# 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 2020

## FINANCIAL HIGHLIGHTS

| | For the six-month period ended | |
|---|---|---|
| | **30 September 2020** | 30 September 2019 |
| **RESULTS:** | | |
| Profit/(loss) for the period (HK$'000) | **60,991** | (30,807) |
| **FINANCIAL INFORMATION PER SHARE:** | | |
| Earnings/(loss) per share – Basic and diluted (HK Cents) | **7.0** | (5.6) |
| | **At 30 September 2020** | At 31 March 2020 |
| Net assets per share attributable to equity shareholders of the Company (HK$) (Total equity attributable to equity shareholders of the Company/number of issued ordinary shares of the Company) | **2.88** | 2.77 |

**INTERIM DIVIDEND:**

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2020.

## 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 2020 together with the unaudited comparative figures for the corresponding period ended 30 September 2019 as follows:

## CONSOLIDATED INCOME STATEMENT
## FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020 – UNAUDITED

*(Expressed in Hong Kong dollars)*

| | | Six-month period ended 30 September | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **151,838** | 41,820 |
| Cost of sales and services | | **(135,866)** | (20,017) |
| **Gross profit** | | **15,972** | 21,803 |
| Other revenue | | **1,818** | 6,737 |
| Other net income/(loss) | | **10,960** | (14,934) |
| Gain on disposal of interest in a subsidiary | *14* | **46,657** | – |
| Selling and marketing expenses | | **(3,002)** | (1,813) |
| Administrative and other operating expenses | | **(20,364)** | (23,628) |
| **Profit/(loss) from operations** | | **52,041** | (11,835) |
| Decrease in fair value of investment properties | | **(1,420)** | (889) |
| Finance costs | *4(a)* | **(3,989)** | (6,992) |
| Share of profit of associates | | **111** | 1,260 |
| Share of profit/(loss) of joint ventures | | **14,248** | (11,910) |
| **Profit/(loss) before taxation** | *4* | **60,991** | (30,366) |
| Income tax | *5* | **–** | (441) |
| **Profit/(loss) for the period** | | **60,991** | (30,807) |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **33,533** | (26,817) |
| – Non-controlling interests | | **27,458** | (3,990) |
| **Profit/(loss) for the period** | | **60,991** | (30,807) |
| **Earnings/(loss) per share** | *6* | | |
| Basic and diluted | | **7.0 cents** | (5.6) cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020 – UNAUDITED**
*(Expressed in Hong Kong dollars)*

| | | Six-month period ended 30 September | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the period** | | **60,991** | (30,807) |
| **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 | | **7,630** | (10,567) |
| – Release of translation reserve upon disposal of interest in a subsidiary | *14* | **17,721** | – |
| – Share of translation reserve of joint ventures | | **3,339** | (2,401) |
| | | **28,690** | (12,968) |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| – Financial assets measured at fair value through other comprehensive income – movement in fair value reserve (non-recycling) | | **–** | (1,000) |
| **Other comprehensive income for the period** | | **28,690** | (13,968) |
| **Total comprehensive income for the period** | | **89,681** | (44,775) |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **51,457** | (36,507) |
| – Non-controlling interests | | **38,224** | (8,268) |
| **Total comprehensive income for the period** | | **89,681** | (44,775) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AT 30 SEPTEMBER 2020 – UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Note | **At 30 September 2020 (Unaudited) *HK$'000*** | At 31 March 2020 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | *8* | **160,820** | 162,240 |
| Other properties, plant and equipment | | **39,038** | 39,901 |
| Right-of-use assets | | **–** | 9 |
| Interests in associates | *9* | **228,253** | 205,862 |
| Interests in joint ventures | *10* | **236,453** | 188,953 |
| Financial assets measured at fair value through other comprehensive income | | **–** | – |
| | | **664,564** | 596,965 |
| **Current assets** | | | |
| Properties for sale | | **383,768** | 478,610 |
| Inventories | | **9,371** | 9,815 |
| Trade receivables | *11* | **73,850** | 82,450 |
| Other receivables, deposits and prepayments | | **109,267** | 64,553 |
| Bank deposits and cash on hand | | **564,597** | 242,093 |
| | | **1,140,853** | 877,521 |
| Assets classified as held-for-sale | | **–** | 329,211 |
| | | **1,140,853** | 1,206,732 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **31,549** | 20,523 |
| Contract liabilities | | **2,540** | 585 |
| Lease liabilities | | **–** | 9 |
| Bank loans | *13* | **262,825** | 296,331 |
| Loans from non-controlling shareholders | | **76,738** | 78,482 |
| Current tax liabilities | | **1,306** | 1,307 |
| | | **374,958** | 397,237 |
| Liabilities directly associated with assets classified as held-for-sale | | **–** | 57,310 |
| | | **374,958** | 454,547 |

| | Note | At 30 September 2020 (Unaudited) HK$'000 | At 31 March 2020 (Audited) HK$'000 |
|---|---|---|---|
| **Net current assets** | | **765,895** | 752,185 |
| **Total assets less current liabilities** | | **1,430,459** | 1,349,150 |
| **Non-current liability** | | | |
| Bank loans | *13* | **–** | 8,372 |
| **NET ASSETS** | | **1,430,459** | 1,340,778 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **4,774** | 4,774 |
| Reserves | | **1,370,068** | 1,318,611 |
| **Total equity attributable to equity shareholders of the Company** | | **1,374,842** | 1,323,385 |
| Non-controlling interests | | **55,617** | 17,393 |
| **TOTAL EQUITY** | | **1,430,459** | 1,340,778 |

## 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 25 November 2020.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of 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 auditor 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 the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and revised conceptual framework that are first effective for the current accounting period of the Group.

- HKFRS 3 Amendments, *Definition of a Business*
- HKAS 1 and HKAS 8 Amendments, *Definition of Material*
- HKAS 39, HKFRS 7 and HKFRS 9 Amendments, *Hedge Accounting*
- Conceptual Framework for Financial Reporting 2018, *Revised Conceptual Framework for Financial Reporting*

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 standard 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:

| | Six-month period ended 30 September | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| – Sales of completed properties | **131,904** | 16,950 |
| – Distribution of construction and interior decorative materials | **590** | 7,619 |
| – Asset, investment and fund management income | **7,485** | 6,309 |
| – Property management fee and utility income | **5,492** | 3,294 |
| | **145,471** | 34,172 |
| **Revenue from other source** | | |
| – Rental income | **6,367** | 7,648 |
| | **151,838** | 41,820 |

For the period ended 30 September 2020, the Group's customer base is diversified and includes only two customers (six-month period ended 30 September 2019: no customer) whose transactions have exceeded 10% of the Group's revenue.

For the period ended 30 September 2020, revenue from sales of completed properties to the two customers in the United Kingdom (the "U.K.") and the United States of America (the "U.S.A.") amounted to approximately HK$93,709,000 and HK$32,775,000 respectively.

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

At 30 September 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$24,650,000 (31 March 2020: HK$64,829,000). This amount represents revenue expected to be recognised in the future from pre-completion sale contracts for properties for sale, distribution of construction and interior decorative materials and provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future when (i) the properties are assigned to the customers; (ii) the customers take possession of and accept the products; or (iii) the relevant services are provided to the customers, which are expected to occur within the next 12 to 24 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:

| | At 30 September 2020 HK$'000 | At 31 March 2020 HK$'000 |
|---|---|---|
| Within one year | **3,819** | 2,459 |
| After one year but within five years | **1,647** | 1,765 |
| | **5,466** | 4,224 |

**(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 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. (six-month period ended 30 September 2019: Hong Kong, the U.K. 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 (six-month period ended 30 September 2019: Hong Kong and the People's Republic of China (the "PRC")).

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

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

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

**Segment results**

***For the six-month period ended 30 September 2020***

| | Property development *HK$'000* | Property investment *HK$'000* | Asset, investment and fund management *HK$'000* | Distribution of construction and interior decorative materials *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 131,904 | – | – | 590 | – | 132,494 |
| Over time | – | 5,492 | 7,485 | – | – | 12,977 |
| **Revenue from other source** | – | 6,367 | – | – | – | 6,367 |
| External revenue | 131,904 | 11,859 | 7,485 | 590 | – | 151,838 |
| Inter-segment revenue | – | 1,775 | – | – | (1,775) | – |
| Total | 131,904 | 13,634 | 7,485 | 590 | (1,775) | 151,838 |
| Segment profit/(loss) from operations | 170 | 5,308 | 3,107 | (551) | – | 8,034 |
| Corporate expenses | | | | | | (14,048) |
| Corporate income | | | | | | 11,398 |
| Gain on disposal of interest in a subsidiary | | | | | | 46,657 |
| Decrease in fair value of investment properties | | | | | | (1,420) |
| Finance costs | | | | | | (3,989) |
| Share of profit of associates | | | | | | 111 |
| Share of profit of joint ventures | | | | | | 14,248 |
| Profit before taxation | | | | | | 60,991 |

| | Property development *HK$'000* | Property investment *HK$'000* | Asset, investment and fund management *HK$'000* | Distribution of construction and interior decorative materials *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 16,950 | – | – | 7,619 | – | 24,569 |
| Over time | – | 3,294 | 6,309 | – | – | 9,603 |
| **Revenue from other source** | – | 7,648 | – | – | – | 7,648 |
| External revenue | 16,950 | 10,942 | 6,309 | 7,619 | – | 41,820 |
| Inter-segment revenue | – | 1,775 | – | – | (1,775) | – |
| Total | 16,950 | 12,717 | 6,309 | 7,619 | (1,775) | 41,820 |
| Segment profit from operations | 6,360 | 5,920 | 959 | 801 | – | 14,040 |
| Corporate expenses | | | | | | (32,388) |
| Corporate income | | | | | | 6,513 |
| Decrease in fair value of investment properties | | | | | | (889) |
| Finance costs | | | | | | (6,992) |
| Share of profit of associates | | | | | | 1,260 |
| Share of loss of joint ventures | | | | | | (11,910) |
| Loss before taxation | | | | | | (30,366) |

## 4. PROFIT/(LOSS) BEFORE TAXATION

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

| | Six-month period ended 30 September | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| **a. Finance costs** | | |
| Interest on bank loans | **4,195** | 7,173 |
| Interest on loan from a non-controlling shareholder | **117** | 128 |
| Interest on lease liabilities | **–** | 2 |
| Less: interest expenses capitalised into properties under development for sale *(Note (i))* | **(323)** | (311) |
| | **3,989** | 6,992 |
| **b. Expenses by nature** | | |
| Cost of properties for recognised sales | **127,785** | 8,605 |
| Cost of inventories | **434** | 4,818 |
| Direct cost for management services provided *(Note (ii))* | **3,472** | 3,107 |
| Direct outgoings of rental, property management fee and utilities | **4,175** | 3,487 |
| Operating lease payment in respect of leased properties | **899** | 1,010 |
| Depreciation of: | | |
| – Other properties, plant and equipment | **922** | 943 |
| – Right-of-use assets | **9** | 56 |
| Impairment loss of trade receivables | **483** | – |
| Net foreign exchange (gains)/losses | **(10,121)** | 15,095 |

*Notes:*

(i) Interest was capitalised at an average annual rate of approximately 5.0% (six-month period ended 30 September 2019: 5.0%).

(ii) Direct cost for management services provided includes HK$3,264,000 (six-month period ended 30 September 2019: HK$2,911,000) relating to staff costs.

## 5. INCOME TAX

| | Six-month period ended 30 September | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| ***Current tax*** | | |
| Hong Kong Profits Tax | | |
| – Provision for the period | **–** | 704 |
| – Under-provision in respect of prior year | **7** | – |
| | **7** | 704 |
| PRC Enterprise Income Tax ("EIT") | | |
| – Provision for the period | **–** | 89 |
| – Over-provision in respect of prior year | **(7)** | (380) |
| | **(7)** | (291) |
| | **–** | 413 |
| ***Deferred tax*** | | |
| Origination and reversal of temporary differences | **–** | 28 |
| | **–** | 441 |

The provision for Hong Kong Profits Tax is calculated at 16.5% (six-month period ended 30 September 2019: 16.5%) of the estimated assessable profits for the six-month period ended 30 September 2020.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT tax rate is 25% (six-month period ended 30 September 2019: 25%) for six-month period ended 30 September 2020.

## 6. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK$33,533,000 (six-month period ended 30 September 2019: loss of HK$26,817,000) and 477,447,000 (six-month period ended 30 September 2019: 477,447,000) ordinary shares in issue during the interim period.

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

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2020 and 30 September 2019.

## 7. DIVIDEND

(i) The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2020 (six-month period ended 30 September 2019: HK$Nil per share).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the period.

| | Six-month period ended 30 September | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, approved during the interim period, of HK$Nil per share (six-month period ended 30 September 2019: 6 cents per share) | **–** | 28,647 |

## 8. INVESTMENT PROPERTIES

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At the beginning of the period/year | **162,240** | 512,845 |
| Decrease in fair value of investment properties | **(1,420)** | (13,471) |
| Transfer to assets classified as held-for-sale | **–** | (316,515) |
| Exchange adjustments | **–** | (20,619) |
| At the end of the period/year | **160,820** | 162,240 |

## 9. INTERESTS IN ASSOCIATES

| | **At 30 September 2020** | At 31 March 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **21,933** | 2,380 |
| Amounts due from associates | **210,578** | 207,352 |
| Share of net liabilities | **(4,258)** | (3,870) |
| | **206,320** | 203,482 |
| | **228,253** | 205,862 |
| Dividend received from an associate | **–** | 19,240 |

During the period ended 30 September 2020, the Group acquired approximately 2.53% partnership interest in Rykadan Real Estate Fund LP ("RREFLP") at a consideration of HK$17,500,000. Total commitment of capital contributions in respect of the partnership interest is HK$23,000,000, of which HK$19,500,000 had been paid, and the remaining capital contribution of HK$3,500,000 will be payable to RREFLP by the Group. Upon completion of the acquisition, the partnership interest in RREFLP held by the Group has increased from 1% to approximately 3.53%. RREFLP and the Group own 80% and 20% respectively of the direct interest of Fastest Runner Limited, an associate of the Group, which was formed for the single purpose to redevelop a property located in Hong Kong. The Group's effective interest in Fastest Runner Limited has therefore increased from approximately 20.80% to approximately 22.82% as a result of the acquisition.

At 30 September 2020 and 31 March 2020, 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.

## 10. INTERESTS IN JOINT VENTURES

| | **At 30 September 2020** | At 31 March 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **13,595** | 14,002 |
| Amount due from a joint venture | **253,116** | 223,203 |
| Share of net liabilities | **(30,258)** | (48,252) |
| | **222,858** | 174,951 |
| | **236,453** | 188,953 |
| Dividend received from a joint venture | **–** | 2,384 |

At 30 September 2020, the amount due from a joint venture is interest-free and unsecured. The amount is not expected to be recovered within the next twelve months from the end of the reporting period and it is neither past due nor impaired.

At 31 March 2020, the amount due from a joint venture of HK$190,000,000 was interest bearing at 4.5% per annum over 3-month Hong Kong Interbank Offer Rate and unsecured while the remaining balance of HK$33,203,000 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.

## 11. TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date, net of loss allowances, is as follows:

| | **At 30 September 2020** | At 31 March 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1-30 days | **9,583** | 10,474 |
| 31-60 days | **368** | 928 |
| 61-90 days | **1,588** | 5,530 |
| Over 90 days | **62,311** | 65,518 |
| | **73,850** | 82,450 |

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2020: 90 days) after the issuance of invoices, except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, rental income which are receivable in the month the tenants use the premises and property management fee and utility income and asset, investment and fund management income which are receivable in the month the Group provides the services.

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

## 12. 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 invoice date is as follows:

| | **At 30 September 2020** | At 31 March 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1-30 days | **3,716** | 2,756 |
| 31-60 days | **–** | 79 |
| 61-90 days | **–** | – |
| Over 90 days | **35** | 37 |
| | **3,751** | 2,872 |

## 13. BANK LOANS

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

| | At 30 September 2020 HK$'000 | At 31 March 2020 HK$'000 |
|---|---|---|
| **Current liabilities** | | |
| Portion of bank loans due for repayment within one year – secured | **102,418** | 78,649 |
| Portion of bank loans due for repayment after one year which contain a repayment on demand clause – secured | **160,407** | 217,682 |
| | **262,825** | 296,331 |
| **Non-current liability** | | |
| Bank loans – secured | **–** | 8,372 |

At 30 September 2020, the secured bank loans are due for repayment as follows:

| | At 30 September 2020 HK$'000 | At 31 March 2020 HK$'000 |
|---|---|---|
| Portion of bank loans due for repayment within one year – secured | **102,418** | 78,649 |
| Bank loans due for repayment after one year *(Notes (e) and (f))* | | |
| After one year but within two years – secured | **62,882** | 123,701 |
| After two years but within five years – secured | **73,084** | 74,450 |
| After five years – secured | **24,441** | 27,903 |
| | **160,407** | 226,054 |
| | **262,825** | 304,703 |

*Notes:*

(a) At 30 September 2020, bank loans drawn in Hong Kong bear interest at rates ranging from 1.5% to 3.0% (31 March 2020: 1.5% to 3.0%) per annum over Hong Kong Interbank Offer Rate. The interests are repriced every month.

(b) At 30 September 2020, bank loan drawn in the U.S.A. bears interest at 5.0% (31 March 2020: 5.0%) per annum.

(c) As of the end of the reporting period, the banking facilities of the Group were secured by mortgages over:

| | **At 30 September 2020** | At 31 March 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Investment properties | **158,720** | 160,140 |
| Buildings | **38,207** | 38,921 |
| Properties for sale | **109,682** | 100,575 |
| | **306,609** | 299,636 |

Such banking facilities amounted to HK$341,462,000 (31 March 2020: HK$392,017,000) were utilised to the extent of HK$262,825,000 at 30 September 2020 (31 March 2020: HK$304,703,000).

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

None of the covenants relating to the utilised facilities had been breached for the six-month periods ended 30 September 2020 and 30 September 2019.

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

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

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

## 14. DISPOSAL OF INTEREST IN A SUBSIDIARY

The Group has entered into a new framework agreement dated 13 June 2019 with Shanghai Medicilon Inc. (the "Purchaser"), an independent third party, to dispose of the entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect subsidiary of the Company and the shareholder's loan owing by Bestlinkage to the Group (collectively referred to the "Disposal") at an aggregate consideration of RMB338,180,000 (equivalent to HK$383,955,000), subject to adjustment. Bestlinkage is a property investment holding company and its major asset is its legal and beneficial interest in Kailong Nanhui Business Park, an industrial complex located in Shanghai, the PRC.

At 31 March 2020, certain conditions precedent pursuant to the Disposal were fulfilled which included the approvals at the shareholders' meetings of the Company and the Purchaser respectively. The previous framework agreement and property sale and purchase agreement were automatically terminated upon the new framework agreement became effective. Given that the formal sale and purchase agreement in relation to the Disposal was yet to be signed at 31 March 2020 and the discussion and negotiation with the Purchaser for finalising the terms and arrangements of the Disposal were in progress, the assets and liabilities of Bestlinkage were classified as "Assets classified as held-for-sale" and "Liabilities directly associated with assets classified as held-for-sale" in the Group's consolidated statement of financial position at 31 March 2020 in accordance with HKFRS 5, *Non-current assets held-for-sale and discontinued operations*.

On 30 September 2020, the Disposal was completed and Bestlinkage ceased to be a subsidiary of the Group.

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

| | *HK$'000* |
|---|---|
| **Net assets disposed of:** | |
| Investment properties | 329,122 |
| Trade receivables | 10,803 |
| Other receivables, deposits and prepayments | 895 |
| Bank deposits and cash on hand | 4,902 |
| Trade and other payables | (36,295) |
| Amount due to immediate holding company | (91,390) |
| Deferred tax liabilities | (19,129) |
| | 198,908 |

| | *HK$'000* |
|---|---|
| Consideration received in cash | 281,127 |
| Consideration receivable | 102,828 |
| Total consideration | 383,955 |
| Less: Repayment to immediate holding company | (91,390) |
| Net assets disposed of | (198,908) |
| Release of translation reserve | (17,721) |
| Costs directly attributable to the Disposal | (29,279) |
| Gain on disposal of interest in a subsidiary | 46,657 |

| | *HK$'000* |
|---|---|
| **Net cash inflow on the Disposal:** | |
| Consideration received in cash | 281,127 |
| Bank deposits and cash disposed of | (4,902) |
| Costs directly attributable to the Disposal paid | (17,041) |
| Net cash inflow on the Disposal for the period | 259,184 |

During the period ended 30 September 2020, the Purchaser settled HK$281,127,000 and the remaining balance of the consideration amounted to HK$102,828,000 is included in other receivables, deposits and prepayments at 30 September 2020.

## 15. NON-ADJUSTING EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 September 2020, the Company announced that a conditional offer (the "Offer") would be made by Dongxing Securities (Hong Kong) Company Limited on behalf of the Company, subject to the fulfilment of certain conditions, to buy-back for cancellation up to 102,000,000 ordinary shares in the Company ("Maximum Number of Shares"), representing approximately 21.36% of the total issued shares of the Company at the offer price of HK$0.68 per share. The shares to be bought-back by the Company shall not exceed the Maximum Number of Shares and there shall be no minimum number of shares proposed to be bought-back under the Offer. The consideration for the Offer, being a total of HK$69,360,000 if the Offer is accepted in full, will be paid in cash, which will be funded by internal resources of the Group.

The Offer was approved by the Company's shareholders at an extraordinary general meeting held on 23 November 2020. However, the Offer has not been completed. The details of the Offer are referred to the announcement of the Company dated 28 September 2020 and the offer document of the Company dated 30 October 2020.

## BUSINESS AND FINANCIAL REVIEW

### Overview

The Group faced an increasingly challenging operating environment during the six-month period ended 30 September 2020, with the global economy falling into recession as a result of the COVID-19 pandemic. Nevertheless, the Group successfully monetised a number of its overseas development projects as it continued to develop its property development business and asset, investment and fund management business in line with its strategy.

During the six-month period under review, the Group exited projects in the United Kingdom (the "U.K.") and the United States of America (the "U.S.A."), with its other luxury residential and retail property projects in the U.S.A. having progressed to the design and development stage. In Hong Kong, the Group is currently focusing on two promising real estate redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project. Both projects are continuing to progress well along the construction stage, despite the ongoing pandemic.

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

As of 30 September 2020, the Group's investments included commercial, industrial and residential property developments in Hong Kong and the U.S.A. It also invested in a leading international distributor of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2020, the Group's total assets were valued at HK$1,805 million (31 March 2020: HK$1,804 million), of which HK$1,141 million (31 March 2020: HK$1,207 million) were current assets, approximately 3.04 times (31 March 2020: 2.65 times) of current liabilities. Equity attributable to the equity shareholders of the Company was HK$1,375 million (31 March 2020: HK$1,323 million).

**Overall Performance**

The Group's consolidated revenue for the six-month period under review amounted to HK$152 million (six-month period ended 30 September 2019: HK$42 million). The increase in revenue was attributable to the exit and monetisation of property redevelopment projects in the U.K. and the U.S.A., complemented by income generated from the Group's asset, investment and fund management business. The gross profit and gross profit margin were HK$16 million (six-month period ended 30 September 2019: HK$22 million) and 10.5% (six-month period ended 30 September 2019: 52.1%) respectively.

The Group recorded a profit of HK$61 million for the six-month period under review (six-month period ended 30 September 2019: loss of HK$31 million). The profit attributable to equity shareholders of the Company was HK$34 million (six-month period ended 30 September 2019: loss attributable to equity shareholders of the Company of HK$27 million). The profit was mostly attributable to a gain on disposal of interest in a subsidiary and net foreign exchange gains from Renminbi and British Pound during the period.

Basic and diluted earnings per share for the six-month period ended 30 September 2020 was HK7.0 cents (six-month period ended 30 September 2019: basic and diluted loss per share of HK5.6 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2020.

**Material Acquisition and Disposal**

In May 2020, the Group acquired 2.53% of the partnership interest in Rykadan Real Estate Fund LP at a consideration of HK$17,500,000. Upon completion of the acquisition, the partnership interest indirectly held by the Group has increased from 1% to approximately 3.53%. *(For details, please refer to note 9 of interim results announcement)*.

In September 2020, the Group disposed of its entire equity interest in Bestlinkage NHI Co., Ltd ("Bestlinkage"), an indirect non-wholly owned subsidiary of the Company, and the shareholder's loan owed by Bestlinkage to Power City Investments Limited, a 59%-owned indirect subsidiary of the Company, for an aggregate consideration of RMB338,180,000. *(For details, please refer to note 14 of interim results announcement)*.

**Investment Portfolio**

As at 30 September 2020, the Group's bank deposits and cash was HK$565 million (31 March 2020: HK$242 million), representing 31.3% (31 March 2020: 13.4%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2020.

### *Real estate investments*

| Investment | Location | Type | Group interest | Status as of 30/9/2020 | Total gross floor area *(Note)* | Attributable gross floor area |
|---|---|---|---|---|---|---|
| Winston Project | 1135 Winston Avenue, San Marino, CA 91108, the U.S.A. | Residential property | 100% | Completed and being marketed to buyer | 3,973 square feet | 3,973 square feet |
| Monterey Park Towne Centre Project | 100, 120, 150, 200 South Garfield and 114 East Garvey and City Parking Lot, Monterey Park, CA91755, the U.S.A. | Residential and retail property | 100% | Under planning | 189,656 square feet | 189,656 square feet |
| Singing Wood Project | 960 Singing Wood Drive, Arcadia, CA 91006, the U.S.A. | Residential property | 100% | Under construction. Expected to be completed in December 2020 | 9,124 square feet | 9,124 square feet |
| 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 June 2022 | 49,019 square feet | 1,740 square feet |
| Wong Chuk Hang Project | 23 Wong Chuk Hang Road, Hong Kong | Commercial and retail property | 22.82% | Under construction. Expected to be completed in March 2022 | 107,208 square feet | 24,465 square feet |
| Maple Street Project | 124-126, 130,132 and 134 Bedford Road, Tai Kok Tsui, Kowloon | Industrial property | 100% | Completed. Remaining 1 workshop, 2 floors and various car parking spaces being marketing to buyers | 6,495 square feet | 6,495 square feet |
| 2702, 2802, 2803, 2804 and various car parking spaces of Rykadan Capital Tower | 135 Hoi Bun Road, Kwun Tong, Kowloon | Commercial property | 100% | Completed (classified as investment properties) | 13,467 square feet | 13,467 square feet |
| Various car parking spaces of Rykadan Capital Tower | 135 Hoi Bun Road, Kwun Tong, Kowloon | Commercial property | 100% | Completed (classified as properties for sales) | N/A | N/A |

*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% |
| 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 six-month period under review, the Group monetised a number of overseas development projects, including handover of the 265 Naomi Project in Arcadia, the U.S.A. and the successful divestment of the Shoreditch Project prior to the U.K.’s second COVID-19 lock-down and deadline of Brexit negotiations.

In Hong Kong, the construction of two commercial and retail redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project – are proceeding smoothly, despite the ongoing COVID-19 pandemic. Both projects are expected to be completed in the first half of the 2022 without further disruptions.

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

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

In the U.S.A., the Monterey Park Towne Centre Project is currently in the design approval and planning phase, while the Winston Project and Singing Wood Project are either approaching completion or being marketed to buyers.

In addition to the projects and initiatives outlined above, the Group will continue to seek attractive opportunities and evaluate its projects on hand with a view of materialising these investments at an appropriate time.

***Property investment***

The Group holds several properties in Hong Kong and Bhutan.

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

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

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

As at 30 September 2020, Q-Stone Building Materials Limited, the Group's subsidiary that engages in distribution of construction and interior decorative materials business, had minimal contracts on hand as the Group had shifted the majority of its outstanding orders to Quarella Holdings Limited, a joint venture of the Group.

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

In August 2020, the Group advanced a loan of HK$20 million to the joint venture to finance its working capital as it deals with the external challenges imposed by the COVID-19 pandemic. Amidst these challenges, Quarella's business in the U.S.A. is still expanding, and its management plans to explore new opportunities in Australia, Europe and South-East Asia after the COVID-19 pandemic.

**Direct impact of COVID-19**

The global COVID-19 pandemic continued to impact certain parts of the Group's business directly during the six-month period ended 30 September 2020.

Quarella's manufacturing operations in Italy was temporarily suspended under the country's shutdown from the beginning of the six-month period under review until early May 2020 when operations recommenced.

The Group's share of operational income from RS Hospitality was significantly impacted by a tourism ban in Bhutan that was in force for the entire six-month period under review. However, this income represents a minimal part of the Group's overall business. As of the date of this report, RS Hospitality expects its operational income to remain impacted until the removal of the tourism ban.

As of 30 September 2020, the financial impact of the COVID-19 pandemic on the Group is not material.

**Outlook**

The global economic downturn resulting from the COVID-19 pandemic will weaken the confidence of potential investors in the short-to-medium term. However, the Group remains cautiously optimistic about the potential resiliency and prospects of its real estate development portfolio. In particular, the Group believes the underlying strength of the commercial and industrial property markets in Hong Kong will continue to be jointly supported by government policies to revitalise local industrial districts and the continued movement of multinational firms from traditional CBDs to emerging CBDs where the Group focuses.

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

With low-interest rates likely to remain in place amidst supportive government policies, including the announcement of new pilot reform policies in the People's Republic of China's Greater Bay Area ("GBA"), in the foreseeable future, the Group will continue to seek high-potential and larger-scale projects in Hong Kong, overseas markets and the GBA, combining the capital contributions from its asset, investment and fund management business together with its other existing resources.

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

In order to provide an opportunity for its shareholders to dispose of part of their shares in the Company at a premium to the prevailing market price, the Company enlisted Dongxing Securities (Hong Kong) Company Limited to buy-back for cancellation up to 102,000,000 ordinary shares in the Company, representing approximately 21.36% of the total issued shares of the Company, at the price of HK$0.68 per share. This conditional offer (the "Offer") was approved by the Company's shareholders at an Extraordinary General Meeting held on 23 November 2020.

The business and management of the Group will remain unchanged and the Company's listing on The Stock Exchange of Hong Kong Limited will be maintained upon completion of the Offer. The Group will continue to maintain the above proactive but prudent strategy to support its future performance and create further value for its shareholders.

## CORPORATE FINANCE AND RISK MANAGEMENT

### Liquidity and Financial Resources

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

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

As of 30 September 2020, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 14.6% (31 March 2020: 16.9%). 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 Nil (31 March 2020: 5.0%) as the Group has net cash of HK$302 million as at 30 September 2020 (31 March 2020: net debts of HK$67 million).

As of 30 September 2020, the total bank borrowings of the Group amounted to HK$263 million (31 March 2020: HK$305 million). The bank borrowings of the Group were mainly used to finance the retaining of two floors of Rykadan Capital Tower, the property development projects and investment in Quarella. The total bank borrowings were secured by investment properties, properties for sale and buildings. Further costs for developing the property redevelopment projects and the Quarella business will be financed by unutilised banking facilities or internally generated funds.

As of 30 September 2020, the Group's current assets and current liabilities were HK$1,141 million (31 March 2020: HK$1,207 million) and HK$375 million (31 March 2020: HK$455 million) respectively. The Group's current ratio increased to 3.04 (31 March 2020: 2.65). 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.

### 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, an associate and a joint venture of HK$383,851,000 (31 March 2020: HK$383,877,000), HK$20,000,000 (31 March 2020: HK$Nil) and HK$34,400,000 (31 March 2020: HK$54,400,000) respectively. Such banking facilities were utilised by its subsidiaries, the associate and the joint venture to the extent of HK$135,325,000 (31 March 2020: HK$131,382,000), HK$Nil (31 March 2020: HK$Nil) and HK$Nil (31 March 2020: HK$20,000,000) respectively.

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

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

The Group operates in various regions with different foreign currencies including United States Dollars, British Pounds and Renminbi.

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

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

Given the impact of the COVID-19 pandemic and tightening credit conditions in the PRC, 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 keep the credit risk exposure of the Group at a very low level.

**Employees and Remuneration Policies**

As at 30 September 2020, the total number of employees of the Group is 28 (31 March 2020: 29). 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$13 million for the period (six-month period ended 30 September 2019: HK$15 million).

## 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 2020.

### Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 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 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 during the interim reporting period.

**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, 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 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 interim report for the six-month period ended 30 September 2020 of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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, 25 November 2020

*As at the date of this announcement, the Board comprises Mr. CHAN William (Chairman and Chief Executive Officer) and Mr. YIP Chun Kwok (Chief Operating Officer) as executive directors, Mr. NG Tak Kwan as 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.*