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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 2022

FINANCIAL HIGHLIGHTS

| | For the year ended 31 March | |
|---------------------------------------|------------------------------------|-----------------|
| | 2022 | 2021 |
| RESULTS | | |
| (Loss)/profit for the year (HK\$'000) | (38,985) | 31,410 |
| | At | At |
| | 31 March | 31 March |
| | 2022 | 2021 |

FINANCIAL INFORMATION PER SHARE

| | | |
|--|-------------|------|
| Net assets per share attributable to equity shareholders of the Company (HK\$) (Total equity attributable to equity shareholders of the Company/number of issued ordinary shares of the Company) | 3.29 | 3.40 |
|--|-------------|------|

BANK BALANCES AND CASH

At 31 March 2022, the Group had bank deposits and cash of approximately HK\$110 million (2021: HK\$370 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

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 2022 together with the comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

| | Note | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------|---------------------------|-------------------------|
| Revenue | 3 | 86,942 | 168,157 |
| Cost of sales and services | | <u>(75,809)</u> | <u>(149,235)</u> |
| Gross profit | | 11,133 | 18,922 |
| Other revenue | 4 | 9,744 | 6,506 |
| Other net (loss)/income | 5 | (911) | 23,932 |
| Gain on disposal of interest in a subsidiary | | – | 46,657 |
| Selling and marketing expenses | | (1,522) | (4,773) |
| Administrative and other operating expenses | | <u>(24,503)</u> | <u>(65,941)</u> |
| (Loss)/profit from operations | | (6,059) | 25,303 |
| Decrease in fair value of investment properties | 11 | <u>(6,342)</u> | <u>(4,000)</u> |
| | | (12,401) | 21,303 |
| Finance costs | 6 | (5,326) | (6,462) |
| Share of (loss)/profit of associates | | (5,832) | 396 |
| Share of (loss)/profit of joint ventures | | <u>(14,598)</u> | <u>16,425</u> |
| (Loss)/profit before taxation | | (38,157) | 31,662 |
| Income tax | 8 | <u>(828)</u> | <u>(252)</u> |
| (Loss)/profit for the year | | <u>(38,985)</u> | <u>31,410</u> |
| Attributable to: | | | |
| – Equity shareholders of the Company | | (34,870) | 4,500 |
| – Non-controlling interests | | <u>(4,115)</u> | <u>26,910</u> |
| (Loss)/profit for the year | | <u>(38,985)</u> | <u>31,410</u> |
| (Loss)/earnings per share | 9 | | |
| Basic and diluted | | <u>(9.3) cents</u> | <u>1.0 cents</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss)/profit for the year | <u>(38,985)</u> | <u>31,410</u> |
| 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 | – | 17,721 |
| – Share of translation reserve of joint ventures | <u>1,399</u> | <u>4,553</u> |
| | 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 | <u>57</u> | <u>(56)</u> |
| Other comprehensive income for the year | <u>3,222</u> | <u>29,603</u> |
| Total comprehensive income for the year | <u><u>(35,763)</u></u> | <u><u>61,013</u></u> |
| Attributable to: | | |
| – Equity shareholders of the Company | (31,970) | 23,060 |
| – Non-controlling interests | <u>(3,793)</u> | <u>37,953</u> |
| Total comprehensive income for the year | <u><u>(35,763)</u></u> | <u><u>61,013</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

| | <i>Note</i> | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Non-current assets | | | |
| Investment properties | <i>11</i> | 362,500 | 158,240 |
| Other properties, plant and equipment | | 36,446 | 38,106 |
| Interests in associates | <i>12</i> | 330,911 | 231,630 |
| Interests in joint ventures | <i>13</i> | 266,072 | 269,148 |
| Financial assets measured at fair value through other comprehensive income | | — | — |
| | | 995,929 | 697,124 |
| Current assets | | | |
| Properties for sale | | 399,969 | 402,282 |
| Inventories | | 2,521 | 5,977 |
| Trade receivables | <i>14</i> | 21,891 | 36,405 |
| Other receivables, deposits and prepayments | | 60,618 | 37,105 |
| Bank deposits and cash on hand | | 110,143 | 369,788 |
| | | 595,142 | 851,557 |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 18,865 | 27,114 |
| Contract liabilities | | 7,507 | 280 |
| Bank loans | <i>16</i> | 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 |

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| CAPITAL AND RESERVES | | |
| Share capital | 3,754 | 3,754 |
| Reserves | <u>1,230,167</u> | <u>1,273,400</u> |
| Total equity attributable to equity shareholders of the Company | 1,233,921 | 1,277,154 |
| Non-controlling interests | <u>(2,134)</u> | <u>1,659</u> |
| TOTAL EQUITY | <u><u>1,231,787</u></u> | <u><u>1,278,813</u></u> |

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 (“HK\$”), 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.

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 2021 except for the accounting policy changes that are reflected in the 2022 annual financial statements. Details of the changes in accounting policies are set out below.

CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued number of 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 30 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.

The Group has not applied any new standards and amendments to existing standards that are 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:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 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 |
| | <u>81,852</u> | <u>159,421</u> |
| Revenue from other source | | |
| – Rental income | 5,090 | 8,736 |
| | <u>86,942</u> | <u>168,157</u> |

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 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 United States of America (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 United Kingdom (the "U.K.") and the U.S.A. amounted to approximately HK\$96,783,000 and HK\$32,783,000 respectively.

(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 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 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| 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.

- 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 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.
- 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 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.

Segment results

For the year ended 31 March 2022

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Asset, investment and fund management <i>HK\$'000</i> | Distribution of construction and interior decorative materials <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---|---|---|--------------------------------|--------------------------|
| 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) |

For the year ended 31 March 2021

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Asset, investment and fund management <i>HK\$'000</i> | Distribution of construction and interior decorative materials <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---|---|---|--------------------------------|--------------------------|
| 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 | <u>–</u> | <u>8,736</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>8,736</u> |
| External revenue | 138,073 | 14,477 | 14,950 | 657 | – | 168,157 |
| Inter-segment revenue | <u>–</u> | <u>3,549</u> | <u>–</u> | <u>–</u> | <u>(3,549)</u> | <u>–</u> |
| Total | <u><u>138,073</u></u> | <u><u>18,026</u></u> | <u><u>14,950</u></u> | <u><u>657</u></u> | <u><u>(3,549)</u></u> | <u><u>168,157</u></u> |
| 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 | | | | | | <u>16,425</u> |
| Profit before taxation | | | | | | <u><u>31,662</u></u> |

Segment assets and liabilities

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

| | 2022 | 2021 |
|--|------------------|-------------|
| | HK\$'000 | 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 |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| Total consolidated assets of the Group | 1,591,071 | 1,548,681 |
| | <hr/> <hr/> | <hr/> <hr/> |
| 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 |
| | <hr/> | <hr/> |
| Total segment liabilities | 122,278 | 146,849 |
| | | |
| Other payables | 9,006 | 18,019 |
| Bank loans | 228,000 | 105,000 |
| | <hr/> | <hr/> |
| Total consolidated liabilities of the Group | 359,284 | 269,868 |
| | <hr/> <hr/> | <hr/> <hr/> |

Other segment information

For the year ended 31 March 2022

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Asset, investment and fund management <i>HK\$'000</i> | Distribution of construction and interior decorative materials <i>HK\$'000</i> | Segment total <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|---|---|----------------------------------|--------------------------------|--------------------------|
| 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) |
| | <u>-</u> | <u>212,300</u> | <u>-</u> | <u>(61)</u> | <u>(61)</u> | <u>-</u> | <u>(61)</u> |

For the year ended 31 March 2021

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Asset, investment and fund management <i>HK\$'000</i> | Distribution of construction and interior decorative materials <i>HK\$'000</i> | Segment total <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|---|---|----------------------------------|--------------------------------|--------------------------|
| 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) |
| | <u>-</u> | <u>-</u> | <u>18</u> | <u>(138)</u> | <u>(138)</u> | <u>(1)</u> | <u>(139)</u> |

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 is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong | 23,239 | 28,129 |
| The People's Republic of China (the "PRC") | – | 10,462 |
| The U.S.A. | 63,703 | 32,783 |
| The U.K. | – | 96,783 |
| | <u>86,942</u> | <u>168,157</u> |

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

4. OTHER REVENUE

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 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 |
| | <u>9,744</u> | <u>6,506</u> |

5. OTHER NET (LOSS)/INCOME

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net foreign exchange (loss)/gain | (850) | 22,705 |
| Loss on disposal of other properties, plant and equipment | (61) | (139) |
| Government grants (<i>Note</i>) | – | 1,366 |
| | <u> </u> | <u> </u> |
| | (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.

6. FINANCE COSTS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 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 (<i>Note</i>) | (92) | (807) |
| | <u> </u> | <u> </u> |
| | 5,326 | 6,462 |

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

7. EXPENSES BY NATURE

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Auditors' remuneration – audit services | 1,250 | 1,277 |
| Cost of inventories | – | 446 |
| Cost of properties for recognised sales | 53,627 | 132,181 |
| Direct cost for management services provided (<i>Note</i>) | 16,307 | 11,458 |
| Depreciation of: | | |
| – Other properties, plant and equipment | 1,676 | 1,759 |
| – Right-of-use assets | – | 9 |
| Employee benefit expenses | 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 | (7,142) | – |
| Impairment loss of: | | |
| – Trade receivables | 3,507 | 22,777 |
| – Other receivables, deposits and prepayments | 732 | 419 |
| – Properties for sales | 4,989 | – |
| Provision for inventories | 2,084 | 2,525 |
| | <u> </u> | <u> </u> |

Note: Direct cost for management services provided includes HK\$16,307,000 (2021: HK\$11,185,000) relating to staff costs which are also included in the respective total amount disclosed separately above.

8. INCOME TAX

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| Hong Kong Profits Tax | | |
| – Provision for the year | 7 | – |
| – Under/(over)-provision in respect of prior year | <u>48</u> | <u>(13)</u> |
| | <u>55</u> | <u>(13)</u> |
| 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 | <u>52</u> | <u>–</u> |
| | <u>773</u> | <u>272</u> |
| | <u>828</u> | <u>252</u> |

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 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% (2021: 25%) for the year ended 31 March 2022.

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

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 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.

10. DIVIDEND

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

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

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

The final dividend has not been recognised as a liability at the end of the reporting period.

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

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

11. INVESTMENT PROPERTIES

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

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 16).

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.

12. INTERESTS IN ASSOCIATES

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

Notes:

- (a) 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 Graphite Square Investment Holding Limited (“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 into between Brisk City and the Independent Third-party Co-investors, the 25% equity interest in GSIH is accounted for as interest in an associate 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..

- (b) On 28 September 2021, the Group entered into a subscription agreement pursuant to which it has agreed to increase its capital commitment in Rykadan Real Estate Fund LP (“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 Limited has therefore increased from approximately 22.82% to approximately 24.21% as a result of the subscription.

- (c) 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.

13. INTERESTS IN JOINT VENTURES

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

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.

14. TRADE RECEIVABLES

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 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 |
| | <u>21,891</u> | <u>36,405</u> |

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 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. TRADE AND OTHER PAYABLES

At 31 March 2022, included in trade and other payables are trade payables of HK\$919,000 (2021: HK\$998,000) and the ageing analysis of trade payables, based on invoice date, is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1-30 days | 881 | 962 |
| 31-60 days | – | – |
| 61-90 days | – | – |
| Over 90 days | 38 | 36 |
| | <u>919</u> | <u>998</u> |
| | <u><u>919</u></u> | <u><u>998</u></u> |

16. BANK LOANS

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 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 |
| | <u>331,592</u> | <u>240,991</u> |
| | <u><u>331,592</u></u> | <u><u>240,991</u></u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Portion of bank loans due for repayment within one year | 58,030 | 137,978 |
| Bank loans due for repayment after one year (<i>Notes (f) and (g)</i>): | | |
| 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 |
| | <u>273,562</u> | <u>103,013</u> |
| | <u><u>331,592</u></u> | <u><u>240,991</u></u> |

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

| | 2022 HK\$'000 | 2021 <i>HK\$'000</i> |
|----------------------|--------------------------------|-------------------------|
| 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 month 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 <i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Investment properties | 360,200 | 156,240 |
| Buildings | 36,067 | 37,494 |
| Properties for sale | 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.

17. 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.

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.

BUSINESS AND FINANCIAL REVIEW

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 12 to the annual results announcement).*

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) |

| Investment | Location | Type | Group's interest | Status as of 31/3/2022 | Area | Attributable area |
|--|--|--------------------------------|-------------------------|--|-----------------------------------|----------------------------------|
| 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) |
| 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 announcement, 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. 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 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.

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.

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).

NON-ADJUSTING EVENT AFTER THE END OF 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.

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 2022 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 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The 2022 annual general meeting (the “AGM”) of the Company is scheduled to be held on 8 September 2022. For determining the qualification as shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 5 September 2022 to 8 September 2022, 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 2 September 2022.

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 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.

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.

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 2022.

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 2022 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 2022 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, 28 June 2022

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