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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

FINANCIAL HIGHLIGHTS

	For the six-month period ended	
	30 September 2021	30 September 2020
RESULTS:		
Profit for the period (HK\$'000)	3,320	60,991
FINANCIAL INFORMATION PER SHARE:		
Earnings per share – Basic and diluted (HK Cents)	1.8	7.0
	At	At
	30 September 2021	31 March 2021
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)	3.39	3.40

INTERIM DIVIDEND:

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2021.

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 2021 together with the unaudited comparative figures for the corresponding period ended 30 September 2020 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six-month period ended	
		30 September	
	Note	2021	2020
		HK\$'000	HK\$'000
Revenue	3	73,833	151,838
Cost of sales and services		<u>(60,761)</u>	<u>(135,866)</u>
Gross profit		13,072	15,972
Other revenue		5,194	1,818
Other net (loss)/income		(2,084)	10,960
Gain on disposal of interest in a subsidiary		–	46,657
Selling and marketing expenses		(1,520)	(3,002)
Administrative and other operating expenses		<u>(10,615)</u>	<u>(20,364)</u>
Profit from operations		4,047	52,041
Increase/(decrease) in fair value of investment properties		8,380	(1,420)
Finance costs	4(a)	(2,022)	(3,989)
Share of profit of associates		458	111
Share of (loss)/profit of joint ventures		<u>(7,141)</u>	<u>14,248</u>
Profit before taxation	4	3,722	60,991
Income tax	5	<u>(402)</u>	<u>–</u>
Profit for the period		<u>3,320</u>	<u>60,991</u>
Attributable to:			
– Equity shareholders of the Company		6,602	33,533
– Non-controlling interests		<u>(3,282)</u>	<u>27,458</u>
Profit for the period		<u>3,320</u>	<u>60,991</u>
Earnings per share	6		
Basic and diluted		<u>1.8 cents</u>	<u>7.0 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021 – UNAUDITED**

(Expressed in Hong Kong dollars)

	Six-month period ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	3,320	60,991
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	474	7,630
– Release of translation reserve upon disposal of interest in a subsidiary	–	17,721
– Share of translation reserve of joint ventures	824	3,339
Other comprehensive income for the period	1,298	28,690
Total comprehensive income for the period	4,618	89,681
Attributable to:		
– Equity shareholders of the Company	7,742	51,457
– Non-controlling interests	(3,124)	38,224
Total comprehensive income for the period	4,618	89,681

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2021 – UNAUDITED**

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 September 2021 (Unaudited) <i>HK\$'000</i>	At 31 March 2021 (Audited) <i>HK\$'000</i>
Non-current assets			
Investment properties	8	166,620	158,240
Other properties, plant and equipment		37,289	38,106
Interests in associates	9	334,177	231,630
Interests in joint ventures	10	262,848	269,148
Financial assets measured at fair value through other comprehensive income		—	—
		<u>800,934</u>	<u>697,124</u>
Current assets			
Properties for sale		388,314	402,282
Inventories		5,428	5,977
Trade receivables	11	18,858	36,405
Other receivables, deposits and prepayments		96,596	37,105
Bank deposits and cash on hand		168,975	369,788
		<u>678,171</u>	<u>851,557</u>
Current liabilities			
Trade and other payables	12	34,008	27,114
Contract liabilities		635	280
Bank loans	13	171,039	240,991
Current tax liabilities		1,255	1,483
		<u>206,937</u>	<u>269,868</u>
Net current assets		<u>471,234</u>	<u>581,689</u>
NET ASSETS		<u>1,272,168</u>	<u>1,278,813</u>
CAPITAL AND RESERVES			
Share capital		3,754	3,754
Reserves		1,269,879	1,273,400
Total equity attributable to equity shareholders of the Company		<u>1,273,633</u>	<u>1,277,154</u>
Non-controlling interests		(1,465)	1,659
TOTAL EQUITY		<u>1,272,168</u>	<u>1,278,813</u>

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 2021.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 a number of new amendments to Hong Kong Financial Reporting Standards (“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*

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 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	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of completed properties	63,614	131,904
– Distribution of construction and interior decorative materials	–	590
– Asset, investment and fund management income	7,507	7,485
– Property management fee and utility income	269	5,492
	<u>71,390</u>	<u>145,471</u>
Revenue from other source		
– Rental income	2,443	6,367
	<u>73,833</u>	<u>151,838</u>

For the period ended 30 September 2021, the Group's customer base is diversified and includes only one customer (six-month period ended 30 September 2020: two customers) whose transaction has exceeded 10% of the Group's revenue.

For the period ended 30 September 2021, revenue from sales of completed properties to the customer in the United States of America (the "U.S.A.") was approximately HK\$63,614,000.

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 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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$6,827,000 (31 March 2021: HK\$14,425,000). This amount represents revenue expected to be recognised in the future from provision of services entered into by the customers with the Group. The Group will recognise the expected revenue in the future when the relevant services are provided to the customers, which are expected to occur within the next 20 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 2021 HK\$'000	At 31 March 2021 HK\$'000
Within one year	1,596	3,466
After one year but within five years	288	504
	<u>1,884</u>	<u>3,970</u>

(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..
- 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.

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

Segment results

For the six-month period ended 30 September 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	63,614	-	-	-	-	63,614
Over time	-	269	7,507	-	-	7,776
Revenue from other source	<u>-</u>	<u>2,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,443</u>
External revenue	63,614	2,712	7,507	-	-	73,833
Inter-segment revenue	<u>-</u>	<u>1,775</u>	<u>-</u>	<u>-</u>	<u>(1,775)</u>	<u>-</u>
Total	<u><u>63,614</u></u>	<u><u>4,487</u></u>	<u><u>7,507</u></u>	<u><u>-</u></u>	<u><u>(1,775)</u></u>	<u><u>73,833</u></u>
Segment profit/(loss) from operations	8,781	612	(37)	(401)	-	8,955
Corporate expenses						(9,882)
Corporate income						4,974
Increase in fair value of investment properties						8,380
Finance costs						(2,022)
Share of profit of associates						458
Share of loss of joint ventures						<u>(7,141)</u>
Profit before taxation						<u><u>3,722</u></u>

For the six-month period ended 30 September 2020

	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	131,904	–	–	590	–	132,494
Over time	–	5,492	7,485	–	–	12,977
Revenue from other source	<u>–</u>	<u>6,367</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,367</u>
External revenue	131,904	11,859	7,485	590	–	151,838
Inter-segment revenue	<u>–</u>	<u>1,775</u>	<u>–</u>	<u>–</u>	<u>(1,775)</u>	<u>–</u>
Total	<u><u>131,904</u></u>	<u><u>13,634</u></u>	<u><u>7,485</u></u>	<u><u>590</u></u>	<u><u>(1,775)</u></u>	<u><u>151,838</u></u>
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						<u>14,248</u>
Profit before taxation						<u><u>60,991</u></u>

4. PROFIT BEFORE TAXATION

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

	Six-month period ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
a. Finance costs		
Interest on bank loans	2,114	4,195
Interest on loan from a non-controlling shareholder	–	117
Less: interest expenses capitalised into properties under development for sale (<i>Note (i)</i>)	(92)	(323)
	<u>2,022</u>	<u>3,989</u>
b. Expenses by nature		
Cost of properties for recognised sales	53,551	127,785
Cost of inventories	–	434
Direct cost for management services provided (<i>Note (ii)</i>)	6,679	3,472
Direct outgoings of rental, property management fee and utilities	531	4,175
Operating lease payments in respect of leased properties	451	899
Depreciation of:		
– Other properties, plant and equipment	842	922
– Right-of-use assets	–	9
Impairment loss of trade receivables	–	483
Net foreign exchange losses/(gains)	2,084	(10,121)

Notes:

- (i) Interest was capitalised at an average annual rate of approximately 5.0% (six-month period ended 30 September 2020: 5.0%).
- (ii) Direct cost for management services provided includes HK\$6,679,000 (six-month period ended 30 September 2020: HK\$3,264,000) relating to staff costs.

5. INCOME TAX

	Six-month period ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	48	–
– Under-provision in respect of prior year	–	7
	<u>48</u>	<u>7</u>
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
– Over-provision in respect of prior year	–	(7)
	<u>–</u>	<u>(7)</u>
Overseas tax		
– Provision for the period	300	–
– Under-provision in respect of prior year	54	–
	<u>354</u>	<u>–</u>
	<u>402</u>	<u>–</u>

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 2021.

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 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 2020: 25%) for six-month period ended 30 September 2021.

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

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$6,602,000 (six-month period ended 30 September 2020: HK\$33,533,000) and 375,447,000 (six-month period ended 30 September 2020: 477,447,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there are no potential dilutive ordinary shares in existence during the six-month periods ended 30 September 2021 and 30 September 2020.

7. DIVIDEND

- (i) The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2021 (six-month period ended 30 September 2020: HK\$Nil per share).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the period.

	Six-month period ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year of HK3 cents per share (six-month period ended 30 September 2020: HK\$Nil per share)	11,263	–

8. INVESTMENT PROPERTIES

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
At the beginning of the period/year	158,240	162,240
Increase/(decrease) in fair value of investment properties	8,380	(4,000)
At the end of the period/year	166,620	158,240

9. INTERESTS IN ASSOCIATES

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Share of net assets	39,941	19,947
Amounts due from associates (<i>Note (c)</i>)	297,673	215,573
Share of net liabilities	(3,437)	(3,890)
	294,236	211,683
	334,177	231,630
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 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 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) During the period ended 30 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 30 September 2021 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.

10. INTERESTS IN JOINT VENTURES

	At 30 September 2021 HK\$’000	At 31 March 2021 HK\$’000
Share of net assets	12,844	13,249
Amounts due from joint ventures	282,493	282,476
Share of net liabilities	(32,489)	(26,577)
	250,004	255,899
	262,848	269,148

At 30 September 2021 and 31 March 2021, the amount due from a joint venture of HK\$9,377,000 (31 March 2021: HK\$9,360,000) is interest bearing at 5.5% per annum and unsecured while the remaining balance of HK\$273,116,000 (31 March 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.

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 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
1-30 days	3,447	3,484
31-60 days	1,068	790
61-90 days	504	699
Over 90 days	<u>13,839</u>	<u>31,432</u>
	<u><u>18,858</u></u>	<u><u>36,405</u></u>

The Group negotiates with customers on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (31 March 2021: 90 days) after the issuance of invoices, except for sales of properties the proceeds from which are receivable pursuant to the terms of agreements, rental income which are receivable in the month the tenants use the premises and property management fee and utility income and asset, investment and fund management income which are receivable in the month the Group provides the services.

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

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 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
1-30 days	1,233	962
31-60 days	-	-
61-90 days	-	-
Over 90 days	<u>36</u>	<u>36</u>
	<u><u>1,269</u></u>	<u><u>998</u></u>

13. BANK LOANS

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

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Current liabilities		
Portion of bank loans due for repayment within one year – secured	72,968	137,978
Portion of bank loans due for repayment after one year which contain a repayment on demand clause – secured	<u>98,071</u>	<u>103,013</u>
	<u>171,039</u>	<u>240,991</u>

At 30 September 2021, the secured bank loans are due for repayment as follows:

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Portion of bank loans due for repayment within one year – secured	72,968	137,978
Bank loans due for repayment after one year (<i>Notes (e) and (f)</i>):		
After one year but within two years – secured	10,468	10,426
After two years but within five years – secured	70,293	71,689
After five years – secured	<u>17,310</u>	<u>20,898</u>
	<u>98,071</u>	<u>103,013</u>
	<u>171,039</u>	<u>240,991</u>

Notes:

- (a) At 30 September 2021, bank loans drawn in Hong Kong bear interest at rates ranging from 1.5% to 2.3% (31 March 2021: 1.5% to 2.3%) per annum over Hong Kong Interbank Offer Rate. The interests are repriced every one to three months (31 March 2021: every month).
- (b) At 31 March 2021, bank loan drawn in the U.S.A. bears interest at 5.0% per annum.

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

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Investment properties	164,520	156,240
Buildings	36,780	37,494
Properties for sale	<u>69,769</u>	<u>115,435</u>
	<u>271,069</u>	<u>309,169</u>

Such banking facilities amounted to HK\$226,039,000 (31 March 2021: HK\$314,247,000) were utilised to the extent of HK\$171,039,000 at 30 September 2021 (31 March 2021: HK\$240,991,000).

- (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 2021 and 30 September 2020.

- (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 immediate repayment for so long as the Group continues to meet the scheduled repayment obligations.

BUSINESS AND FINANCIAL REVIEW

Overview

During the six-month period ended 30 September 2021, the Group continued to grapple with ongoing headwinds stemming from the COVID-19 pandemic while moving forward with its property redevelopment projects.

In the United States of America (the “U.S.A.”), the Group exited one redevelopment project and acquired a new property. It also acquired a minority stake in a residential and commercial property redevelopment project in the United Kingdom (the “U.K.”).

In Hong Kong, the Group remained focused on its two promising real estate redevelopments – the Wong Chuk Hang Project located in a gentrifying arts and business district, and the Jaffe Road Project located in an established business district on Hong Kong Island; both of which achieved key construction milestones during the six months under review.

Elsewhere, the Group strived to tap a broader base of development capital by leveraging its asset, investment and fund management business while generating recurring fee income from its asset management business.

Despite the challenging external environment, the Group continued to prudently explore promising property redevelopment and co-investment opportunities in Hong Kong and overseas. The Group’s core strategy is to invest in high-potential investments, grow asset values and realise returns by exiting within a three-to-five-year horizon.

As of 30 September 2021, 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 distributor of construction and interior decorative materials, as well as hospitality operations.

As of 30 September 2021, the Group’s total assets were valued at HK\$1,479 million (31 March 2021: HK\$1,549 million), of which HK\$678 million (31 March 2021: HK\$852 million) were current assets, approximately 3.28 times (31 March 2021: 3.16 times) of current liabilities. Equity attributable to equity shareholders of the Company was HK\$1,274 million (31 March 2021: HK\$1,277 million).

Overall Performance

The Group's consolidated revenue for the six-month period under review amounted to HK\$74 million (six-month period ended 30 September 2020: HK\$152 million). The fall in revenue was attributable to a high base after several property redevelopment projects were monetised in the previous financial period, in line with the Group's strategy. The gross profit and gross profit margin were HK\$13 million (six-month period ended 30 September 2020: HK\$16 million) and 17.7% (six-month period ended 30 September 2020: 10.5%) respectively.

The Group recorded a profit of HK\$3 million for the six-month period under review (six-month period ended 30 September 2020: HK\$61 million). The profit attributable to equity shareholders of the Company was HK\$7 million (six-month period ended 30 September 2020: HK\$34 million). The decrease in profit was mainly attributable to the absorption of losses incurred by joint ventures during the period and the absence of a one-off gain arising from disposal of interest in a subsidiary during the period ended 30 September 2020.

Basic and diluted earnings per share for the six-month period ended 30 September 2021 was HK1.8 cents (six-month period ended 30 September 2020: HK7.0 cents).

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2021.

Material Acquisition and Disposal

In September 2021, the Group entered into a subscription agreement which 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 9 to the unaudited interim results announcement).*

Investment Portfolio

As at 30 September 2021, the Group's bank deposits and cash was HK\$169 million (31 March 2021: HK\$370 million), representing 11.4% (31 March 2021: 23.9%) of the Group's total assets.

The following table shows the Group's investments as at 30 September 2021.

Real estate investments

Investment	Location	Type	Group's interest	Status as of 30/9/2021	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 buyers	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, CA 91755, the U.S.A.	Residential and retail property	100%	Under planning	237,644 square feet	237,644 square feet
Anoakia Project	701 Anoakia Lane, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under planning	11,335 square feet	11,335 square feet
Broadway Project	216 – 220 East Broadway, San Gabriel, CA 91776, the U.S.A.	Residential and retail property	50%	Under planning	16,740 square feet	8,370 square feet
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	5,849 square metres
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	24.21%	Under construction. Expected to be completed in March 2022	107,208 square feet	25,955 square feet
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 being marketed to buyers	6,323 square feet	6,323 square feet

Investment	Location	Type	Group's interest	Status as of 30/9/2021	Total gross floor area (Note)	Attributable gross floor area
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 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 six-month period under review, the Group completed its sale of the Singing Wood Project in Arcadia, California, the U.S.A., further strengthening its overseas development track record. It acquired a new residential property redevelopment project, the Anoakia Project, also located in Arcadia, California. That project alongside the Broadway Project, remains under planning. The Group is continuing to market the completed Winston Project, while the Monterey Park Towne Centre Project remains in the design approval and planning phase following COVID-19 related delays.

In the U.K., the Group acquired a minority stake in the Graphite Project in London's Vauxhall district, which is currently undergoing rapid gentrification with a number of commercial businesses moving to the area.

In Hong Kong, the construction of the two commercial and retail redevelopment projects – the Wong Chuk Hang Project and the Jaffe Road Project – continued to progress smoothly and are on schedule to be completed in March 2022 and June 2022, respectively.

Each of the Wong Chuk Hang Project and the Jaffe Road Project is jointly funded by the Group and a private equity fund that is 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. During the six-month period under review, the Group increased its attributable interest in the Wong Chuk Hang Project to approximately 24.21% through a fund subscription agreement.

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

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

Property investment

The Group holds several properties as investments in Hong Kong 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 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 ago, its products are used in many prominent hotels, airports, train stations, commercial buildings and shopping malls around the world.

During the six-month period under review, Quarella saw a progressive recovery in its business, although the pace of recovery will remain contingent on the health of the global economy. It is continuing to explore new growth opportunities in Australia, Europe and South-East Asia.

Direct impact of the COVID-19 pandemic

A tourism ban in Bhutan remained in force during the entire six-month period under review, significantly impacting the Group's share of operational income from RS Hospitality. As of the date of this report, RS Hospitality expects its operational income to remain impacted until the removal of the tourism ban.

As of 30 September 2021, the financial impact of the COVID-19 pandemic on the Group is not material.

Outlook

Despite high vaccination rates in many countries around the world, the Group may continue to experience headwinds from sporadic COVID-19 outbreaks in its main markets, continued supply chain disruptions and raw material price inflation. The Group will carefully consider these uncertainties and risks as it continues to seek new high-potential redevelopment projects in Hong Kong, Mainland China and overseas markets, as well as opportunities to expand its asset, investment and fund management business.

The Group remains optimistic about the prospects for its current property redevelopment portfolio. In Hong Kong, the extension of the government's industrial revitalisation policy and gradual economic recovery will continue to support the city's commercial and industrial property markets. Meanwhile, its portfolio in the U.S.A. and the U.K. will continue to be supported by the tailwinds from demand/supply imbalances, low-interest rates and government stimulus policies.

The Group will continue to explore other ways to deliver additional returns to its shareholders, including debt investment opportunities.

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 2021, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 11.6% (31 March 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 0.2% (31 March 2021: Nil) as the Group has net debts of HK\$2 million as at 30 September 2021 (31 March 2021: net cash of HK\$129 million).

As of 30 September 2021, the total bank borrowings of the Group amounted to HK\$171 million (31 March 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 property redevelopment projects and the 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 2021, the Group's current assets and current liabilities were HK\$678 million (31 March 2021: HK\$852 million) and HK\$207 million (31 March 2021: HK\$270 million) respectively. The Group's current ratio increased to 3.28 (31 March 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, while assessing and managing the risks, to 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\$161,000,000 (31 March 2021: HK\$384,107,000) and HK\$20,000,000 (31 March 2021: HK\$20,000,000) respectively. Such banking facilities were utilised by the subsidiaries and the associate to the extent of HK\$108,539,000 (31 March 2021: HK\$135,991,000) and HK\$Nil (31 March 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 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, management of the Group will monitor foreign currencies and interest rates exposure of each business segment and consider appropriate hedging policies in future as appropriate.

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. The Group's major customers are institutional organisations and reputable property developers. Therefore, the Group is not exposed to significant credit risk. 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 impact of the COVID-19 pandemic and tightening credit conditions in Mainland China, the Group's management is closely monitoring and reviewing from time to time its 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 30 September 2021, the total number of employees of the Group is 26 (31 March 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\$12 million for the period (six-month period ended 30 September 2020: HK\$13 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 2021.

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, 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 2021 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 2021

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.