTIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **At valuation:** | | |
| **At the beginning of the year** | **158,240** | 162,240 |
| Additions from acquisition of assets through acquisition of subsidiaries (Note 36) | **210,000** | – |
| Transfer (Note) | **602** | – |
| Decrease in fair value of investment properties | **(6,342)** | (4,000) |
| **At the end of the year** | **362,500** | 158,240 |

Note: During the year ended 31 March 2022, completed properties held for sale at cost of HK$602,000 were transferred from "properties for sale" to "investment properties" as a result of change in use. The properties were measured at fair value at the time of transfer amounting to HK$2,300,000 and revaluation surplus of HK$1,698,000 have been dealt with in the consolidated income statement.

At 31 March 2022, investment properties of HK$360,200,000 (2021: HK$156,240,000) were pledged as securities for bank loans (Note 26(d)).

**Valuation processes**

The investment properties in Hong Kong were revalued at 31 March 2022 by Asset Appraisal Limited and Colliers International (Hong Kong) Limited (2021: Asset Appraisal Limited), independent firms of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of the 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.

**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.

**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 the quality of the building | -7% – 5% (2021: -5% – 5%) |

## 15 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 2020** | 47,485 | 9,034 | 3,719 | 60,238 |
| Additions | – | – | 91 | 91 |
| Disposals | – | (1,193) | (321) | (1,514) |
| Exchange adjustments | – | 106 | 22 | 128 |
| **At 31 March 2021 and 1 April 2021** | **47,485** | **7,947** | **3,511** | **58,943** |
| Additions | **–** | **–** | **74** | **74** |
| Disposals | **–** | **(543)** | **(110)** | **(653)** |
| Exchange adjustments | **–** | **25** | **7** | **32** |
| **At 31 March 2022** | **47,485** | **7,429** | **3,482** | **58,396** |
| **Accumulated depreciation:** | | | | |
| **At 1 April 2020** | 8,564 | 8,678 | 3,095 | 20,337 |
| Charged for the year | 1,427 | 114 | 218 | 1,759 |
| Disposals | – | (1,075) | (300) | (1,375) |
| Exchange adjustments | – | 96 | 20 | 116 |
| **At 31 March 2021 and 1 April 2021** | **9,991** | **7,813** | **3,033** | **20,837** |
| Charged for the year | **1,427** | **24** | **225** | **1,676** |
| Disposals | **–** | **(489)** | **(103)** | **(592)** |
| Exchange adjustments | **–** | **22** | **7** | **29** |
| **At 31 March 2022** | **11,418** | **7,370** | **3,162** | **21,950** |
| **Net book value:** | | | | |
| At 31 March 2022 | **36,067** | **59** | **320** | **36,446** |
| At 31 March 2021 | 37,494 | 134 | 478 | 38,106 |

At 31 March 2022 and 31 March 2021, all buildings are pledged as securities for bank loans (Note 26(d)).

## 16 INTERESTS IN ASSOCIATES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Share of net assets | **38,640** | 19,947 |
| Amounts due from associates (Note (g)) | **300,697** | 215,573 |
| Share of net liabilities | **(8,426)** | (3,890) |
| | **292,271** | 211,683 |
| | **330,911** | 231,630 |
| Dividend received from an associate | **–** | 2,600 |

Set out below are associates of the Group at 31 March 2022 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 | Proportion of issued capital held by the Group | | Proportion of voting power held at the board of directors | | Principal activity |
|---|---|---|---|---|---|---|---|---|
| | | | | **2022** | 2021 | **2022** | 2021 | |
| Fastest Runner Limited ("Fastest Runner") (Note (a)) | Incorporated | British Virgin Islands ("BVI") | US$100 | **24.2%** | 22.8% | **33%** | 33% | Investment holding |
| Dynamic Power Global Limited (Note (a)) | Incorporated | BVI | US$1 | **24.2%** | 22.8% | **33%** | 33% | Investment holding |
| Capital Universal Investment Limited (Note (a)) | Incorporated | Hong Kong | HK$10,000,000 | **24.2%** | 22.8% | **33%** | 33% | Property development |
| RREFLP (Notes (a) and (c)) | Limited partnership | Cayman Islands | – | **5.3%** | 3.5% | **33%** | 33% | Investment holding |
| RREPFLP (Notes (b) and (d)) | Limited partnership | Cayman Islands | – | **1%** | 1% | **33%** | 33% | Investment holding |
| Waltz Delight Limited ("Waltz Delight") (Note (b)) | Incorporated | BVI | US$1,000 | **12.5%** | 12.5% | **33%** | 33% | Investment holding |
| Graphite Square Investment Holding Limited ("GSIH") (Note (e)) | Incorporated | Hong Kong | HK$212,500 | **25%** | N/A | **25%** | N/A | Investment holding |

## 16 INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Dynamic Power Global Limited and Capital Universal Investment Limited are the wholly-owned subsidiaries of Fastest Runner. The 20% equity interest in Fastest Runner held by the Group is accounted for as interests in associates in the consolidated financial statements using equity method. The remaining 80% equity interest in Fastest Runner is held by 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 by the Group acting as general partner with other limited partners, the 1% equity interest in RREFLP is accounted for as interests in associates in the consolidated financial statements using equity method.

During the year ended 31 March 2021, the Group acquired approximately 2.53% partnership interest in RREFLP at a consideration of HK$17,500,000. Upon completion of the acquisition, the partnership interest in RREFLP indirectly held by the Group has increased from 1% to approximately 3.53%. The Group's effective interest in Fastest Runner has therefore increased from approximately 20.80% to approximately 22.82% as a result of the acquisition.

On 28 September 2021, the Group entered into a subscription agreement pursuant to which it has agreed to increase its capital commitment in RREFLP by HK$15,750,000 (representing approximately 1.73% of the total capital commitments to RREFLP of all partners of RREFLP).

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

(b) As part of the arrangement between the Group and RREPFLP, in which the Company 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 interest in Waltz Delight, an indirect wholly-owned subsidiary of the Company 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 remaining 11.6% equity interest in Waltz Delight is accounted for as interests in associates 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 by the Group acting as general partner with other limited partners, the 1% equity interest in RREPFLP is accounted for as interests in associates in the consolidated financial statements using equity method.

(c) At 31 March 2022, RREFLP's aggregate capital contribution was HK$909,545,000 (2021: HK$790,909,000). The Group has a total commitment of HK$47,845,000 to RREFLP, which had been fully paid.

(d) At 31 March 2022, RREPFLP's aggregate capital contribution was HK$140,465,000 (2021: HK$137,374,000). The Group has a total commitment of HK$1,580,000 to RREPFLP, of which HK$1,405,000 had been paid and the remaining of HK$175,000 will be payable to RREPFLP by the Group.

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

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

## 16 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(f) Summarised financial information of associate

Set out below is the summarised financial information of a material associate, Fastest Runner and its subsidiaries ("Fastest Runner Group") at 31 March 2022, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amounts in the consolidated financial statements.

| | Fastest Runner Group | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| **Gross amounts of the associate** | | |
| Current assets | **2,224,304** | 2,026,900 |
| Non-current assets | **–** | – |
| Current liabilities | **(2,244,712)** | (1,045,191) |
| Non-current liabilities | **–** | (997,454) |
| Net liabilities | **(20,408)** | (15,745) |
| Revenue | **–** | – |
| Loss for the year | **(4,663)** | (225) |
| Total comprehensive income for the year | **(4,663)** | (225) |
| **Reconciled to the Group's interest in the associate** | | |
| Gross amounts of consolidated net liabilities of the associate | **(20,408)** | (15,745) |
| Group's interest held through an indirect wholly-owned subsidiary of the Company | **20%** | 20% |
| Group's share of consolidated net liabilities of the associate | **(4,082)** | (3,149) |
| Carrying amount in the consolidated financial statements | **(4,082)** | (3,149) |
| Group's share of associate's loss for the year | **(933)** | (45) |

(g) Amounts due from associates

At 31 March 2022 and 31 March 2021, the amounts due from associates are interest-free and unsecured. All the amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

## 16 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | **34,296** | 19,206 |
| Aggregate amounts of the Group's share of these associates' (loss)/profit and total comprehensive income for the year | **(4,899)** | 441 |
| Dividend received from an associate | **–** | 2,600 |

## 17 INTERESTS IN JOINT VENTURES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Share of net assets | **12,431** | 13,249 |
| Amounts due from joint ventures (Note (e)) | **292,542** | 282,476 |
| Share of net liabilities | **(38,901)** | (26,577) |
| | **253,641** | 255,899 |
| | **266,072** | 269,148 |

## 17 INTERESTS IN JOINT VENTURES (Continued)

At 31 March 2022, the Group had interests in the following joint ventures, 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 2022 | 2021 | 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 |
| 意特利建材(深圳)有限公司 (Notes (a) and (b)) | Incorporated | The PRC | RMB10,000,000 | 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% | 43.5% | Distribution of construction and interior decorative materials |
| RBD Properties LLC (Note (c)) | Incorporated | The U.S.A. | – | 50% | 50% | Property development |

## 17 INTERESTS IN JOINT VENTURES (Continued)

Notes:

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

(b) These entities are foreign owned enterprises 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") at 31 March 2022, adjusted for any differences in accounting policies of the Group and reconciled to the carrying amount in the consolidated financial statements.

| | Quarella Group | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| **Gross amounts of the joint venture** | | |
| Current assets | **549,776** | 452,223 |
| Non-current assets | **221,102** | 219,896 |
| Current liabilities | **(829,995)** | (712,025) |
| Non-current liabilities | **(18,210)** | (12,583) |
| Net liabilities | **(77,327)** | (52,489) |
| Included in the above assets and liabilities: | | |
| Cash and cash equivalents | **22,980** | 91,667 |
| Current financial liabilities (excluding trade and other payables) | **(569,029)** | (562,409) |
| Non-current financial liabilities (excluding trade and other payables) | **(18,210)** | (12,583) |
| Revenue | **461,070** | 416,322 |
| (Loss)/profit for the year | **(27,929)** | 33,775 |
| Other comprehensive income for the year | **3,091** | 8,737 |
| Total comprehensive income for the year | **(24,838)** | 42,512 |
| Included in the above (loss)/profit: | | |
| Depreciation and amortisation | **(19,567)** | (17,821) |
| Interest income | **144** | 110 |
| Interest expense | **(478)** | (701) |
| Income tax credit/(expense) | **3,768** | (1,644) |

## 17 INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

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

| | Quarella Group | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| **Reconciled to the Group's interest in the joint venture** | | |
| Gross amounts of consolidated net liabilities of the joint venture | **(77,327)** | (52,489) |
| Group's effective interest | **43.5%** | 43.5% |
| Group's share of consolidated net liabilities of the joint venture (effective interest) | **(33,637)** | (22,833) |
| Non-controlling interests' share of consolidated net liabilities of the joint venture | **(5,025)** | (3,412) |
| Unrealised profits resulting from transactions between the Group and the joint venture | **(239)** | (332) |
| Carrying amount in the consolidated financial statements | **(38,901)** | (26,577) |
| Group's share of joint venture's (loss)/profit | **(13,871)** | 16,988 |

(e) At 31 March 2022 and 31 March 2021, the amount due from a joint venture of US$1,200,000 (equivalent to HK$9,426,000) (2021: US$1,200,000 (equivalent to HK$9,360,000)) is interest bearing at 5.5% per annum and unsecured while the remaining balance of HK$283,116,000 (2021: HK$273,116,000) is interest-free and unsecured. All the amounts are not expected to be recovered within the next twelve months from the end of the reporting period and they are neither past due nor impaired.

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

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements | **12,431** | 13,249 |
| Aggregate amounts of the Group's share of these joint ventures | | |
| Loss for the year | **(727)** | (563) |
| Other comprehensive income for the year | **(90)** | 129 |
| Total comprehensive income for the year | **(817)** | (434) |

## 18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Unlisted equity securities designated at FVOCI (non-recycling)

The unlisted equity securities of HK$15,850,000 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. The aggregate net fair value loss of HK$15,850,000 was charged to equity in prior years. No dividends were received from this investment during the years ended 31 March 2022 and 31 March 2021.

## 19 PROPERTIES FOR SALE

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Completed properties held for sale | **102,157** | 106,868 |
| Properties under development for sale | **297,812** | 295,414 |
| | **399,969** | 402,282 |

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

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| In Hong Kong | **69,167** | 69,769 |
| Outside Hong Kong | **330,802** | 332,513 |
| | **399,969** | 402,282 |

(b) At 31 March 2022, properties under development for sale of HK$297,813,000 (2021: HK$249,748,000) are expected to be completed after more than one year.

(c) At 31 March 2022, properties for sales of HK$126,722,000 (2021: HK$115,435,000) were pledged as securities for bank loans. (Note 26(d)).

## 20 INVENTORIES

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| **Construction and interior decorative materials:** | | |
| Finished goods | **2,521** | 5,977 |

## 21 TRADE RECEIVABLES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Trade receivables | **71,016** | 87,677 |
| Loss allowance | **(49,125)** | (51,272) |
| | **21,891** | 36,405 |

At 31 March 2022, the ageing analysis of trade receivables based on invoice date, net of loss allowance, is as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| 1 – 30 days | **2,814** | 3,484 |
| 31 – 60 days | **1,230** | 790 |
| 61 – 90 days | **387** | 699 |
| Over 90 days | **17,460** | 31,432 |
| | **21,891** | 36,405 |

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (2021: 90 days) after the issuance of invoices, except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, rental income which are receivable in the month the tenants use the premises and property management fee and utility income and asset, investment and fund management income which are receivable in the month the Group provides the services.

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

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 Group's exposure to credit risk can be found in Note 3.1(b).

## 21 TRADE RECEIVABLES (Continued)

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **At the beginning of the year** | 51,272 | 29,904 |
| Impairment losses recognised during the year | 3,507 | 22,777 |
| Reversal of impairment loss of trade receivables | (7,142) | – |
| Uncollectible amounts written off | (531) | (4,525) |
| Exchange adjustments | 2,019 | 3,116 |
| **At the end of the year** | 49,125 | 51,272 |

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

## 22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Deposits and prepayments | 2,228 | 1,506 |
| Loans and other receivables | 58,390 | 35,599 |
| | 60,618 | 37,105 |

## 23 BANK DEPOSITS AND CASH ON HAND

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Cash at banks and on hand | 110,143 | 369,788 |

At 31 March 2022, bank deposits and cash on hand include HK$31,404,000 (2021: HK$3,556,000) 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.

## 24 TRADE AND OTHER PAYABLES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Trade payables | **919** | 998 |
| Deposits received from tenants (Note) | **1,028** | 1,012 |
| Other payables and accruals | **16,918** | 25,104 |
| | **18,865** | 27,114 |

Note: Except for certain deposits received from tenants of HK$162,000 (2021: HK$268,000) at 31 March 2022 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 2022, the ageing analysis of trade payables, based on invoice date, is as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| 1 – 30 days | **881** | 962 |
| 31 – 60 days | **–** | – |
| 61 – 90 days | **–** | – |
| Over 90 days | **38** | 36 |
| | **919** | 998 |

## 25 CONTRACT LIABILITIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Sales of completed properties | | |
| – Deposit received from sale of properties | **7,400** | – |
| Asset, investment and fund management services | | |
| – Advanced payments received | **107** | 280 |
| | **7,507** | 280 |

Notes:

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

(ii) The amounts of revenue recognised during the year ended 31 March 2022 that were included in contract liabilities at 31 March 2021 are HK$280,000 (2021: HK$585,000).

## 25 CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(iii) Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Sales of completed properties
The Group receives contract value as deposits from customers when they sign the sale and purchase agreements. These deposits are recognised as contract liabilities 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.

– Assets, investment and fund management services
The Group receives payments from customers according to the services agreements. These advance payments are recognised as contract liabilities until the services are provided to the customers.

## 26 BANK LOANS

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Current liabilities** | | |
| Portion of bank loans due for repayment within one year | 58,030 | 137,978 |
| Portion of bank loans due for repayment after one year which contain a repayment on demand clause | 273,562 | 103,013 |
| | 331,592 | 240,991 |

At 31 March 2022, the bank loans are due for repayment as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Portion of bank loans due for repayment within one year | 58,030 | 137,978 |
| Bank loans due for repayment after one year (Notes (f) and (g)): | | |
| After one year but within two years | 13,030 | 10,426 |
| After two years but within five years | 246,854 | 71,689 |
| After five years | 13,678 | 20,898 |
| | 273,562 | 103,013 |
| | 331,592 | 240,991 |

## 26 BANK LOANS (Continued)

At 31 March 2022, the secured bank loans and unsecured bank loan are as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Secured bank loans | 211,592 | 240,991 |
| Unsecured bank loans | 120,000 | – |
| | 331,592 | 240,991 |

Notes:

(a) At 31 March 2022, bank loans drawn in Hong Kong bear interest at the rates ranging from 1.2% to 2.3% (2021: 1.5% to 2.3%) per annum over Hong Kong Interbank Offered Rate. The interests are repriced every one to three months (2021: every month).

(b) At 31 March 2022, bank loan drawn in Macau bears interest at 1.25% per annum below the Macau's Prime Lending Rate.

(c) At 31 March 2021, bank loan drawn in the U.S.A. bears interest at 5.0% per annum.

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Investment properties (Note 14) | 360,200 | 156,240 |
| Buildings (Note 15) | 36,067 | 37,494 |
| Properties for sale (Note 19) | 126,722 | 115,435 |
| | 522,989 | 309,169 |

Such banking facilities amounted to HK$285,868,000 (2021: HK$314,247,000) were utilised to the extent of HK$211,592,000 at 31 March 2022 (2021: HK$240,991,000).

(e) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group was to breach the covenants, the 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 2022 and 31 March 2021.

(f) 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.

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

The Group does not consider it probable that banks will exercise their discretion to demand immediate repayment 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).

## 27 SHARE CAPITAL

| Ordinary shares, issued and fully paid | Number of ordinary shares of HK$0.01 each '000 | Share capital HK$'000 |
|---|---|---|
| At 1 April 2020 | 477,447 | 4,774 |
| Buy-back and cancellation of shares (Note) | (102,000) | (1,020) |
| At 31 March 2021, 1 April 2021 and 31 March 2022 | **375,447** | **3,754** |

Note: On 28 September 2020, Dongxing Securities (Hong Kong) Company Limited made a conditional offer on behalf of the Company to buy-back for cancellation up to 102,000,000 ordinary shares at the price of HK$0.68 per share (the "Offer"). The Offer became unconditional in all respects on 23 November 2020 and was fully accepted on 7 December 2020. An aggregate cash consideration of HK$69,360,000, funded by internal resources of the Group, was paid by the Company, following which those 102,000,000 shares bought-back by the Company were cancelled on 14 December 2020.

## 28 DIVIDENDS

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Final dividend declared and paid after the end of the reporting period of HK$Nil per share (2021: HK3 cents per share) | – | 11,263 |

The board of directors does not recommend the payment of an interim dividend for the year ended 31 March 2022 (2021: HK$Nil per share).

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Final dividend in respect of the previous financial year of HK3 cents per share (2021: HK$Nil per share) | **11,263** | – |

## 29 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's reserves between the beginning and the end of the year are set out below.

**The Company**

| | Share premium HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 1 April 2020** | 469,130 | 1,042,857 | 1,511,987 |
| Buy-back of shares | (68,271) | – | (68,271) |
| **Changes in equity for the year** | | | |
| Loss and other comprehensive income for the year | – | (17,585) | (17,585) |
| **At 31 March 2021 and at 1 April 2021** | **400,859** | **1,025,272** | **1,426,131** |
| **Changes in equity for the year** | | | |
| Profit and other comprehensive income for the year | **–** | **1,642** | **1,642** |
| Dividend declared in respect of the previous financial year | **–** | **(11,263)** | **(11,263)** |
| **At 31 March 2022** | **400,859** | **1,015,651** | **1,416,510** |

**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 2.8.

(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 relevant accounting policy set out in Note 2.4.

(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 2.10.

## 30 DEFERRED TAX

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

The movements in deferred tax during the year are as follows:

| Deferred income tax (assets)/liabilities | Accelerated tax depreciation HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 1 April 2020** | 4,760 | (4,760) | – |
| (Credited)/charged to profit or loss | (990) | 990 | – |
| **At 31 March 2021 and 1 April 2021** | **3,770** | **(3,770)** | **–** |
| Addition from acquisition of assets and liabilities through acquisition of subsidiaries | **533** | **(533)** | **–** |
| Charged/(credited) to profit or loss | **697** | **(697)** | **–** |
| **At 31 March 2022** | **5,000** | **(5,000)** | **–** |

### (b) Deferred tax assets not recognised:

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

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Tax losses HK$'000** | **Deferred tax assets HK$'000** | Tax losses HK$'000 | Deferred tax assets HK$'000 |
| Hong Kong | **235,765** | **38,901** | 212,645 | 35,086 |
| Outside Hong Kong | **32,059** | **6,272** | 38,028 | 7,712 |
| | **267,824** | **45,173** | 250,673 | 42,798 |

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. Except for the tax losses arising from the 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 and the tax losses arising in tax years ending before 1 January 2018 from the operations in the U.S.A. will expire in twenty years after the relevant accounting year end date, the remaining tax losses can be carried forward indefinitely and have no expiry date.

### (c) 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$55,114,000 (2021: HK$53,938,000) 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.

## 31 FINANCIAL INSTRUMENTS BY CATEGORIES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Amounts due from associates | **292,271** | 211,683 |
| Amounts due from joint ventures | **253,641** | 255,899 |
| Trade receivables | **21,891** | 36,405 |
| Other receivables and deposits | **50,485** | 25,475 |
| Bank deposits and cash on hand | **110,143** | 369,788 |
| | **728,431** | 899,250 |
| **Financial liabilities at amortised cost** | | |
| Trade and other payables | **13,180** | 21,264 |
| Bank loans | **331,592** | 240,991 |
| | **344,772** | 262,255 |

## 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 | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **(Loss)/profit before taxation** | | **(38,157)** | 31,662 |
| Adjustments for: | | | |
| Decrease in fair value of investment properties | | **6,342** | 4,000 |
| Depreciation of other properties, plant and equipment | 8 | **1,676** | 1,759 |
| Depreciation of right-of-use assets | 8 | **–** | 9 |
| Gain on disposal of interest in a subsidiary | 35 | **–** | (46,657) |
| Loss on disposal of other properties, plant and equipment | 7 | **61** | 139 |
| Interest income on bank deposits | 6 | **(68)** | (308) |
| Interest income on loan to a joint venture | 6 | **(515)** | (86) |
| Interest expenses | 11 | **5,326** | 6,462 |
| Share of loss/(profit) of joint ventures | | **14,598** | (16,425) |
| Share of loss/(profit) of associates | | **5,832** | (396) |
| Impairment loss on trade receivables | 8 | **3,507** | 22,777 |
| Reversal of impairment loss on trade receivables | 8 | **(7,142)** | – |
| Impairment loss on other receivables, deposits and prepayments | 8 | **732** | 419 |
| Provision for inventories | 8 | **2,084** | 2,525 |
| Impairment loss on properties for sale | 8 | **4,989** | – |
| Exchange gain | | **(2,427)** | (17,330) |
| **Operating loss before changes in working capital** | | **(3,162)** | (11,450) |
| Changes in working capital: | | | |
| (Increase)/decrease in properties for sale | | **(865)** | 83,213 |
| Decrease in inventories | | **–** | 1,929 |
| Decrease in trade receivables | | **18,730** | 22,993 |
| (Increase)/decrease in other receivables, deposits and prepayments | | **(14,820)** | 35,296 |
| Decrease in trade and other payables | | **(8,347)** | (5,681) |
| Decrease in contract liabilities | | **(172)** | (343) |
| **Cash (used in)/generated from operations** | | **(8,636)** | 125,957 |

## 32 CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of liabilities arising from financing activities

| | Lease liabilities HK$'000 | Bank loans HK$'000 | Loan from non-controlling shareholders HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 1 April 2020** | 9 | 304,703 | 78,482 | 383,194 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from new bank loans | – | 14,091 | – | 14,091 |
| Repayments of bank loans | – | (77,893) | – | (77,893) |
| Repayments of lease liabilities | (9) | – | – | (9) |
| Repayment to non-controlling shareholders | – | – | (78,482) | (78,482) |
| Total changes from financing cash flows | (9) | (63,802) | (78,482) | (142,293) |
| **Exchange adjustments** | – | 90 | – | 90 |
| **Other changes:** | | | | |
| Interest expenses (Note 11) | – | 6,345 | 117 | 6,462 |
| Capitalised borrowing costs (Note 11) | – | 807 | – | 807 |
| Interest paid | – | (7,152) | (117) | (7,269) |
| Total other changes | – | – | – | – |
| **At 31 March 2021** | – | 240,991 | – | 240,991 |

## 32 CASH FLOW INFORMATION (Continued)

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

| | Bank loans HK$'000 |
|---|---|
| **At 1 April 2021** | **240,991** |
| **Changes from financing cash flows:** | |
| Proceeds from new bank loans | **230,927** |
| Repayments of bank loans | **(140,418)** |
| Total changes from financing cash flows | **90,509** |
| **Exchange adjustments** | **92** |
| **Other changes:** | |
| Interest expenses (Note 11) | **5,326** |
| Capitalised borrowing costs (Note 11) | **92** |
| Interest paid | **(5,418)** |
| Total other changes | **–** |
| **At 31 March 2022** | **331,592** |

## 33 COMMITMENTS

At 31 March 2022, capital commitments outstanding and not provided for in the financial statements were as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Authorised but not contracted for | **1,023,264** | 927,993 |
| Contracted for | **69,501** | 62,198 |
| | **1,092,765** | 990,191 |

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

## 34 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries and an associate of HK$278,275,000 (2021: HK$384,107,000) and HK$20,000,000 (2021: HK$20,000,000) respectively. Such banking facilities were utilised by the subsidiaries and the associate to the extent of HK$166,592,000 (2021: HK$135,991,000) and HK$Nil (2021: HK$Nil) respectively.

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

At 31 March 2022 and 2021, 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.

## 35 DISPOSAL OF INTEREST IN A SUBSIDIARY

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

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

| | HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Investment properties | 329,122 |
| Trade receivables | 10,794 |
| Other receivables, deposits, and prepayments | 189 |
| Bank deposits and cash on hand | 4,908 |
| Trade and other payables | (36,245) |
| Amount due to immediate holding company | (91,390) |
| Deferred tax liabilities | (19,129) |
| | 198,249 |

| | HK$'000 |
|---|---|
| Fair value of consideration | 383,296 |
| Less: Repayment to immediate holding company | (91,390) |
| Net assets disposed of | (198,249) |
| Release of translation reserve | (17,721) |
| Costs directly attributable to the disposal | (29,279) |
| Gain on disposal of interest in a subsidiary | 46,657 |

## 35 DISPOSAL OF INTEREST IN A SUBSIDIARY (Continued)

**Net cash inflow on the disposal**

| | HK$'000 |
|---|---|
| Consideration received in cash | 374,149 |
| Bank deposit and cash disposed of | (4,908) |
| Costs directly attributable to the disposal paid | (17,041) |
| Net cash inflow on the disposal for the year ended 31 March 2021 | 352,200 |

During the year ended 31 March 2021, the purchaser settled HK$374,149,000 and the remaining balance of the consideration amounted to HK$9,147,000 is included in other receivables, deposits and prepayments at 31 March 2021. The remaining balance of the consideration was fully settled during the year ended 31 March 2022.

## 36 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 27 July 2021, Vibrant Colour Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party for the purpose of acquiring 100% equity interests in Glorious Creation Limited ("GCL") and its subsidiary, Max Grand Properties Limited (collectively referred to as the "GCL Group") at a consideration of approximately HK$210,090,000 including the consideration for the purchase of the shareholder's loan owed by GCL to the vendor of approximately HK$71,822,000. The acquisition has been accounted for using the acquisition method. Max Grand Properties Limited is a property investment holding company and its major asset is its legal and beneficial interest in a residential property in Hong Kong.

The Group has fully settled the consideration and the acquisition was completed on 27 January 2022.

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

| | **HK$'000** |
|---|---|
| Investment property | **210,000** |
| Other receivables, deposits and prepayments | **90** |
| Net assets acquired | **210,090** |
| Satisfied by | |
| Cash consideration paid and net cash outflow | **(210,090)** |

In the opinion of the directors of the Company, the acquisition did not constitute a business combination in accordance with HKFRS 3, *Business combinations*, as the major underlying asset to be acquired through the acquisition is the investment property located in Hong Kong for earning potential rental income. Therefore, the acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of subsidiaries.

## 37 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:**

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Asset management expense to a related company (Note (i)) | – | (192) |
| Investment advisory fee expense to a related company (Note (i)) | – | (2,240) |
| Sales of construction materials to a joint venture | – | 568 |
| Investment management fee income from associates | 7,674 | 7,674 |
| Project management fee income from associates | 8,878 | 6,219 |
| Management fee income from a joint venture | 420 | 420 |
| Rental and building management fee income from a related company (Note (ii)) | – | 87 |
| Rental and building management fee income from an associate | 561 | 140 |
| Rental deposit received from an associate | 80 | 80 |
| Trade receivable from a joint venture, net of loss allowance | – | 20,531 |
| Trade receivables from associates, net of loss allowance | 20,368 | 11,855 |

Notes:

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

(ii) Directors of the Company are also directors of this entity. Such 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:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Salaries and short-term employee benefits | 19,073 | 16,666 |
| Post-employment benefits | 108 | 108 |
| | 19,181 | 16,774 |

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

## 38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiaries | **42,259** | 38,552 |
| Right-of-use assets | **–** | 1,727 |
| Amount due from a joint venture | **283,116** | 273,116 |
| | **325,375** | 313,395 |
| **Current assets** | | |
| Other receivables, deposits and prepayments | **785** | 666 |
| Amounts due from subsidiaries | **1,256,869** | 994,379 |
| Bank deposits | **44,571** | 269,522 |
| | **1,302,225** | 1,264,567 |
| **Current liabilities** | | |
| Payables and accruals | **1,801** | 1,929 |
| Amounts due to subsidiaries | **40,535** | 39,385 |
| Lease liabilities | **–** | 1,763 |
| Bank loans | **165,000** | 105,000 |
| | **207,336** | 148,077 |
| **Net current assets** | **1,094,889** | 1,116,490 |
| **NET ASSETS** | **1,420,264** | 1,429,885 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **3,754** | 3,754 |
| Reserves | **1,416,510** | 1,426,131 |
| **TOTAL EQUITY** | **1,420,264** | 1,429,885 |

The financial statements were approved by the Board of Directors on 28 June 2022 and were signed on its behalf.

**YIP Chun Kwok**
*Director*

**LO Hoi Wah, Heywood**
*Director*

## 38 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 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|---|
| 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$6,700,000 | **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 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 |
| Rykadan Carlyle South LLC* | The U.S.A. | Capital contribution | US$10,000 | **100%** | 100% | Property development |
| Sigrid Holdings Limited* | BVI | Ordinary | US$1 | **100%** | 100% | Property development |

## 38 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 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|---|
| Triple-I Capital Partners Limited* | Canada | Ordinary | CAD6,000,000 | **100%** | 100% | Investment holding |
| Integrity International Investment Limited* | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Provision of management services |
| 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 |
| 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 |

* These entities are indirectly held by the Company.

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

## 39 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 17 June 2022, Worth Celestial Limited ("Worth Celestial") (a wholly-owned subsidiary of the Company), Harbour Best Investments Limited (a company jointly owned by a director of the Company and his spouse), Rykadan Carlyle South LLC ("RCS LLC") (a wholly-owned subsidiary of the Company), Century Winner Inc ("CWI") (a company jointly owned by the said director of the Company and his spouse), the said director of the Company (as guarantor) and the spouse of the said director of the Company (as guarantor) entered into a master agreement in relation to certain arrangements concerning (1) the residential purchase agreement and joint escrow instructions to be entered into between RCS LLC and CWI with respect to a proposed acquisition of a property located in the U.S.A., and (2) the conditional sale and purchase agreement to be entered into between Harbour Best Investments Limited and Worth Celestial with respect to the conditional disposal of 80% of the entire issued share capital of Vibrant Colour Holdings Limited ("Vibrant Colour"), a wholly-owned subsidiary of Worth Celestial, and 80% of the shareholder's loans owing by Vibrant Colour to Worth Celestial. The master agreement is subject to the fulfilment of certain conditions, including but not limited to obtaining the approval from the independent shareholders of the Company at the extraordinary general meeting of the Company.

Given that the said director of the Company and his spouse are connected persons of the Company, such proposed transactions will constitute connected transactions as defined in Chapter 14A of the Listing Rules. Details of the transactions are referred to the announcement of the Company dated 17 June 2022.

# FINANCIAL SUMMARY

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Revenue | 408,144 | 881,095 | 110,677 | 168,157 | **86,942** |
| Profit/(loss) for the year | 34,676 | 322,641 | (84,940) | 31,410 | **(38,985)** |
| Profit/(loss) for the year attributable to: | | | | | |
| Equity shareholders of the Company | 31,120 | 329,957 | (77,319) | 4,500 | **(34,870)** |
| Non-controlling interests | 3,556 | (7,316) | (7,621) | 26,910 | **(4,115)** |
| | 34,676 | 322,641 | (84,940) | 31,410 | **(38,985)** |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 2,639,256 | 2,024,317 | 1,803,697 | 1,548,681 | **1,591,071** |
| Total liabilities | 1,442,450 | 554,883 | 462,919 | 269,868 | **359,284** |
| | 1,196,806 | 1,469,434 | 1,340,778 | 1,278,813 | **1,231,787** |
| Equity attributable to equity shareholders of the Company | 1,153,133 | 1,439,286 | 1,323,385 | 1,277,154 | **1,233,921** |
| Non-controlling interests | 43,673 | 30,148 | 17,393 | 1,659 | **(2,134)** |
| | 1,196,806 | 1,469,434 | 1,340,778 | 1,278,813 | **1,231,787** |