# RYKADAN CAPITAL LIMITED
# 宏基資本有限公司

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

**(Stock Code: 2288)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

### FINANCIAL HIGHLIGHTS

| | For the year ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| **RESULTS** | | |
| (Loss)/profit for the year (HK$'000) | **(84,940)** | 322,641 |
| **FINANCIAL INFORMATION PER SHARE** | | |
| (Loss)/earnings per share – Basic and diluted (HK cents) | **(16.2)** | 69.1 |
| | **At 31 March 2020** | At 31 March 2019 |
| Net assets per share (HK$) (Net assets/number of issued ordinary shares of the Company) | **2.81** | 3.08 |

### BANK BALANCES AND CASH

At 31 March 2020, the Group had bank deposits and cash of approximately HK$242 million (2019: HK$436 million).

### FINAL DIVIDEND

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

The board of directors (the "Board") of Rykadan Capital Limited 宏基資本有限公司 (the "Company") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2020*

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Revenue | 3 | **110,677** | 881,095 |
| Cost of sales and services | | **(67,458)** | (463,733) |
| **Gross profit** | | **43,219** | 417,362 |
| Other revenue | 4 | **15,870** | 18,686 |
| Other net loss | 5 | **(23,904)** | (22,932) |
| Selling and marketing expenses | | **(3,562)** | (44,866) |
| Administrative and other operating expenses | | **(63,713)** | (73,147) |
| **(Loss)/profit from operations** | | **(32,090)** | 295,103 |
| (Decrease)/increase in fair value of investment properties | 11 | **(13,471)** | 5,585 |
| | | **(45,561)** | 300,688 |
| Finance costs | 6 | **(13,524)** | (23,563) |
| Share of (loss)/profit of associates | | **(85)** | 121,144 |
| Share of loss of joint ventures | | **(19,772)** | (27,097) |
| **(Loss)/profit before taxation** | | **(78,942)** | 371,172 |
| Income tax expense | 8 | **(5,998)** | (48,531) |
| **(Loss)/profit for the year** | | **(84,940)** | 322,641 |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **(77,319)** | 329,957 |
| – Non-controlling interests | | **(7,621)** | (7,316) |
| **(Loss)/profit for the year** | | **(84,940)** | 322,641 |
| **(Loss)/earnings per share** | 9 | | |
| Basic and diluted | | **(16.2) cents** | 69.1 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2020*

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 11 | **162,240** | 512,845 |
| Other properties, plant and equipment | | **39,901** | 41,407 |
| Right-of-use assets | | **9** | – |
| Interests in associates | 12 | **205,862** | 215,861 |
| Interests in joint ventures | 13 | **188,953** | 201,343 |
| Financial assets measured at fair value through other comprehensive income | | **–** | 1,000 |
| | | **596,965** | 972,456 |
| **Current assets** | | | |
| Properties for sale | | **478,610** | 469,236 |
| Inventories | | **9,815** | 12,935 |
| Trade receivables | 14 | **82,450** | 104,012 |
| Other receivables, deposits and prepayments | | **64,553** | 29,911 |
| Bank deposits and cash on hand | | **242,093** | 435,767 |
| | | **877,521** | 1,051,861 |
| Assets classified as held-for-sale | 15 | **329,211** | – |
| | | **1,206,732** | 1,051,861 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **20,523** | 72,540 |
| Contract liabilities | | **585** | 5,277 |
| Lease liabilities | | **9** | – |
| Bank loans | 17 | **296,331** | 338,459 |
| Loans from non-controlling shareholders | | **78,482** | 78,218 |
| Current tax liabilities | | **1,307** | 46,954 |
| | | **397,237** | 541,448 |
| Liabilities directly associated with assets classified as held-for-sale | 15 | **57,310** | – |
| | | **454,547** | 541,448 |

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Net current assets** | | **752,185** | 510,413 |
| **Total assets less current liabilities** | | **1,349,150** | 1,482,869 |
| **Non-current liabilities** | | | |
| Bank loans | *17* | **8,372** | – |
| Deferred tax liabilities | | **–** | 13,435 |
| | | **8,372** | 13,435 |
| **NET ASSETS** | | **1,340,778** | 1,469,434 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **4,774** | 4,774 |
| Reserves | | **1,318,611** | 1,434,512 |
| **Total equity attributable to equity shareholders of the Company** | | **1,323,385** | 1,439,286 |
| Non-controlling interests | | **17,393** | 30,148 |
| **TOTAL EQUITY** | | **1,340,778** | 1,469,434 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION

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

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019 except for the accounting policy changes that are reflected in the 2020 annual financial statements. Details of the changes in accounting policies are set out below.

### APPLICATION OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE

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

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

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

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

## CHANGES IN ACCOUNTING POLICIES

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

### HKFRS 16, *Leases*

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

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

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

**(i) Practical expedients applied**

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

- accounting for operating leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application.

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

**(ii) Measurement of lease liabilities**

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

**(iii) Measurement of right-of-use assets**

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

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

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

a. Lease liabilities increased by $121,000

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

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

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

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements.

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

## 3. REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

#### *(i) Disaggregation of revenue*

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition and by geographical markets are disclosed in note 3(b).

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

For the year ended 31 March 2020, revenue from sales of completed properties to the customer in the United States of America (the "U.S.A.") was approximately $34,721,000.

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

At 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $64,829,000 (2019: $61,440,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties for sale, distribution of construction and interior decorative materials and provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future when (i) the properties are assigned to the customers; (ii) the customers take possession of and accept the products; or (iii) the relevant services are provided to the customers, which are expected to occur within the next 12 to 30 months.

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

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

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

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

**(b) Segment reporting**

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

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

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

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

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

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below.

**Segment results**

**For the year ended 31 March 2020**

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

For the year ended 31 March 2019

| | Property development $'000 | Property investment $'000 | Asset, investment and fund management $'000 | Distribution of construction and interior decorative materials $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 785,833 | – | – | 49,886 | – | 835,719 |
| Over time | – | 6,264 | 22,318 | – | – | 28,582 |
| **Revenue from other source** | – | 16,794 | – | – | – | 16,794 |
| External revenue | 785,833 | 23,058 | 22,318 | 49,886 | – | 881,095 |
| Inter-segment revenue | – | 3,549 | 5,612 | – | (9,161) | – |
| Total | 785,833 | 26,607 | 27,930 | 49,886 | (9,161) | 881,095 |
| Segment profit/(loss) from operations | 321,877 | 7,641 | 6,913 | (1,300) | – | 335,131 |
| Corporate expenses | | | | | | (54,228) |
| Corporate income | | | | | | 14,200 |
| Increase in fair value of investment properties | | | | | | 5,585 |
| Finance costs | | | | | | (23,563) |
| Share of profit of associates | | | | | | 121,144 |
| Share of loss of joint ventures | | | | | | (27,097) |
| Profit before taxation | | | | | | 371,172 |

**Segment assets and liabilities**

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

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

**Other segment information**

**For the year ended 31 March 2020**

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

For the year ended 31 March 2019

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

**Geographical segment information**

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

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

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

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

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

## 4. OTHER REVENUE

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

## 5. OTHER NET LOSS

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

## 6. FINANCE COSTS

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

## 7. EXPENSES BY NATURE

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

*Notes:*

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

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

## 8. INCOME TAX EXPENSE

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

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

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

## 9. (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 $77,319,000 (2019: profit of $329,957,000) and 477,447,000 (2019: 477,447,000) ordinary shares in issue during the year.

### (b) Diluted (loss)/earnings per share

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

## 10. DIVIDEND

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

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

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

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

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

## 11. INVESTMENT PROPERTIES

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

At 31 March 2020, investment properties of $160,140,000 (2019: $173,720,000) were pledged as securities for bank loans (note 17).

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

## 12. INTERESTS IN ASSOCIATES

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

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

## 13. INTERESTS IN JOINT VENTURES

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

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

## 14. TRADE RECEIVABLES

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

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

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (2019: 90 days) after the issuance of the 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.

## 15. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

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

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

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

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

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

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

## 16. TRADE AND OTHER PAYABLES

At 31 March 2020, included in trade and other payables are trade payables of $2,872,000 (2019: $6,566,000) and the ageing analysis of trade payables, based on invoice date, is as follows:

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

## 17. BANK LOANS

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

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

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

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

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

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

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

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

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

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Investment properties | **160,140** | 173,720 |
| Buildings | **38,921** | 40,350 |
| Properties for sale | **100,575** | 69,222 |
| | **299,636** | 283,292 |

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

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

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

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

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

The Group does not consider it probable that banks will exercise their discretion to demand repayment so long as the Group continues to meet the scheduled repayment obligations.

## BUSINESS AND FINANCIAL REVIEW

### Overview

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

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

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

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

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

**Overall Performance**

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

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

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

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

**Material Acquisition and Disposal**

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

**Investment Portfolio**

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

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

### *Real estate investments*

| Investment | Location | Type | Group interest | Status as of 31/3/2020 | Total gross floor area *(Note 1)* | Attributable gross floor area |
|---|---|---|---|---|---|---|
| Winston Project | 1135 Winston Avenue, San Marino, CA 91108, the U.S.A. | Residential property | 100% | Under construction. Expected to be completed in June 2020 | 3,973 square feet | 3,973 square feet |
| 265 Naomi Project | 265 W Naomi Avenue, Arcadia, CA 91007, the U.S.A. | Residential property | 100% | Completed. Expected to be handed over in second quarter of 2020 | 8,064 square feet | 8,064 square feet |
| Monterey Park Towne Centre | 100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA 91755, the U.S.A. | Residential and retail property | 100% | Under planning | 189,656 square feet | 189,656 square feet |
| Singing Wood Project | 960 Singing Wood Drive, Arcadia, CA 91006, the U.S.A. | Residential property | 100% | Under construction. Expected to be completed in October 2020 | 9,124 square feet | 9,124 square feet |
| Shoreditch Project | 79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K. | Commercial property | 100% | Completed and being marketed to buyer | 10,939 square feet | 10,939 square feet |
| Kailong Nanhui Business Park ("Business Park") *(Note 2)* | An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC | Commercial and industrial property | 59.1% | Being marketed to tenants (classified as assets held-for-sale) | 52,304 square metres | 30,911 square metres |
| Jaffe Road Project | 216, 216A, 218, 220 and 222A Jaffe Road, Wanchai, HongKong | Commercial and retail property | 3.55% | Under construction. Expected to be completed in June 2022 | 48,997 square feet | 1,739 square feet |
| Wong Chuk Hang Project | 23 Wong Chuk Hang Road, Hong Kong | Commercial and retail property | 20.8% | Under construction. Expected to be completed in March 2022 | 107,202 square feet | 22,298 square feet |

| Investment | Location | Type | Group interest | Status as of 31/3/2020 | Total gross floor area *(Note 1)* | Attributable gross floor area |
|---|---|---|---|---|---|---|
| Maple Street Project | 124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon | Industrial property | 100% | Completed. Remaining 3 workshops; 2 floors and various parking spaces being marketed to buyers | 7,019 square feet | 7,019 square feet |
| 2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower | 135 Hoi Bun Road, Kwun Tong, Kowloon | Commercial property | 100% | Completed (classified as investment properties) | 13,467 square feet | 13,467 square feet |
| Various car parking spaces of Rykadan Capital Tower | 135 Hoi Bun Road, Kwun Tong, Kowloon | Commercial property | 100% | Completed (classified as properties for sale) | N/A | N/A |

*Notes:*

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

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

### *Other investments*

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

**Summary and review of investments**

***Property development/Asset, investment and fund management***

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

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

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

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

***Property investment***

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

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

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

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

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

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

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

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

## Impact of COVID-19

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

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

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

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

## Outlook

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

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

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

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

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

## CORPORATE FINANCE AND RISK MANAGEMENT

### Liquidity and Financial Resources

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

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

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

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

As of 31 March 2020, the Group's current assets and current liabilities were HK$1,207 million (31 March 2019: HK$1,052 million) and HK$455 million (31 March 2019: HK$541 million) respectively. The Group's current ratio increased to 2.65 (31 March 2019: 1.94). The internally generated funds, together with unutilised banking facilities will enable the Group to meet its business development needs.

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

**Events after the Reporting Period**

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

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

**Contingent Liabilities and Financial Guarantees**

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries and a joint venture of HK$383,877,000 (31 March 2019: HK$393,426,000) and HK$54,400,000 (31 March 2019: HK$20,000,000) respectively. Such banking facilities were utilised by its subsidiaries and the joint venture to the extent of HK$131,382,000 (31 March 2019: HK$120,674,000), including the bank guarantee in favour of a utility service provider to secure the payment obligation of a subsidiary of the joint venture for an amount up to Euro Nil (equivalent to HK$Nil) (31 March 2019: Euro250,000 (equivalent to HK$2,215,000)), and HK$20,000,000 (31 March 2019: HK$20,000,000) respectively.

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

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

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

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

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

### Credit Exposure

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

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

### Employees and Remuneration Policies

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

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## PROPOSED FINAL DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The 2020 annual general meeting (the "AGM") of the Company is scheduled to be held on 26 August 2020. For determining the qualification as shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 21 August 2020 to 26 August 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 20 August 2020.

## 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

During the year, the Company had complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the following deviations:

Code provision A.1.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were three Board meetings held during the year ended 31 March 2020, which were regular meetings held for (i) approving the final results for the year ended 31 March 2019, (ii) approving the interim results for the period ended 30 September 2019 and (iii) approving the new framework agreement in relation to disposal of the entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect subsidiary of the Company and the shareholder's loan owing by Bestlinkage to the Group. The Company has not held another regular Board meeting as it is not required under the Listing Rules to publish quarterly results.

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiries, all of the directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code throughout the year ended 31 March 2020.

## AUDIT COMMITTEE REVIEW

The Audit Committee comprises three independent non-executive directors, namely Mr. Ho Kwok Wah, George (Chairman of the Audit Committee), Mr. To King Yan, Adam and Mr. Wong Hoi Ki, with the chairman possessing the appropriate professional qualifications and accounting expertise. The Company's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee.

## PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is available for viewing on the websites of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.rykadan.com) and the annual report for the year ended 31 March 2020 of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

For and on behalf of the Board
**Rykadan Capital Limited**
**宏基資本有限公司**
**CHAN William**
*Chairman and Chief Executive Officer*

Hong Kong, 17 June 2020

*As at the date of this announcement, the Board comprises Mr. CHAN William (Chairman and Chief Executive Officer) and Mr. YIP Chun Kwok (Chief Operating Officer) as executive directors, Mr. NG Tak Kwan as non-executive director and Mr. TO King Yan, Adam, Mr. WONG Hoi Ki and Mr. HO Kwok Wah, George as independent non-executive directors.*