RYKADAN CAPITAL LIMITED
宏基資本有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2288)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

	For the six-month period ended	
	30 September 2016	30 September 2015
RESULTS:		
Loss for the period ($'000)	**(10,511)**	(24,222)
FINANCIAL INFORMATION PER SHARE:		
Loss per share – Basic (HK Cents)	**(1.9)**	(4.8)

	At 30 September 2016	At 31 March 2016
Net assets per share (HK$) (Net assets/number of issued ordinary shares of the Company)	**2.27**	2.34

INTERIM DIVIDEND:

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016.

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Rykadan Capital Limited宏基資本有限公司(the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six-month period ended 30 September 2016 together with the unaudited comparative figures for the corresponding period ended 30 September 2015 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2016 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six-month period ended 30 September	
	Note	**2016**	2015
		$'000	*$'000*
Revenue	*3*	**153,524**	96,269
Cost of sales and services		**(115,964)**	(61,571)
Gross profit		**37,560**	34,698
Other revenue		**2,486**	589
Other net loss		**(12,237)**	(1,081)
Selling and marketing expenses		**(8,074)**	(10,736)
Administrative and other operating expenses		**(35,601)**	(46,102)
Loss from operations		**(15,866)**	(22,632)
Increase in fair value of investment properties	*8*	**12,133**	7,871
Finance costs	*4(a)*	**(3,333)**	(3,330)
Share of profit less loss of associates		**–**	1,190
Share of profit less loss of joint ventures		**386**	101
Loss before taxation	*4*	**(6,680)**	(16,800)
Income tax	*5*	**(3,831)**	(7,422)
Loss for the period		**(10,511)**	(24,222)
Loss for the period attributable to:			
– Equity shareholders of the Company		**(9,269)**	(22,783)
– Non-controlling interests		**(1,242)**	(1,439)
Loss for the period		**(10,511)**	(24,222)
Loss per share	*6*		
Basic		**(1.9) cents**	(4.8) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2016 – UNAUDITED
(Expressed in Hong Kong dollars)

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
Loss for the period	**(10,511)**	(24,222)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	**(5,728)**	(7,020)
– Share of translation reserve of an associate	**–**	(410)
Other comprehensive income for the period	**(5,728)**	(7,430)
Total comprehensive income for the period	**(16,239)**	(31,652)
Total comprehensive income for the period attributable to:		
– Equity shareholders of the Company	**(12,622)**	(27,547)
– Non-controlling interests	**(3,617)**	(4,105)
Total comprehensive income for the period	**(16,239)**	(31,652)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2016 (Unaudited) *$'000***	At 31 March 2016 (Audited) *$'000*
Non-current assets			
Investment properties	*8*	**440,973**	430,583
Other properties, plant and equipment		**58,727**	61,512
Interest in an associate		**106,797**	106,797
Interests in joint ventures		**14,176**	13,785
Other receivables and deposits		**869**	5,231
		621,542	617,908
Current assets			
Properties for sale		**847,736**	789,612
Inventories		**83,082**	71,203
Trade receivables	*9*	**102,040**	46,708
Other receivables, deposits and prepayments		**35,861**	63,607
Trading securities		**–**	20,473
Amount due from a joint venture		**1,135**	1,156
Restricted bank deposits		**22,363**	226,062
Bank deposits and cash		**212,117**	132,099
Taxation recoverable		**995**	4,730
		1,305,329	1,355,650
Current liabilities			
Trade and other payables	*10*	**73,013**	61,928
Deposits received from sale of properties		**277,818**	261,991
Bank loans	*11*	**260,031**	295,809
Loans from non-controlling shareholders		**75,693**	75,207
		686,555	694,935
Net current assets		**618,774**	660,715
Total assets less current liabilities		**1,240,316**	1,278,623

	Note	**At 30 September 2016 (Unaudited) *$'000***	At 31 March 2016 (Audited) *$'000*
Non-current liabilities			
Bank loans	*11*	**144,263**	151,137
Deferred tax liabilities		**10,840**	11,711
		155,103	162,848
NET ASSETS		**1,085,213**	1,115,775
CAPITAL AND RESERVES			
Share capital		**4,774**	4,774
Reserves		**1,048,299**	1,075,244
Total equity attributable to equity shareholders of the Company		**1,053,073**	1,080,018
Non-controlling interests		**32,140**	35,757
TOTAL EQUITY		**1,085,213**	1,115,775

NOTES TO THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 November 2016.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim results have not been audited or reviewed by the auditors pursuant to the Hong Kong Standards on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group's financial statements:

– *Annual Improvements to HKFRS 2012-2014 Cycle*
– *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRS 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34 has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial statements as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from distribution of construction and interior decorative materials, sales of properties, rental income and hospitality service fees.

An analysis of the Group's revenue for the period is as follows:

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
Distribution of construction and interior decorative materials	**145,869**	92,750
Sales of properties	**4,804**	–
Rental income	**2,851**	3,420
Hospitality service fees	**–**	99
	153,524	96,269

(b) Segment reporting

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

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

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

- Distribution of construction and interior decorative materials – This segment derives its revenue from distribution of stone composite surfaces products in the Greater China region and a license to use the relevant trademark in connection therewith.

Information regarding the above operating and reportable segments is reported below.

Segment results

For the six-month period ended 30 September 2016

	Property development *$'000*	**Property investment and hospitality operations** *$'000*	**Distribution of construction and interior decorative materials** *$'000*	**Elimination** *$'000*	**Consolidated** *$'000*
Revenue					
External revenue	**5,070**	**2,585**	**145,869**	**–**	**153,524**
Inter-segment revenue	**–**	**2,081**	**–**	**(2,081)**	**–**
Total	**5,070**	**4,666**	**145,869**	**(2,081)**	**153,524**
Segment (loss)/profit	**(2,941)***	**(1,894)**	**15,252**	**–**	**10,417**
Corporate expenses					**(34,704)**
Corporate income					**1,324**
Increase in fair value of investment properties					**12,133**
Gain on disposal of trading securities					**7,097**
Finance costs					**(3,333)**
Share of profit less loss of joint ventures					**386**
Loss before taxation					**(6,680)**

For the six-month period ended 30 September 2015

	Property development *$'000*	Property investment and hospitality operations *$'000*	Distribution of construction and interior decorative materials *$'000*	Elimination *$'000*	Consolidated *$'000*
Revenue					
External revenue	1,086	2,433	92,750	–	96,269
Inter-segment revenue	1,155	620	–	(1,775)	–
Total	2,241	3,053	92,750	(1,775)	96,269
Segment (loss)/profit	(8,796)*	(3,314)	17,596	–	5,486
Corporate expenses					(18,045)
Corporate income					128
Provision for impairment loss on other receivables					(10,201)
Increase in fair value of investment properties					7,871
Finance costs					(3,330)
Share of profit less loss of associates					1,190
Share of profit of a joint venture					101
Loss before taxation					(16,800)

* Segment loss was primarily attributable to the selling and marketing costs incurred in relation to pre-sale of properties.

4. LOSS BEFORE TAXATION

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

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**6,601**	4,787
Less: interest expense capitalised into properties under development for sale *(Note)*	**(3,268)**	(1,457)
	3,333	3,330

Note: Interest was capitalised at an average annual rate of 2.53% (six-month period ended 30 September 2015: 1.26%)

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
(b) Other items		
Cost of inventories sold	**111,526**	61,571
Cost of trading properties for recognised sales	**4,438**	–
Depreciation of other properties, plant and equipment	**2,322**	2,172
Loss on disposal of other properties, plant and equipment	**488**	48
Provision for impairment loss on other receivables	**–**	10,201
Net foreign exchange losses	**18,846**	1,033
Interest income	**(252)**	(128)
Dividend income	**(472)**	–
Gain on disposal of trading securities	**(7,097)**	–

5. INCOME TAX

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
Current tax		
Hong Kong Profits Tax	**43**	–
PRC Enterprise Income Tax	**3,745**	6,861
Overseas tax	**43**	43
	3,831	6,904
Deferred tax		
Origination and reversal of temporary differences	**–**	518
	3,831	7,422

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six-month period ended 30 September 2016.

No provision for Hong Kong Profits Tax was made for the six-month period ended 30 September 2015 as the entities comprising the Group that were subject to Hong Kong Profits Tax incurred taxable loss for the period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six-month period ended 30 September 2015: 25%) for the period.

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

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of $9,269,000 (six-month period ended 30 September 2015: $22,783,000) and the weighted average number of 477,447,000 ordinary shares in issue during both interim periods.

(b) Diluted loss per share

There are no potential diluted ordinary shares during the six-month periods ended 30 September 2016 and 30 September 2015.

7. DIVIDEND

(i) The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016 (six-month period ended 30 September 2015: $Nil per share).

(ii) Dividend payable to equity shareholders attributable to the previous financial year

	Six-month period ended 30 September	
	2016	2015
	$'000	*$'000*
Final dividend in respect of the previous financial year, of 3 cents per share (six-month period ended 30 September 2015: 5 cents per share)	**14,323**	23,872

8. INVESTMENT PROPERTIES

	2016	2015
	$'000	*$'000*
At 1 April	**430,583**	456,518
Transfer	**21,200**	2,400
Revaluation deficit	**–**	(10,320)
Exchange adjustments	**(10,810)**	(18,015)
At 30 September 2016/31 March 2016	**440,973**	430,583

During the period ended 30 September 2016, completed properties held for sale of $21,200,000 were transferred from "properties for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation surplus of $12,133,000 has been dealt with in the consolidated income statement.

9. TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date, net of allowance for doubtful debts, is as follows:

	At 30 September 2016 *$'000*	At 31 March 2016 *$'000*
1-30 days	**60,213**	7,638
31-60 days	**1,408**	3,822
61-90 days	**16,091**	2,844
Over 90 days	**24,328**	32,404
	102,040	46,708

Except for the Group's trade customers, which the Group negotiates on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2016: 90 days), all invoices are due upon issue.

10. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on the invoice date is as follows:

	At 30 September 2016 *$'000*	At 31 March 2016 *$'000*
1-30 days	**8,107**	12,794
31-60 days	**–**	–
61-90 days	**443**	–
Over 90 days	**6,480**	27
	15,030	12,821

11. BANK LOANS

At 30 September 2016, the bank loans are repayable as follows:

	At 30 September 2016	At 31 March 2016
	$'000	*$'000*
Within 1 year or on demand	**260,031**	295,809
After 1 year but within 2 years	**11,266**	11,640
After 2 years but within 5 years	**132,997**	139,497
	404,294	446,946

At 30 September 2016, the secured bank loans and unsecured bank loans are as follows:

	At 30 September 2016	At 31 March 2016
	$'000	*$'000*
Secured bank loans	**308,735**	420,036
Unsecured bank loans	**95,559**	26,910
	404,294	446,946

(a) At 30 September 2016, bank loans drawn in Hong Kong bear interest at rates ranging from 1.9% to 2.7% (31 March 2016: 2.0% to 2.7%) per annum over the Hong Kong Interbank Offer Rate or London Interbank Offer Rate and interests are repriced every one to three months.

(b) At 30 September 2016, bank loans drawn in the PRC bear interest at The People's Bank of China Base Interest Rate (31 March 2016: The People's Bank of China Base Interest Rate) per annum.

(c) At 30 September 2016, bank loans drawn in the U.S.A. bear interest at 1% (31 March 2016: 1%) per annum over the daily Wall Street Journal Prime Rate.

(d) At 30 September 2016, the bank loans of $210,387,000 (31 March 2016: $134,652,000) that are repayable within one year from the end of the reporting period contains a repayable on demand clause.

(e) At 30 September 2016, the banking facilities of the Group were secured by mortgages over the investment properties, properties for sale and buildings held for own use with an aggregate carrying value of $439,773,000 (31 March 2016: $429,383,000), $378,431,000 (31 March 2016: $664,543,000) and $51,918,000 (31 March 2016: $52,761,000) respectively. Such banking facilities amounted to $715,305,000 (31 March 2016: $932,931,000) were utilised to the extent of $308,735,000 at 30 September 2016 (31 March 2016: $420,036,000).

(f) 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 were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

At 30 September 2016, none of the covenants relating to the drawn down facilities had been breached (31 March 2016: None).

BUSINESS AND FINANCIAL REVIEW

Overview

The Group continued to make progress in developing its property development business. This included The Paseo – the Group's first residential real estate project – received the certificate of completion in September 2016 following its earlier pre-sale, and the Group started to handover the units to property purchasers from late September 2016.

The Group also moved forward with developing its two industrial properties in Hong Kong, including the launch of the pre-sale of one of these projects, under the project name of THE AGORA (hereafter referred to as the "Wing Hong Street Project"). These projects, alongside the Group's other investments, continue to align with the Group's strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon.

During the six-month period 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 United States of America (the "U.S.A.") and the United Kingdom (the "U.K."). It has also invested in companies operating in the areas of distribution of construction and interior decorative materials and hospitality operations.

As at 30 September 2016, the Group's total assets amounted to HK$1,927 million (31 March 2016: HK$1,974 million), of which HK$1,305 million (31 March 2016: HK$1,356 million) were current assets, approximately 1.90 times (31 March 2016: 1.95 times) of current liabilities. Equity attributable to the owners of the Company was HK$1,053 million (31 March 2016: HK$1,080 million).

Overall Performance

During the six-month period under review, the Group recorded consolidated revenue of HK$154 million (six-month period ended 30 September 2015: HK$96 million). Gross profit and gross profit margin were HK$38 million (six-month period ended 30 September 2015: HK$35 million) and 24.5% (six-month period ended 30 September 2015: 36.0%) respectively.

Net loss for the period was HK$11 million (six-month period ended 30 September 2015: HK$24 million). Loss attributable to equity shareholders of the Company was HK$9 million (six-month period ended 30 September 2015: HK$23 million). The loss was mostly attributed to the net foreign exchange losses arose from the fluctuation of Renminbi and British Pound of HK$19 million, as well as the selling and marketing costs incurred in property development projects while the properties have not yet delivered, notwithstanding that the Group realised gain on disposal of trading securities of HK$7 million.

Basic loss per share for the six-month period ended 30 September 2016 was HK1.9 cents (six-month period ended 30 September 2015: HK4.8 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016.

Material Acquisition and Disposal

There is no material acquisition and disposal during the period.

Investment Portfolio

As at 30 September 2016, the Group's bank deposits and cash was HK$212 million (31 March 2016: HK$132 million), representing 11.0% (31 March 2016: 6.7%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2016.

Real estate investments

Investment	Location	Type	Group interest	Status as of 30/9/2016	Total gross floor area	Total land area	Attributable gross floor/ land area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under planning	N/A	21,861 square feet	21,861 square feet
Hampton Project	957 Hampton Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction, expected to be completed in early 2017	10,688 square feet	N/A	10,688 square feet
Fallen Leaf Project	964 Fallen Leaf Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction, expected to be completed in early 2017	14,845 square feet	N/A	14,845 square feet
Shoreditch Project	79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K.	Commercial property	100%	Under refurbishment	10,939 square feet	N/A	10,939 square feet
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial property	59.1%	Being marketed to tenants	52,304 square metres	N/A	30,911 square metres
The Paseo	Kowloon Inland Lot No. 11229	Residential/ commercial property	100%	Construction completed in September 2016	25,338 square feet	N/A	25,338 square feet
Maple Street Project	124-126, 130,132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Under planning	N/A	7,200 square feet	7,200 square feet

Investment	Location	Type	Group interest	Status as of 30/9/2016	Total gross floor area	Total land area	Attributable gross floor/ land area
Wing Hong Street Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Under construction and pre-sale stage. Expected to be completed in 2018	181,687 square feet	N/A	47,239 square feet
2702, 2803 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as investment properties)	10,307 square feet	N/A	10,307 square feet
2804 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as properties for sale)	1,345 square feet	N/A	1,345 square feet

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

Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Distribution of construction and interior decorative materials	87%
Rykadan Hospitality Investments Pte. Ltd.	Investment in high potential hospitality and tourism related assets	100%
RS Hospitality Private Limited	A joint venture for operating a 24-suite boutique resort in Bhutan	50%

Summary of investments

Property development

The Group made substantial progress in moving forward many of its real estate investments during the period under review. Highlights included the successful pre-sale of the Wing Hong Street Project, as well as obtaining of the certification of completion for The Paseo.

Construction of The Paseo has been completed and the subsequent handovers are expected to be finalised by the beginning of 2017. The Group's strategy for both Maple Street Project and Wing Hong Street Project is to demolish the existing buildings and redevelop the properties into brand new high quality industrial properties for reselling purposes.

The successful completion of these projects will cement the Group's reputation and track record as a property developer, which will support its expansion into new business fields in the future. For example, the Group started providing management services for the Wing Hong Street Project via its wholly-owned subsidiary, Rykadan Management Services Limited. This service is provided under a progressive fee structure linked to cost saving performance.

The Group will continuously review and assess its projects on hand with a view of materialising its investments at an appropriate time.

Property investment and hospitality operations

The Group also holds several properties in Hong Kong, the PRC and Bhutan for property investment and hospitality operations purposes.

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

In the PRC, the Group has invested in the Kailong Nanhui Business Park. The Group will continue to target large and quality tenants and will consider off-loading the buildings at an appropriate time.

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

Distribution of construction and interior decorative materials

Q-Stone Building Materials Limited ("Q-Stone") is a subsidiary of the Group in the business of distribution of construction and interior decorative materials. Q-Stone is the exclusive distributor of Quarella, a world leader in the production of quartz and marble-based engineered stone composite surfaces products, in the PRC market.

Quarella was established over 40 years ago with factories and research and development centres in Italy. Quarella's products are popularly used for benchtops, bathroom surfaces and floor tiles. It has supplied materials for a number of prominent commercial buildings and shopping malls in the PRC and Hong Kong.

In September 2016, the Group successfully tendered for the lease of the business and certain assets of Quarella S.p.A. with a joint-venture partner as part of a public tender. The Group is yet to finalise a shareholders' agreement with its joint-venture partner ahead of the acquisition.

Due to the new development in Quarella, the Group is looking for other brands to expand Q-Stone's business.

As at 30 September 2016, Q-Stone has contracts on hand worth HK$135 million to be completed in the coming years.

Outlook

The Group remains cautiously optimistic about the prospects of the Hong Kong residential, commercial and industrial property markets. It is particularly well placed to benefit from rising demand for commercial and industrial space outside of the city's CBD, such as West Kowloon, which is currently experiencing rapid revitalisation.

The Group also stays positive about the long-term prospects of the U.S.A. and the U.K. property markets, although it will closely monitor the potential risks associated with the U.S. Presidential election result, as well as the U.K.'s decision to leave the European Union and the subsequent devaluation of the British Pound.

The Group is also prudently optimistic about the effect of the economic stimulus in the PRC that will have on the domestic construction industry, which may support demand for its construction and interior decorative materials business.

The Group will continue to thoughtfully evaluate new investment opportunities and leverage its experienced management team and business partners to further diversify the Group's investment portfolio, develop its reputation as an asset manager and maximise future returns for shareholders. The Group will also continue to actively manage its ongoing investments in the Greater China region and overseas to support its future performance and unlock value for shareholders in a timely manner.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

As at 30 September 2016, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 21.0% (31 March 2016: 22.6%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank deposits and cash, to equity attributable to equity shareholders of the Company) was 18.2% (31 March 2016: 29.2%) as the Group has net debts of HK$192 million as at 30 September 2016 (31 March 2016: HK$315 million).

At 30 September 2016, the Group has total bank borrowings of HK$404 million (31 March 2016: HK$447 million). The bank borrowings of the Group were mainly to finance the retaining two floors of Rykadan Capital Tower, Maple Street Project, the United States Properties and Kailong Nanhui Business Park. Of the total bank borrowings, the bank loans of HK$309 million were secured by the properties for sale, investment properties and buildings held for own use of which HK$151 million will be repayable upon the completion of construction of properties. Further costs for developing Maple Street Project, the U.S.A. Properties, the U.K. Property and Wing Hong Street Project will be financed by either unutilised banking facilities, deposits received from customers held as restricted bank deposits designated for the projects or internally generated funds.

As at 30 September 2016, the Group's current assets and current liabilities were HK$1,305 million (31 March 2016: HK$1,356 million) and HK$687 million (31 March 2016: HK$695 million) respectively. The Group's current ratio slightly decreased to 1.90 (31 March 2016: 1.95). The internally generated funds, together with unutilised banking facilities 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.

Employees and Remuneration Policies

As at 30 September 2016, the total number of employees of the Group is 64 (30 September 2015: 68). The Group offers an attractive remuneration policy and provides external training programmes which are complementary to certain job functions. Total remuneration for employees (including the directors' remuneration) was HK$22 million for the period (30 September 2015: HK$21 million).

Contingent Liabilities

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries of HK$1,133,025,000 (31 March 2016: HK$1,133,042,000). The banking facilities were utilised to the extent of HK$331,316,000 (31 March 2016: HK$376,719,000) as at 30 September 2016. The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

The Company has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.

Events after the Reporting Period

Subsequent to the end of the reporting period, the Group agreed with the non-controlling shareholders of Kings Haul Limited ("Kings Haul") and Power City Investments Limited ("Power City"), indirect non-wholly owned subsidiaries of the Company, that certain terms would be varied for both the shareholder agreements of Kings Haul and Power City. These agreements constituted a connected transaction of the Company under the Listing Rules. Details of these agreements were set out in the Company's announcement dated 1 November 2016.

The Group has advanced to Quarella Group Limited ("QGL"), an affiliated company of the Group, various loans which amounted to HK$40 million in aggregate as of 9 November 2016 (30 September 2016: HK$15 million) in order for QGL and its subsidiaries to meet the working capital requirement. Details of the capital contribution were set out in the Company's announcement dated 9 November 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2016.

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 period.

Corporate Governance

During the period, the Company had followed the principles and complied with all applicable 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 deviations from code provisions A.2.1 of the CG Code, details of which are set out below:

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 in Hong Kong and the PRC, 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 for securities transactions by directors and employees (the "Securities Code") with standards no less exacting than that of the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiries, all directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the interim reporting period.

Audit Committee Review

The Audit Committee, which comprises all of the 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, has reviewed with the management for the Group's interim results for the period.

Publication of Interim Results Announcement

This interim results announcement is available for reviewing on the websites of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.rykadan.com) and the interim report for the six-month period ended 30 September 2016 of the Company containing also the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Rykadan Capital Limited
宏基資本有限公司
Chan William
Chairman and Chief Executive Officer

Hong Kong, 28 November 2016

As at the date of this announcement, the Board comprises Mr. Chan William (Chairman and Chief Executive Officer) and Mr. Yip Chun Kwok (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.