
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Rykadan Capital Limited 宏基資本有限公司, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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RYKADAN
CAPITAL

RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

**MASTER AGREEMENT IN RELATION TO
(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED ACQUISITION OF A PROPERTY
AND
(2) MAJOR DISPOSAL AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED DISPOSAL OF 80% OF THE
ISSUED SHARE CAPITAL OF A SUBSIDIARY, AND
DISCLOSEABLE AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED JOINT VENTURE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 9 to 37 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 40 to 83 of this circular.

A notice convening the EGM to be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 September 2022 at 4:30 p.m. (or soon thereafter as the 2022 annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place has been concluded or adjourned) is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) if you so wish. In such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (i) Compulsory temperature screening/checks
- (ii) Compulsory wearing of surgical face mask
- (iii) No distribution of gifts and no provision of beverages and refreshments
- (iv) Scanning of "LeaveHomeSafe" venue QR Code
- (v) Complying with the requirements of the "Vaccine Pass Direction"

Attendees are in addition requested to observe and practise good personal hygiene at all times. Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company to the extent permitted by law.

The Company wishes to strongly advise Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

Please see pages ii to iii of this circular for measures being taken to try to prevent and control the spread of COVID-19 at the EGM.

Hong Kong, 19 August 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and in line with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

Voting by proxy in advance of the EGM:

The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of Shareholders, the Company wishes to strongly advise the Shareholders, particularly Shareholders who are unwell, subject to mandatory quarantine (including home quarantine) or unable to travel to attend the EGM, that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) as an alternative to attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholder rights. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if they so wish. In such event, the form of proxy shall be deemed to be revoked.

The deadline to submit completed proxy forms is Tuesday, 6 September 2022 at 4:30 p.m.. Completed proxy forms must be returned to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

To safeguard the health and safety of Shareholders who might be attending the EGM in person, the Company will also implement the following measures at the EGM:

- (i) Compulsory temperature screening/checks will be carried out on every attendee at the main entrance of the venue. Any person with a body temperature above the reference range quoted by the Department of Health, or is exhibiting flu-like symptoms or is otherwise unwell may be denied entry into the venue and be requested to leave the venue.
- (ii) Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks.
- (iii) There will be no distribution of gifts and no provision of beverages and refreshments attendees at the EGM.
- (iv) Every attendee will be required to complete scan the "LeaveHomeSafe" venue and vaccination record QR codes and comply with the requirements of the "Vaccine Pass Direction", prior to entry into the EGM venue.

PRECAUTIONARY MEASURES FOR THE EGM

Attendees are in addition requested to observe and practise good personal hygiene at all times. Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company to the extent permitted by law.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements on short notice. Shareholders should check the Company's website for future announcements and updates on the EGM arrangements.

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong
Telephone: +852 2980 1333
Facsimile: +852 2810 8185
Email: is-enquiries@hk.tricorglobal.com

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the meanings set out below:

“Acquisition Completion”	the completion of the sale and purchase of the US Property pursuant to the US Property Agreement
“Acquisition Consideration”	the consideration payable by the US Purchaser to the US Vendor for the purchase of the US Property in the manner as set out in the section headed “B. The US Property Agreement – The Acquisition Consideration and payment terms” in the Letter from the Board of this circular
“Adjustment Payment”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms – <i>Determination of the Adjustment Payment</i> ” in the Letter from the Board of this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank”	Hang Seng Bank Limited
“Bank Consent”	all necessary consent and approval from the Bank in respect of the HK PropCo Agreement and the transactions contemplated thereunder (including but not limited to the Bank’s consent to, subject to Disposal Completion, the substitution of the Existing Guarantee by the New Guarantees)
“Base Value”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“Board”	the board of Directors
“Business”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Shareholders’ Deed – Business” in the Letter from the Board of this circular
“business day(s)”	a day (except Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is in force at any time between 9:00 a.m. and 12:00 noon) on which licensed banks are generally open for normal banking business in Hong Kong

DEFINITIONS

“Company”	Rykadan Capital Limited, an exempt company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2288)
“Completion Accounts”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Completion”	the completion of the sale and purchase of the Sale Shares and the assignment and taking up of the Sale Loan pursuant to the HK PropCo Agreement
“Disposal Completion Date”	the date of the Disposal Completion as set out in the sections headed “A. The Master Agreement – Acquisition Completion and Disposal Completion” and “C. The HK PropCo Agreement – Disposal Completion” in the Letter from the Board of this circular
“Disposal Condition(s)”	the conditions precedent to Disposal Completion as set out in the section headed “A. The Master Agreement – Conditions precedent to Disposal Completion” in the Letter from the Board of this circular
“Disposal Consideration”	the aggregate consideration payable by the HK Purchaser to the HK Vendor for the Sale Shares and the Sale Loan in the manner as set out in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“Disposal Group”	collectively, the HK PropCo, Subsidiary A and Subsidiary B, and “Disposal Group Company” means any one of them
“EGM”	the extraordinary general meeting of the Company to be convened and held on 8 September 2022 for the purpose of considering and, if thought fit, approving the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction)

DEFINITIONS

“Escrow Holder”	an independent third party acceptable to both the US Vendor and the US Purchaser which will act as the escrow holder of the Acquisition Consideration
“Existing Bank Loan”	the loan in the principal amount of HK\$63,000,000 granted to the HK PropCo by the Bank
“Existing Guarantee”	the existing corporate guarantee executed by the Company in favour of the Bank to guarantee the liabilities of the HK PropCo under the Existing Bank Loan
“Final Consideration”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms – <i>Determination of the Adjustment Payment</i> ” in the Letter from the Board of this circular
“Further Instalment”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“Group”	the Company and its subsidiaries from time to time
“HK PropCo”	Vibrant Colour Holdings Limited, a limited liability company incorporated in the British Virgin Islands, and a direct wholly-owned subsidiary of the HK Vendor
“HK PropCo Agreement”	the conditional sale and purchase agreement to be entered into between the HK Purchaser and the HK Vendor in relation to the Proposed Disposal
“HK Property”	House 11 (including its house unit, external walls, staircase to basement floor, staircase at main roof, main roof and upper roof, garden and open space, planter and car parking spaces Nos. 11A and 11B on the basement floor) of No. 1 Shouson Hill Road East, Hong Kong
“HK Purchaser”	Harbour Best Investments Limited, a limited liability company incorporated under the laws of the British Virgin Islands
“HK Purchaser’s Guaranteed Obligations”	all of the HK Purchaser’s obligations (including all payment obligations), commitments, undertakings, warranties and indemnities under or pursuant to the Master Agreement and the HK PropCo Agreement

DEFINITIONS

“HK Vendor”	Worth Celestial Limited, a limited liability company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George, which has been established by the Company to make recommendation to the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction)
“Independent Financial Adviser” or “Innovax”	Innovax Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction)
“Independent Shareholder(s)”	Shareholder(s) other than Shareholders with a material interest in the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction), who is(are) required to abstain from voting at the EGM pursuant to the Listing Rules
“Independent Shareholders’ Approval Condition”	the passing by the Independent Shareholders at the EGM of the necessary resolution(s) approving the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction)
“Initial Consideration”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular

DEFINITIONS

“Initial Instalment”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“Initial US Deposit”	has the meaning ascribed to it in the section headed “B. The US Property Agreement – The Acquisition Consideration and payment terms” in the Letter from the Board of this circular
“Latest Practicable Date”	15 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Losses”	all losses, damages, liabilities (including, without limitation, tax liabilities), costs (including, without limitation, legal costs), charges, expenses, actions, proceedings, claims and demands
“Master Agreement”	the master agreement dated 17 June 2022 entered into among the HK Vendor, the HK Purchaser, the US Purchaser, the US Vendor, Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) in relation to certain arrangements concerning the HK PropCo Agreement and the US Property Agreement
“Mr. Chan”	Mr. William Chan, Chairman, Chief Executive Officer and an Executive Director of the Company
“Mrs. Chan”	Ms. Madeline Ng, spouse of Mr. Chan
“NAV”	the total consolidated current tangible assets of the HK PropCo (excluding the HK Property) less the total consolidated liabilities of the HK PropCo (including without limitation the Existing Bank Loan but excluding the Retained Shareholder’s Loan and the Sale Loan) as at the Disposal Completion Date

DEFINITIONS

“New Guarantees”	the guarantees to be provided by the Company, Mr. Chan and/or Mrs. Chan (or such other person(s) acceptable to the Bank to be procured by the HK Purchaser) respectively in favour of the Bank to guarantee the liabilities of the HK PropCo under the Existing Bank Loan, on a several basis in proportion to (in the case of the Company) the shareholding of the HK Vendor in the HK PropCo and (in the case of Mr. Chan and/or Mrs. Chan or other persons(s) acceptable to the Bank) the shareholding of the HK Purchaser in the HK PropCo, in substitution of the Existing Guarantee
“Possible Unwinding Transaction”	has the meaning ascribed to it in the section headed “A. The Master Agreement – Acquisition Completion and Disposal Completion” in the Letter from the Board of this circular
“Previous Announcement”	the announcement of the Company dated 28 August 2014 in respect of the Previous Transaction
“Previous Transaction”	the disposal by the Group to a company equally owned by Mr. Chan and Mrs. Chan of all the shares of the US Vendor then in issue and owned by Rykadan Inc. (an indirect wholly-owned subsidiary of the Company), and all the shareholder’s loan then owing by the US Vendor to Rykadan Inc., whereby the Company indirectly disposed of the Previous US Property, details of which are disclosed in the Previous Announcement
“Previous US Property”	has the meaning ascribed to it in the section headed “B. The US Property Agreement – Assets to be acquired” in the Letter from the Board of this circular
“Proposed Acquisition”	the acquisition of the US Property by the US Purchaser from the US Vendor pursuant to the US Property Agreement
“Proposed Disposal”	the conditional disposal of the Sale Shares and the Sale Loan by the HK Vendor to the HK Purchaser pursuant to the HK PropCo Agreement
“Proposed Joint Venture”	the proposed formation of joint venture between the HK Purchaser and the HK Vendor for the single purpose of undertaking the Business through the transactions pursuant to and as contemplated under the HK PropCo Agreement and the Shareholders’ Deed

DEFINITIONS

“Proposed Transaction”	collectively, the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction
“Retained Shareholder’s Loan”	20% of all the shareholder’s loans owing by the HK PropCo to the HK Vendor at the Disposal Completion
“Sale Loan”	80% of all the shareholder’s loans owing by the HK PropCo to the HK Vendor at the Disposal Completion
“Sale Shares”	80 shares of par value US\$1.00 each of the HK PropCo, representing 80% of the entire issued share capital of the HK PropCo as at Disposal Completion
“Sale Shares Consideration”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” in the Letter from the Board of this circular
“Selling Shareholder”	has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Shareholders’ Deed – Right of first offer” in the Letter from the Board of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Shareholders’ Deed”	the shareholders’ deed to be entered into among the HK Purchaser, the HK Vendor, Mr. Chan, Mrs. Chan and the HK PropCo in relation to the Proposed Joint Venture upon Disposal Completion
“Signing Conditions”	collectively, the fulfilment of the Independent Shareholders’ Approval Condition and the Bank Consent having been obtained and not having been withdrawn or cancelled
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	collectively, Subsidiary A and Subsidiary B, and “Subsidiary” means any one of them

DEFINITIONS

“Subsidiary A”	Glorious Creation Limited (錦創有限公司), a limited liability company incorporated in the British Virgin Islands, and a direct wholly-owned subsidiary of the HK PropCo
“Subsidiary B”	Max Grand Properties Limited (盛浩置業有限公司), a limited liability company incorporated in Hong Kong, and a direct wholly-owned subsidiary of Subsidiary A
“US”	United States of America
“US\$”	United States dollar, the lawful currency of the US
“US Property”	1470 Virginia Rd, San Marino, CA 91108, US
“US Property Agreement”	the residential purchase agreement and joint escrow instructions to be entered into between the US Purchaser and the US Vendor in relation to the Proposed Acquisition
“US Purchaser”	Rykadan Carlyle South LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“US Vendor”	Century Winner Inc, a limited liability company incorporated in California, US and owned as to 50% by each of Mr. Chan and Mrs. Chan
“US Vendor’s Guaranteed Obligations”	all of the US Vendor’s obligations (including all payment obligations), commitments, undertakings, warranties and indemnities under or pursuant to the Master Agreement and the US Property Agreement
“%”	per cent.

LETTER FROM THE BOARD



RYKADAN
CAPITAL

RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

Executive Directors:

Mr. Chan William (陳偉倫)
(Chairman and Chief Executive Officer)
Mr. Yip Chun Kwok (葉振國)
(Chief Operating Officer)
Mr. Lo Hoi Wah, Heywood (勞海華)
(Chief Financial Officer)

Non-executive Director:

Mr. Ng Tak Kwan (吳德坤)

Independent Non-Executive Directors:

Mr. To King Yan, Adam (杜景仁)
Mr. Wong Hoi Ki (黃開基)
Mr. Ho Kwok Wah, George (何國華)

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of

Business in Hong Kong:

Rooms 2701 & 2801
Rykadan Capital Tower
135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

19 August 2022

To the Shareholders,

Dear Sir or Madam,

**MASTER AGREEMENT IN RELATION TO
(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED ACQUISITION OF A PROPERTY
AND
(2) MAJOR DISPOSAL AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED DISPOSAL OF 80% OF THE
ISSUED SHARE CAPITAL OF A SUBSIDIARY, AND
DISCLOSEABLE AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED JOINT VENTURE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

On 17 June 2022, the Board announced that the HK Vendor, the HK Purchaser, the US Purchaser, the US Vendor, Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) entered into the Master Agreement under which the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction are contemplated.

The purpose of this circular is to provide you with, among other things, (i) further information about the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice convening the EGM.

A. THE MASTER AGREEMENT

The principal terms of the Master Agreement are summarised below:

Date

17 June 2022

Parties

- (1) the HK Vendor (a wholly-owned subsidiary of the Company);
- (2) the HK Purchaser (a company owned as to 50% by each of Mr. Chan and Mrs. Chan);
- (3) the US Purchaser (a wholly-owned subsidiary of the Company);
- (4) the US Vendor (a company owned as to 50% by each of Mr. Chan and Mrs. Chan);
- (5) Mr. Chan (the Chairman, Chief Executive Officer and an Executive Director of the Company); and
- (6) Mrs. Chan (spouse of Mr. Chan).

Subject of the Master Agreement

The Master Agreement sets out the arrangements among the parties thereto with respect to the Proposed Acquisition and the Proposed Disposal.

LETTER FROM THE BOARD

The US Property Agreement and the HK PropCo Agreement

Subject to (a) the fulfilment of the Independent Shareholders' Approval Condition, and (b) the Bank Consent having been obtained and not having been withdrawn or cancelled:

- (i) the US Purchaser and the US Vendor shall enter into the US Property Agreement pursuant to which the US Vendor shall sell, and the US Purchaser shall purchase, the US Property; and
- (ii) the HK Purchaser and the HK Vendor shall enter into the HK PropCo Agreement pursuant to which the HK Vendor shall conditionally agree to sell the Sale Shares and assign the Sale Loan, and the HK Purchaser shall conditionally agree to purchase the Sale Shares and take up the assignment of the Sale Loan, free from all encumbrances.

The US Property Agreement and the HK PropCo Agreement shall be entered into simultaneously and in any event by no later than 15 business days after the date of fulfilment of the Signing Conditions (or such other date as the parties to the Master Agreement may agree in writing). The HK Vendor and the US Purchaser shall not be obliged to enter into the HK PropCo Agreement or the US Property Agreement (as the case may be) unless the HK Purchaser and the US Vendor enter into the HK PropCo Agreement and the US Property Agreement respectively simultaneously, and vice versa. Application for the Bank Consent has been made and as at the Latest Practicable Date, no written Bank Consent has yet been obtained. It is currently anticipated that the Bank Consent will be granted on or about the date of the EGM.

Conditions precedent to Disposal Completion

Disposal Completion is subject to and conditional upon the fulfilment or waiver in writing (as the case may be) of the following conditions:

- (a) the HK Vendor having obtained the Bank Consent on or before the Disposal Completion Date and such Bank Consent not having been withdrawn or cancelled on or before the Disposal Completion Date;
- (b) there being no breach of certain fundamental warranties as at the date of the HK PropCo Agreement or as at Disposal Completion; and
- (c) Acquisition Completion having taken place.

The Disposal Condition (b) above may be waived by the HK Purchaser by written notice to the HK Vendor, while the Disposal Conditions (a) and (c) above may not be waived by any party to the Master Agreement.

LETTER FROM THE BOARD

Acquisition Completion and Disposal Completion

Acquisition Completion shall take place within 60 days after the signing of the US Property Agreement or such other date as the US Purchaser and the US Vendor may agree in writing, and in accordance with the terms and conditions of the Master Agreement and the US Property Agreement.

Disposal Completion shall take place on the date falling on the 60th day after the fulfilment or waiver of the Disposal Conditions or 31 March 2023, whichever is earlier (or on such other date as the HK Vendor and the HK Purchaser may agree in writing), and in accordance with the terms and conditions of the Master Agreement and the HK PropCo Agreement.

In the event that the Acquisition Completion has taken place but the Disposal Completion fails to take place by the Disposal Completion Date for whatever reason, the Proposed Acquisition shall be unwound as soon as practicable after the Disposal Completion Date. For that purpose, Mr. Chan and Mrs. Chan shall either procure the US Vendor and/or another company nominated by them to act as purchaser, or Mr. Chan and Mrs. Chan jointly as purchasers or either of them alone as purchaser, to buy back the US Property from the US Purchaser at a cash consideration equal to the Acquisition Consideration (the “**Possible Unwinding Transaction**”).

If the Disposal Completion fails to take place by the Disposal Completion Date due to the default of or reasons attributable to the HK Purchaser, the HK Purchaser will be liable for all costs and expenses incurred by the US Purchaser and/or the HK Vendor and/or the Company arisen out of or arising out of or in connection with the Master Agreement, the Proposed Acquisition, the Proposed Disposal and the Possible Unwinding Transaction (as the case may be), and shall indemnify the US Purchaser, the HK Vendor and/or the Company against all Losses incurred or suffered by them as a result thereof.

If the Disposal Completion fails to take place by the Disposal Completion Date due to the default of or reasons attributable to the HK Vendor, the HK Vendor will be liable for all costs and expenses (including all legal expenses) incurred by the US Vendor and/or the HK Purchaser arisen out of or arising out of or in connection with the Proposed Acquisition, the Proposed Disposal and the Possible Unwinding Transaction (as the case may be), and shall indemnify the US Vendor and the HK Purchaser against all Losses incurred or suffered by them as a result thereof.

Guarantee and Indemnity

Mr. Chan and Mrs. Chan have agreed to, jointly and severally, (i) guarantee to the US Purchaser the due and punctual performance and observance by the US Vendor of all the US Vendor’s Guaranteed Obligations and to indemnify the US Purchaser and the Company against all Losses which the US Purchaser or the Company may suffer as a result of any breach by the US Vendor of the US Vendor’s Guaranteed Obligations; and (ii) guarantee to the HK Vendor the due and punctual performance and observance by the HK Purchaser of all the HK Purchaser’s Guaranteed Obligations and agree to

LETTER FROM THE BOARD

indemnify the HK Vendor and the Company against all Losses which the HK Vendor or the Company may suffer as a result of any breach by the HK Purchaser of the HK Purchaser's Guaranteed Obligations.

B. THE US PROPERTY AGREEMENT

The principal terms of the US Property Agreement are summarised below:

Date

Pursuant to the Master Agreement, the US Property Agreement will be entered into simultaneously with the HK PropCo Agreement by no later than 15 business days after the date of fulfilment of the Signing Conditions.

Parties

- (1) the US Vendor; and
- (2) the US Purchaser.

Assets to be acquired

The US Vendor shall agree to sell, and the US Purchaser shall agree to purchase, the US Property at the Acquisition Consideration.

The US Property is located at 1470 Virginia Rd, San Marino, CA 91108, US. The US Property, which is a 2-storey Spanish style detached custom home, is a residential estate with a gross floor area of approximately 7,877 sq. ft.. The US Property is currently vacant and not subject to any lease or tenancy. Pursuant to the US Property Agreement, the US Property is to be sold on an as-is basis and upon Acquisition Completion, the US Vendor shall deliver vacant possession of the US Property to the US Purchaser.

The land on which the US Property is situated together with the building previously erected thereon before it was redeveloped into the US Property (the "**Previous US Property**") was previously wholly-owned by the Group indirectly. The Previous US Property, a building of 3,398 sq. ft. built in 1938, was sold to the sole shareholder of the US Vendor pursuant to the Previous Transaction in 2014 at US\$6,177,764 (equivalent to approximately HK\$48,495,000). Further details of the Previous Transaction (including the reasons for the indirect disposal of the Previous US Property by the Group pursuant to the Previous Transaction) were disclosed in the Previous Announcement. After nearly 4 years from the completion of the Previous Transaction, the necessary permission to redevelop the Previous US Property was obtained from the relevant authority of the city of San Marino in 2018 and construction of the US Property was completed in 2021, almost 7 years after completion of the Previous Transaction.

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The Acquisition Consideration and payment terms

The Acquisition Consideration is US\$14,500,000 (equivalent to approximately HK\$113,825,000), which shall be payable in cash in the following manner:

- (i) an initial deposit of US\$435,000 (equivalent to approximately HK\$3,415,000) (the “**Initial US Deposit**”), representing 3% of the Acquisition Consideration, shall be paid by the US Purchaser to the Escrow Holder within 3 days of the signing of the US Property Agreement;
- (ii) the sum of US\$7,975,000 (equivalent to approximately HK\$62,604,000), representing 55% of the Acquisition Consideration, shall be paid to the Escrow Holder within 17 days of the signing of the US Property Agreement by the US Purchaser drawing on the bank loan to be obtained by it to finance part of the Acquisition Consideration; and
- (iii) the sum of US\$6,090,000 (equivalent to approximately HK\$47,807,000), being the remaining balance of the Acquisition Consideration, shall be paid by the US Purchaser to the Escrow Holder before Acquisition Completion.

The Acquisition Consideration will be held by the Escrow Holder pending Acquisition Completion, and, subject to Acquisition Completion having taken place, will be released to the US Vendor in accordance with the US Property Agreement. If the US Purchaser fails to complete the Proposed Acquisition by reason of its default, the US Vendor shall retain the Initial US Deposit as liquidated damages. Save for the retention of the Initial US Deposit by the US Vendor, all part payments shall be returned by the Escrow Holder to the US Purchaser within 10 business days from the date on which the US Purchaser fails to complete the Proposed Acquisition by reason of its default.

It is the intention of the Group that out of the Acquisition Consideration, USD6,525,000 (equivalent to approximately HK\$51,221,000) will be funded by its internal resources and the remaining USD7,975,000 (equivalent to approximately HK\$62,604,000) will be financed by an external bank loan to be secured by the US Property.

The Acquisition Consideration was determined after arm’s length negotiations between the US Purchaser and the US Vendor with reference to the valuation of the US Property of US\$14,500,000 as at 30 March 2022 as appraised by an independent professional valuer engaged by the bank from which the US Purchaser has applied for the bank loan to finance part of the Acquisition Consideration as mentioned above.

In the valuation report as set out in Appendix II to this circular, the market comparison approach has been adopted by the valuer to appraise the US Property as there are sufficient reliable house sales transactions recorded in the recent years. Such houses are located in close proximity of the US Property and the sales transactions are similar in nature, thus the market comparison approach is considered as the most appropriate valuation approach. The income capitalization approach has not been

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adopted given that the US Property is currently vacant and not income-generating, and there is a lack of reliable house rental information available in the market as most of the luxury houses are owner-occupied. The valuer has selected 10 house transactions in the market as comparables. The selection criteria for the comparable US properties include, among others, (a) location, i.e. the properties should be located in the same area with a close proximity to the US Property; (b) similar property nature, i.e. luxury house; (c) property size, i.e. the property size should be comparable to that of the US Property; (d) time, i.e. the transaction should be within a reasonable period from the valuation date, or the property should be currently offered for sale to reflect market trend; and (e) provision of facilities and amenities. Such selection criteria are commonly used in valuation practice. The comparable US properties are exhaustive and representative samples as they have fulfilled the selection criteria listed above: (a) the properties are all located in San Marino or Pasadena and within 2 miles from the US Property; (b) all of the properties are luxury houses; (c) the properties have a gross living area of approximately 6,000 sq. ft. to 12,700 sq. ft., whilst the US Property has a gross living area of approximately 7,877 sq. ft.; (d) the properties were transacted between May 2018 and April 2022, which were within approximately 4 years from the valuation date, or currently offered for sale; and (e) the properties provide some ancillary amenities, such as swimming pool, garden and carport area, which are similar to those of the US Property. Given that the market activity of the US property market was not as active as the HK property market and houses in San Marino were mainly owner-occupied and not for investment purpose, there were less comparables available in the US property market than the HK property market. The valuer had therefore adopted a selection period of approximately 4 years and selected 10 comparable properties (which include 8 actual sale transactions and 2 current listings) to ensure that there were sufficient comparable properties which fell within the target characteristics. Among the 8 actual transactions, 6 of them were transacted in 2021, while 1 was transacted in each of 2018 and 2019 respectively. The 2 comparable properties which were transacted in 2018 and 2019 were situated on the same street and in the same estate area as the US Property, which best met the selection criteria for location. Location is an important aspect in establishing the price or value of a property. Given that there were few comparable properties in the same street or estate area as the US Property, the valuer had chosen those 2 transactions to guarantee the representativeness of the comparable properties. The valuer had also taken into account the time of transaction as one of the adjustments in the valuation of the US Property to reflect the macroeconomic changes between the transaction date of the respective comparable US properties and the valuation date. The Directors consider that the factors taken into account in determining the selection period of 4 years for the comparable US properties are fair and reasonable.

The market approach for real estate valuation determines the value of a property by comparing recent transaction prices of similar properties on the valuation benchmark date based on the principle of substitution, and making adjustments by taking into account various factors. The factors which have been taken into account by the valuer when comparing the US Property and the comparable US properties include but are not limited to, the time of transaction, house size, provision of ancillary area and facilities and building quality.

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The adjustments included (i) market condition (i.e. the time of transaction), where the prices of the respective comparable US properties on the transaction date were adjusted to the price on the valuation benchmark date; and (ii) property physical condition (i.e. house size, ancillary area and facilities and building quality), where the prices of the comparable US properties under their individual conditions were adjusted to the price under the individual condition of the US Property, which resulted in a percentage range of aggregate adjustments amongst the comparable US properties of approximately -46.5% to 61.0%.

In particular, all comparable properties' market condition adjustments were based on news reports that claimed there had been market increases throughout Southern California as well as what the appraiser had observed and measured using market data at the time of the sales for the entirety of Los Angeles County and then specifically the subject market area. Upward adjustments were made to reflect the market's rising trend. Various factors, including lot size, house size, building quality, and availability of facilities, were taken into consideration while making adjustments based on the physical characteristics of the comparable properties. The lot size of a house is essential to accommodating additional features and amenities (i.e. pool/spa, garden, tennis court) and having better privacy. Negative adjustments were allowed to those comparable properties with bigger lot sizes because those homes are thought to be superior to the US Property. Additionally, larger homes typically have better layout and flexibility in how their space is used. Therefore, a downward adjustment would be made to reflect the difference in dwelling size if the size of the comparable property is larger than that of the US Property. Building quality was based on an exterior inspection, and overall quality was adjusted based on the overall quality of the US Property and comparable properties. The adjustment appears excessive but a modest premium is often found in high end homes. For the provision of amenities such as pool/spa, wine area, elevator and guest quarters, adjustments were allowed per amenity to reflect the difference of amenities with the US Property.

The 10 comparable properties range from US\$1,118 per sq. ft. to US\$1,979 per sq. ft., and after taking into account the aforementioned adjustments and with no weighting on those comparable US properties that were currently offered for sale, the valuer had adopted the unit rate of US\$1,841 per sq. ft. for the valuation of the US Property.

The valuation has been made on the assumption that the US Vendor disposes of the US Property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the US Property. No allowance has been made for any charges, mortgages or amounts owing on the US Property or for any expenses or taxations which may be incurred in effecting a sale. The valuer has also made the following assumptions in valuing the US Property:

- (i) the US Property is free from and clear of all charges, liens and encumbrances of an onerous nature likely to affect the value;

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- (ii) land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the US Property has been fully paid and settled;
- (iii) proper title has been obtained and the US Property and the interests valued can be freely transferred, mortgaged and let in the market;
- (iv) the valuer is not aware of any easements or rights of way affecting the US Property and has assumed that none exist;
- (v) all information, estimates and opinion furnished to the valuer and contained in the valuation report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources; and
- (vi) the US Property is free from any contamination and environmental problems or hazards.

The Directors consider that the work performed by the valuer, including the valuation method and assumptions adopted in deriving the valuation of the US Property, is fair and reasonable. Further, having considered the selection criteria and the comparable US properties selected by the valuer which have suitably similar characteristics to the US Property, the Board considers that the comparable US properties constitute fair and representative samples for comparison. Accordingly, the Directors are of the view that the valuation of the US Property is fair and reasonable.

Removal of contingencies

The US Property Agreement is contingent upon, among other things, (i) the US Purchaser obtaining the external bank loan to finance part of the Acquisition Consideration as mentioned above; (ii) a written appraisal of the US Property by a licensed or certified appraiser at no less than the Acquisition Consideration; (iii) the US Purchaser's acceptance of the condition of, and any other matter affecting the US Property; (iv) the US Purchaser's ability to obtain an applicable title policy and on the US Purchaser's review of a current title report and satisfying the US Purchaser regarding the current status title; and (v) the US Purchaser's review of the relevant reports, disclosures and other relevant information required to be provided by the US Vendor. Within the specified timeframes under the US Property Agreement, being 17 days after the signing of the US Property Agreement, or 5 days after the receipt of the relevant documents (where applicable and whichever is later), the US Purchaser should either remove the applicable contingencies in accordance with the terms of the US Property Agreement or cancel the US Property Agreement. The US Purchaser has no obligation to remove a contractual contingency unless the US Vendor has provided all required documents, reports, disclosures and information pertaining to that contingency.

The US Purchaser's cancellation rights

If by the time specified in the US Property Agreement, (i) the US Vendor does not deliver to the US Purchaser a notice either removing the applicable contingency or cancelling the US Property Agreement, or has not delivered any stipulated documents

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or performed any contractual obligations imposed on it under the US Property Agreement, or (ii) the US Purchaser does not remove all the contingencies, then the US Purchaser may, after first delivering to the US Vendor a notice to seller to perform in the prescribed form, cancel the US Property Agreement. In such event, the US Vendor shall authorize the return of the Initial US Deposit and all part payments to the US Purchaser, except for fees and costs to be borne by the US Purchaser under the US Property Agreement.

The US Vendor's cancellation rights

If by the time specified in the US Property Agreement, the US Purchaser does not deliver to the US Vendor a removal of the applicable contingency or cancellation of the US Property Agreement, or does not take the relevant actions required to be taken by it under the US Property Agreement, then the US Vendor may, after first delivering to the US Purchaser a notice to buyer to perform in the prescribed form, cancel the US Property Agreement. In such event, the US Vendor shall authorize the return of the Initial US Deposit and all part payments to the US Purchaser, except for fees and costs to be borne by the US Purchaser under the US Property Agreement.

Acquisition Completion

Acquisition Completion shall take place within 30 days after the signing of the US Property Agreement.

While the Master Agreement provides the overall timeframe of the transactions contemplated thereunder, it is the intention of the US Purchaser and the US Vendor that Acquisition Completion shall take place within 30 days after the signing of the US Property Agreement pursuant to the US Property Agreement. However, in the event that Acquisition Completion is unable to take place within 30 days, it has been agreed under the Master Agreement that the US Purchaser and the US Vendor will have up to 60 days (or such other date as the US Purchaser and the US Vendor may agree in writing) for the Acquisition Completion.

Upon Acquisition Completion, the US Purchaser will be the sole owner of the US Property.

C. THE HK PROPCO AGREEMENT

Set out below are the principal terms of the HK PropCo Agreement:

Date

Pursuant to the Master Agreement, the HK PropCo Agreement will be entered into simultaneously with the US Property Agreement by no later than 15 business days after the date of fulfilment of the Signing Conditions.

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Parties

- (1) the HK Vendor; and
- (2) the HK Purchaser.

Assets to be disposed of

Pursuant to the HK PropCo Agreement, the HK Vendor shall conditionally agree to sell the Sale Shares and assign the Sale Loan, and the HK Purchaser shall conditionally agree to purchase the Sale Shares and take up the assignment of the Sale Loan, free from all encumbrances at the Disposal Consideration.

As at the Latest Practicable Date, the HK Vendor is the legal and beneficial owner of all the issued shares of the HK PropCo and the HK Vendor has advanced to the HK PropCo shareholder's loan in the amount of approximately HK\$151,025,000. The Sale Shares, representing 80% of the entire issued share capital of the HK PropCo, and the Sale Loan, representing 80% of the amount of shareholder's loan owing by the HK PropCo to the HK Vendor at the Disposal Completion are proposed to be disposed of to the HK Purchaser pursuant to the HK PropCo Agreement. The HK PropCo is the sole shareholder of Subsidiary A, which in turn is the sole shareholder of Subsidiary B. Subsidiary B is the sole registered and beneficial owner of the HK Property which will, after Disposal Completion, remain to be subject to the mortgage created to secure the Existing Bank Loan obtained by the HK PropCo to finance its acquisition of Subsidiary A.

The acquisition by the Group of the entire issued share capital of Subsidiary A (being the sole shareholder of Subsidiary B, which in turn holds the HK Property) was completed in January 2022. The original vendor of the entire issued share capital of Subsidiary A, which was introduced to the Company by a real estate agent, was Grandland Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of S E A Holdings Limited (a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 251)). There is (i) no relationship (whether existing or prior, expressed or implied) and (ii) no arrangement, understanding or undertaking (whether formal or informal, express or implied) between the original vendor on the one hand and the Company and any of its connected person on the other hand. As confirmed by Mr. Chan and Mrs. Chan, there is (i) no relationship (whether existing or prior, expressed or implied) and (ii) no arrangement, understanding or undertaking (whether formal or informal, express or implied) between the original vendor on the one hand and the HK Purchaser, the US Vendor, Mr. Chan and Mrs. Chan on the other hand.

The original acquisition cost of the entire issued share capital of Subsidiary A was approximately HK\$210,000,000, which was partially funded by the Group's internal resources and partially financed by the Existing Bank Loan. According to the original vendor, the original acquisition cost was determined after arm's length negotiations between the original vendor and the HK PropCo as the original purchaser on normal commercial terms taking into account, among other things, (i) the location of the HK

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Property; (ii) the then market values of comparable properties in the adjacent location; and (iii) the then fair value of the HK Property. The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Group's acquisition of the entire issued share capital of Subsidiary A.

The Disposal Consideration and payment terms

Pursuant to the HK PropCo Agreement, the total consideration for the Sale Shares and the Sale Loan shall be HK\$158,400,000 (the “**Base Value**”) (being 80% of the agreed value of the HK Property of HK\$198,000,000) subject to adjustments to be calculated in accordance with certain agreed principles and calculations based on the unaudited consolidated statement of financial position of the HK PropCo as at the Disposal Completion Date (the “**Completion Accounts**”) (the “**Disposal Consideration**”). For illustration purpose only, based on the unaudited consolidated management accounts of the HK PropCo as at 31 March 2022, the Disposal Consideration would be approximately HK\$108,721,000. Such amount represents the Base Value less 80% of the absolute amount of the NAV as at 31 March 2022 of approximately HK\$49,679,000, which NAV amount is derived from the absolute value of (i) 80% of the other consolidated tangible assets of the HK PropCo (i.e. prepayment and deposit, other receivables and cash at bank) as at 31 March 2022 in the aggregate amount of approximately HK\$853,000, less (ii) 80% of total consolidated liabilities of the HK PropCo (which include the Existing Bank Loan but exclude the Retained Shareholder's Loan and the Sale Loan) as at 31 March 2022 (i.e. 80% of the Existing Bank Loan and accruals) in the aggregate amount of approximately HK\$50,532,000. As at the Latest Practicable Date, shareholder's loan in the amount of approximately HK\$2,473,000 has been injected by the Group to the Disposal Group after 31 March 2022. Save as aforesaid, there has been no material change in the financials of the Disposal Group since 31 March 2022. Out of the additional shareholder's loan of approximately HK\$2,473,000, approximately HK\$590,000 has been utilised as interest expenses payable under the Existing Bank Loan and other general expenses such as legal fees and building management fees etc., which are not tangible assets in nature and therefore would not be taken into account in the NAV nor the adjustment to the Initial Consideration, and hence would not affect the Disposal Consideration. The remaining HK\$1,883,000, comprising tangible assets being cash at bank and deposits paid for fitting-out works in the aggregate amount of approximately HK\$623,000 and repayment of the principal of the Existing Bank Loan in the amount of HK\$1,260,000, would be taken into account in the NAV and the adjustment to the Initial Consideration, and hence would affect the Disposal Consideration. For illustration purpose only, based on the amount of the aforesaid additional shareholder's loan, the Disposal Consideration would be approximately HK\$1,506,000 (being 80% of HK\$1,883,000 under the adjustment) more than the Disposal Consideration of HK\$108,721,000 determined based on the unaudited consolidated management accounts of the HK PropCo as at 31 March 2022 as mentioned above. The final adjustment amount can only be ascertained after the Disposal Completion taking into account the NAV as computed based on the proforma Completion Accounts/audited Completion Accounts (as the case may be) at the Disposal Completion Date as mentioned above.

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The Disposal Consideration shall be payable in the following manner:

- (i) an initial payment in the sum of HK\$5,436,000 (the “**Initial Instalment**”), representing approximately 5% of the Base Value and as adjusted in the manner described under the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms – Determination of the Initial Consideration” but based on the unaudited consolidated management accounts of the HK PropCo as at 31 March 2022), shall be paid in cash by the HK Purchaser to the HK Vendor within 7 days of the signing of the HK PropCo Agreement as part payment of the Disposal Consideration;
- (ii) a further payment in the sum of HK\$48,925,000 (the “**Further Instalment**”), representing approximately 45% of the Base Value and as adjusted in the same manner at which the Initial Instalment is arrived at, shall be paid in cash by the HK Purchaser to the HK Vendor within 30 days of the signing of the HK PropCo Agreement (or such other date as the HK Purchaser and the HK Vendor may agree in writing) as further part payment of the Disposal Consideration;
- (iii) an amount equivalent to the Base Value (as adjusted based on the proforma Completion Accounts delivered by the HK Vendor to the HK Purchaser prior to the Disposal Completion Date) (the “**Initial Consideration**”) less the Initial Instalment and the Further Instalment, shall be paid in cash by the HK Purchaser to the HK Vendor at Disposal Completion; and
- (iv) (where applicable) an amount equivalent to the Adjustment Payment (see below) shall be paid in cash by the HK Purchaser to the HK Vendor or by the HK Vendor to the HK Purchaser (as the case may be) after the Disposal Completion Date in accordance with the terms of the HK PropCo Agreement.

Determination of the Initial Consideration

The Initial Consideration mentioned in (iii) above will be determined in the following manner:

- (i) if the NAV as computed based on the proforma Completion Accounts is more than zero, the Initial Consideration will be equal to the Base Value plus 80% of such amount of the NAV;
- (ii) if the NAV as computed based on the proforma Completion Accounts is less than zero, the Initial Consideration will be equal to the Base Value less 80% of the absolute amount of such NAV; or
- (iii) if the NAV as computed based on the proforma Completion Accounts is zero, the Initial Consideration will be the same as the Base Value.

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Determination of the Adjustment Payment

The Adjustment Payment mentioned will be determined in the following manner:

Within 3 business days from the Disposal Completion Date, the HK Purchaser may request for the proforma Completion Accounts to be audited. If there is any difference between the amount of the Initial Consideration and the consideration determined in the same manner at which the Initial Consideration is arrived at but based on the audited Completion Accounts instead of the pro forma Completion Accounts (the “**Final Consideration**”), then the following payment (the “**Adjustment Payment**”) will become payable within 5 days from the date of receipt of the audited Completion Accounts: (i) (if the Initial Consideration is less than the Final Consideration) an amount equal to such shortfall is required to be paid by the HK Purchaser to the HK Vendor, or (ii) (if the Initial Consideration is more than the Final Consideration), an amount equal to such excess is required to be paid back to the HK Purchaser by the HK Vendor.

If no request is made by the HK Purchaser to perform the audit as mentioned above, the Initial Consideration will be the Final Consideration and no Adjustment Payment will be required to be paid by any party after the Disposal Completion.

The Disposal Consideration was determined after arm’s length negotiations between the HK Purchaser and the HK Vendor with reference to 80% of (i) the NAV of the Disposal Group as at the Disposal Completion Date and (ii) the value of the HK Property as agreed between the HK Purchaser and the HK Vendor of HK\$198,000,000 which was in turn determined based on the preliminary valuation of the HK Property as at 31 March 2022 by Colliers International (Hong Kong) Limited, an independent valuer.

In the valuation report as set out in Appendix II to this circular, the market comparison approach has been adopted by the valuer to appraise the HK Property as there are sufficient reliable house sales transactions recorded in the recent year. Such houses are located in close proximity of the HK Property and the sales transactions are similar in nature, especially the two house sales transactions recorded from the subject development, thus the market comparison approach is considered as the most appropriate valuation approach. The income capitalization approach has not been adopted given that the HK Property is currently vacant and not income-generating, and there is a lack of reliable house rental information available in the market as most of the luxury houses are owner-occupied. The valuer has selected 6 house transactions in the market as comparables. The selection criteria for the comparable HK properties include, among others, (a) location, i.e. the properties should be located in the same area with a close proximity to the HK Property; (b) similar property nature, i.e. luxury house; (c) property size, i.e. the property size should be comparable to that of the HK Property; (d) time, i.e. the transaction should be within a reasonable period from the valuation date, or the property should be currently offered for sale to reflect market trend; and (e) provision of facilities and amenities. Such selection criteria are commonly used in valuation practice. The comparable HK properties are exhaustive and representative samples as they have fulfilled the selection criteria listed above: (a)

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the properties are all located in Shouson Hill area and within 1 kilometre from the HK Property; (b) all of the properties are luxury houses; (c) the properties have a saleable area of approximately 2,500 sq. ft. to 4,900 sq. ft., whilst the HK Property has a saleable area of approximately 2,657 sq. ft.; (d) the properties were transacted between May 2021 and May 2022, which were within approximately 1 year from the valuation date; and (e) the properties provide some ancillary amenities, such as swimming pool, garden and carport area, which are similar to those of the HK Property. The valuer considered a selection period of 1 year from the valuation date for the comparable HK properties as there were sufficient recent market transactions in the HK property market that are deemed to be excellent evidence of the market. The Directors consider that the factors taken into account in determining the selection period of 1 year for the comparable HK properties are fair and reasonable.

The market approach for real estate valuation determines the value of a property by comparing recent transaction prices of similar properties on the valuation benchmark date based on the principle of substitution, and making adjustments by taking into account various factors. The factors which have been taken into account by the valuer when comparing the HK Property and the comparable HK properties include but are not limited to, the time of transaction, house size, provision of ancillary area and facilities and building quality.

The adjustments included (i) market condition (i.e. the time of transaction), where the prices of the respective comparable HK properties on the transaction date were adjusted to the price on the valuation benchmark date; and (ii) property physical condition (i.e. house size, ancillary area and facilities and building quality), where the prices of the respective comparable HK properties under their individual conditions were adjusted to the price under the individual condition of the HK Property, which resulted in a percentage range of aggregate adjustments amongst the comparable HK properties of approximately -21.0% to 24.0%.

In particular, market condition adjustments of all comparable properties were based on the price indices from the Rating and Valuation Department. Since Hong Kong has experienced the fifth wave of the COVID-19 pandemic as at the valuation date, the indices of luxury residential properties have dropped slightly, thus all comparable properties had negative adjustments on time factor. Various factors, including house size, building quality, and availability of facilities, were taken into consideration while making adjustments based on the physical characteristics of the comparable properties. For house size, larger homes typically have better layout and flexibility in how their space is used. Therefore, a downward adjustment would be made to reflect the difference in dwelling size if the size of comparable property is larger than that of the HK Property. Building quality was based on an exterior inspection, and an upward adjustment for physical condition was based on the preference for a new modern home as some comparable properties appeared to be not well maintained or were of a traditional style. For the provision of amenities such as private swimming pool, maid room, garden and carport area, a mild adjustment was allowed per amenity to reflect the difference of amenities with the HK Property.

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The 6 comparable properties range from HK\$56,600 per sq. ft. to HK\$101,500 per sq. ft., and after taking into account the aforementioned adjustments, the valuer had adopted the unit rate of HK\$74,500 per sq. ft. for the valuation of the HK Property.

The valuation has been made on the assumption that the HK Vendor disposes of the HK Property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the HK Property. No allowance has been made for any charges, mortgages or amounts owing on the HK Property or for any expenses or taxations which may be incurred in effecting a sale. The valuer has also made the following assumptions in valuing the HK Property:

- (i) the HK Property is free from and clear of all charges, liens and encumbrances of an onerous nature likely to affect the value;
- (ii) land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the HK Property has been fully paid and settled;
- (iii) proper title has been obtained and the HK Property and the interests valued can be freely transferred, mortgaged and let in the market;
- (iv) the valuer is not aware of any easements or rights of way affecting the HK Property and has assumed that none exist;
- (v) all information, estimates and opinion furnished to the valuer and contained in the valuation report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources; and
- (vi) the HK Property is free from any contamination and environmental problems or hazards.

The Directors consider that the work performed by the valuer, including the valuation method and assumptions adopted in deriving the valuation of the HK Property, is fair and reasonable. Further, having considered the selection criteria and the comparable HK properties selected by the valuer which have suitably similar characteristics to the HK Property, the Board considers that the comparable HK properties constitute fair and representative samples for comparison. Accordingly, the Directors are of the view that the valuation of the HK Property is fair and reasonable.

Conditions precedent to Disposal Completion

The Disposal Completion is subject to and conditional upon the fulfilment or waiver in writing (as the case may be) of the following conditions:

- (a) the HK Vendor having obtained the Bank Consent on or before the Disposal Completion Date and such Bank Consent not having been withdrawn or cancelled on or before the Disposal Completion Date;

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- (b) there being no breach of certain fundamental warranties as at the date of the HK PropCo Agreement or as at Disposal Completion; and
- (c) Acquisition Completion having taken place.

The Disposal Condition mentioned in (b) above may be waived by the HK Purchaser by written notice, while the Disposal Conditions mentioned in (a) and (c) above may not be waived by any party to the HK PropCo Agreement.

The HK PropCo Agreement may be rescinded and the transactions thereunder may be cancelled:

- (a) by the HK Vendor if any of the Disposal Conditions (other than the Disposal Condition mentioned in (b) above or where the non-fulfilment of the Disposal Condition mentioned in (c) above is due to any default on the part of the US Purchaser) has not been fulfilled or waived (as the case may be) on or before the Disposal Completion Date; or
- (b) by the HK Purchaser if any of the Disposal Conditions has not been fulfilled or waived (as the case may be) on or before the Disposal Completion Date (except where the non-fulfilment of the Disposal Condition mentioned in (c) above is due to any default on the part of the US Vendor),

by giving to the HK Purchaser or the HK Vendor (as the case may be) not less than 7 days' prior written notice, whereupon, neither the HK Purchaser nor the HK Vendor shall have any other claims or rights against the other party in respect of such rescission, cancellation and/or for other reliefs, but without prejudice to the accrued rights and obligations of the parties before that rescission, and if the HK PropCo Agreement is rescinded by either the HK Vendor or the HK Purchaser on the ground of the non-fulfilment of the Disposal Condition mentioned in (a) above or by the HK Purchaser either on the ground of non-fulfilment of the Disposal Condition mentioned in (b) above or on the ground of the non-fulfilment of the Disposal Condition mentioned in (c) above due to any default on the part of the US Purchaser, the HK Vendor shall return to the HK Purchaser all part payments paid by the HK Purchaser as soon as reasonably practicable and in any event within 7 days upon demand but without interest costs or compensation.

Disposal Completion

The Disposal Completion shall take place on the date falling on the 60th day after the fulfilment or waiver of the Disposal Conditions or 31 March 2023, whichever is earlier (or on such other date as the HK Vendor and the HK Purchaser may agree in writing).

LETTER FROM THE BOARD

Upon the Disposal Completion, the HK PropCo will be held as to 20% by the HK Vendor (thereby ceasing to be a subsidiary of the Company) and 80% by the HK Purchaser, and the respective rights and obligations of, among others, the HK Vendor and the HK Purchaser in relation to the Proposed Joint Venture will be governed by the Shareholders' Deed.

The Shareholders' Deed

Since after the Disposal Completion the HK PropCo will be owned by the HK Purchaser and the HK Vendor, in order to regulate their respective rights and obligations in respect of the Proposed Joint Venture, pursuant to the HK PropCo Agreement, the HK Purchaser and the HK Vendor shall agree that upon the Disposal Completion, the HK Vendor, the HK Purchaser, the HK PropCo, Mr. Chan and Mrs. Chan will enter into the Shareholders' Deed in relation to the HK PropCo. The principal terms of the Shareholders' Deed are summarised below:

Parties

- (1) the HK Vendor;
- (2) the HK Purchaser;
- (3) Mr. Chan;
- (4) Mrs. Chan; and
- (5) the HK PropCo.

Business

The sole business of the Disposal Group shall be that of an investment holding company which holds the HK Property (whether directly or indirectly) for investment property purposes (the "**Business**").

Board Representation

The board of directors of the HK PropCo will comprise of no more than three directors, of which the HK Vendor will be entitled to appoint up to one director and the HK Purchaser will be entitled to appoint up to two directors. No meeting of the board of the HK PropCo may proceed to business nor transact any business unless a quorum of one director appointed by the HK Vendor and one director appointed by the HK Purchaser are present personally or represented by an alternate at the start of and throughout such meeting.

LETTER FROM THE BOARD

Management of the Disposal Group

The board of the HK PropCo will be responsible for making decisions relating to the business of the HK PropCo and the board of each Subsidiary will be responsible for making decisions relating to the business of that Subsidiary. The board of each Subsidiary will consist of no more than three directors, of which the HK Vendor will be entitled to appoint up to one director and the HK Purchaser will be entitled to appoint up to two directors. All matters to be determined by the board of any Disposal Group Company, other than certain reserved matters, shall be decided by a simple majority vote of the respective directors of the relevant Disposal Group Company present and voting at the relevant board meeting. Reserved matters (which include, among others, any change to the share capital, maximum authorised number of shares or registered capital, the nature or scope of the business, constitutional documents, auditors, or sale of material assets of, or shares in, any Disposal Group Company, approval of any merger or demergers, or voluntary dissolution or winding up of any Disposal Group Company) will require either the written consent of all directors of such Disposal Group Company appointed by the HK Purchaser and the HK Vendor respectively or all directors of such Disposal Group Company present at a board meeting of such Disposal Group Company or the unanimous approval of the HK Purchaser and the HK Vendor.

Financing for the HK PropCo and/or the Subsidiaries

Pursuant to the Shareholders' Deed, the total capital required by the HK PropCo relating to or in furtherance of the Business is currently estimated to be approximately HK\$220,000,000 (inclusive of the Retained Shareholder's Loan, the Sale Loan and the Existing Bank Loan), which consists of (i) the original acquisition cost of the entire issued share capital of, and all the then shareholder's loan to, Subsidiary A of approximately HK\$210,000,000 and (ii) the estimated general working capital required by the Disposal Group in connection with the HK Property of approximately HK\$10,000,000. The aforesaid amount of approximately HK\$10,000,000 was estimated based on a 3-year holding period, an estimated amount of HK\$4,000,000 would be utilised for fitting-out works, furniture and fixtures and design fee of the HK Property for the purpose of upgrading the HK Property with a view to rent it out, approximately HK\$3,384,000 would be utilised for interest payment for the Existing Bank Loan (assuming an interest rate of approximately 1.9% per annum), approximately HK\$5,670,000 would be utilised for repayment of the principal of the Existing Bank Loan and approximately HK\$906,000 would be utilised for other general expenses in respect of the HK Property (e.g. management fees), and approximately HK\$3,960,000 would be received by the Disposal Group as rental income from the HK Property (assuming that it is rented out 1 year later) calculated based on an estimated rental income of HK\$165,000 per month and a 1% yield for 2 years. All further funding needed by the HK PropCo and/or the Subsidiaries (in addition to the Existing Bank Loan, the Retained Shareholder's Loan and the Sale Loan) for the Business shall be satisfied through the following means:

LETTER FROM THE BOARD

- (a) the HK Purchaser and the HK Vendor shall procure the HK PropCo and/or the Subsidiaries to use reasonable endeavours to arrange finance from banks or other financial institutions on such terms as the board of the HK PropCo may determine provided that if guarantees or securities and/or other support is required to be given to the financier(s) for such external finance by the HK Purchaser and the HK Vendor, such guarantees, securities and support should be on a several basis only according to their respective shareholding in the HK PropCo; or
- (b) if external financing mentioned in paragraph (a) above cannot be obtained or the amount which can be obtained is insufficient, the outstanding portion of the required funding shall be satisfied by other methods as the HK Purchaser and the HK Vendor may from time to time unanimously agree; and

except for the New Guarantees, neither the HK Purchaser nor the HK Vendor shall at any time be under any obligation to provide any additional funding or financial support (whether by way of provision of any guarantee or security or otherwise) to any of the Disposal Group Companies.

As at 31 March 2022, the actual capital contribution of the Group to the Disposal Group amounted to approximately HK\$211,552,000, which consists of shareholder's loan in the amount of approximately HK\$148,552,000 and the Existing Bank Loan of HK\$63,000,000. The remaining capital commitment in the amount of approximately HK\$8,448,000 (including the aforementioned shareholder's loan of approximately HK\$2,473,000 which has been injected by the Group to the Disposal Group since 31 March 2022 up to the Latest Practicable Date) contributed/to be contributed has been and will be utilized for professional fees such as legal fees, and interest expenses payable under the Existing Bank Loan, the refurbishment cost of the HK Property and other general working capital of the Disposal Group. The capital commitment of the HK Purchaser and the HK Vendor upon the Disposal Completion shall be 80% and 20% of the total capital commitment respectively.

Distribution

Subject to compliance with all applicable laws and requirements imposed under any loan or security documents relating to any external borrowings (including the Existing Bank Loan), all or any income received by the HK PropCo from the Business shall, after setting aside and making provisions for such sums as may reasonably be determined by the board of the HK PropCo to be necessary towards payment of any costs, charges or expenses of whatsoever nature as may be assessable against the HK PropCo, shall be applied (i) firstly, in repayment of all external loans and interest accrued thereon, all costs and expenses in respect of the Business and all other fees, charges, claims, taxation and other liabilities of whatsoever nature payable by the HK PropCo to any third party; (ii) secondly, in repayment of the interest (if any) to accrue on any shareholders' loans according to the respective shareholding ratios of the HK Purchaser and the HK Vendor in the HK PropCo; (iii) thirdly, in repayment of the shareholders' loans according to the respective shareholding ratios of the HK Purchaser and the HK Vendor in the HK PropCo; and (iv) finally, the remaining balance (if any)

LETTER FROM THE BOARD

be distributed, either by way of dividend or in any other form, including loans, to the HK Purchaser and the HK Vendor according to their respective shareholding ratios in the HK PropCo.

Right of first offer

Neither the HK Purchaser nor the HK Vendor may sell or transfer, its shares in, or shareholder's loan to, the HK PropCo (the "**Selling Shareholder**") to any potential third party buyer (except to the Selling Shareholder's affiliates) unless it has first offered the sale to the other shareholder and that the other shareholder has not elected to purchase or acquire all such shares or shareholder's loan and subject to the tag-along right of the other shareholder (where applicable).

Tag-along right

Where the shares in the HK PropCo to be sold by the Selling Shareholder represent more than 50% of the issued share capital of the HK PropCo, the Selling Shareholder shall procure that the potential third party buyer also makes an offer to purchase all the shares and shareholder's loans of the other shareholder at the same price per share and per dollar of shareholder's loans and on other terms upon which the shares and shareholders' loans are to be disposed of by the Selling Shareholder to the potential third party buyer.

The Company will comply with the relevant applicable requirements under Chapter 14 and/or 14A of the Listing Rules should the tag-along right attached to the Company's retained interest in the HK PropCo be exercised.

INFORMATION ON THE DISPOSAL GROUP AND THE HK PROPERTY

The Disposal Group comprises the HK PropCo, Subsidiary A and Subsidiary B. The HK PropCo is a limited liability company incorporated in the British Virgin Islands and principally engaged in investment holding. The HK PropCo is the legal and beneficial owner of the entire issued share capital of Subsidiary A, which is incorporated in the British Virgin Islands with limited liability. The sole business of Subsidiary A is the holding of the entire issued share capital of Subsidiary B. Subsidiary B is incorporated in Hong Kong with limited liability, the sole business of which is the holding of the HK Property for investment purpose.

The HK Property is located at House 11 of No. 1 Shouson Hill Road East, Hong Kong. The HK Property, which comprises a three-storey house over two car parking spaces on the basement floor, is a residential property with a saleable area of approximately 2,657 sq. ft.. The HK Property is currently vacant and not subject to any lease or tenancy. The HK Property was acquired by the Group on 27 January 2022 when the HK PropCo acquired 100% of the issued shares and shareholder's loan of Subsidiary A. The HK Property is currently, and will after Disposal Completion remain, subject to a mortgage to secure the Existing Bank Loan which was obtained by the HK PropCo to finance part of the consideration for its acquisition of Subsidiary A.

LETTER FROM THE BOARD

Pursuant to the terms and conditions of the Existing Bank Loan, the interest rate is 1.15% over HIBOR payable quarterly in arrears. The final maturity date is 59 months from the date of drawdown (being 27 January 2022). The principal amount of the Existing Bank Loan is to be repaid by 19 equal quarterly instalments commencing 3 months from the date of the drawdown and the remaining outstanding balance on the final maturity date, whereby (i) 1% of the loan amount of HK\$63,000,000 (being HK\$630,000) shall be paid per instalment from the 1st to the 19th instalments, and (ii) 81% of the loan amount of HK\$63,000,000 (being HK\$51,030,000) or the remaining outstanding balance on the final maturity date shall be paid at the 20th instalment (being the final instalment). The HK PropCo may prepay the whole or any part of the amount drawn under the Existing Bank Loan provided that it gives 30 days' prior written notice to the Bank and such prepayment is made on an interest payment date with a minimum of HK\$10,000,000. The Bank will charge a prepayment fee of 1% (for the 1st to 12th month(s) after drawdown) or 0.5% (for the 13th to 24th months after drawdown) of the amount prepaid. Amounts prepaid will be applied in inverse order of maturity and cannot be redrawn thereafter. The HK PropCo has fulfilled its quarterly repayment obligation and as at the Latest Practicable Date, HK\$1,260,000 of the Existing Bank Loan has been repaid. No amount drawn under the Existing Bank Loan has been prepaid.

Financial information of the Disposal Group

The HK PropCo became part of the Group on 11 June 2021, whilst Subsidiary A and Subsidiary B only became part of the Group on 27 January 2022.

The unaudited net loss (before and after tax) of the HK PropCo (on an unconsolidated basis) for the period from 21 May 2021 (being the date of incorporation of the HK PropCo) to 31 March 2022 is as follows:

	For the period from 21 May 2021 to 31 March 2022
	<i>HK\$'000</i> <i>(unaudited)</i>
Net loss (before and after tax)	565

The unaudited consolidated net loss (before and after tax) of the HK PropCo for the period from the date of incorporation of the HK PropCo up to and including 31 March 2022 is HK\$12,650,000.

Based on the unaudited consolidated management accounts of the HK PropCo for the period from 21 May 2021 to 31 March 2022, the unaudited consolidated net liabilities value of the Disposal Group, the Sale Loan and the Retained Shareholder's Loan as at 31 March 2022 was approximately HK\$12,650,000, HK\$118,842,000 and HK\$29,710,000 respectively. No audited accounts of the HK PropCo have been prepared.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED DISPOSAL AND USE OF PROCEEDS

It is currently expected that 45% of the Acquisition Consideration will be funded by the Group's internal resources and 55% of the Acquisition Consideration will be financed by a bank loan to be secured by the US Property. Upon the Acquisition Completion, the Group's properties for sale are expected to increase by the amount of the Acquisition Consideration, the Group's current assets is expected to decrease by the amount of the Acquisition Consideration to be funded by its internal resources, and the Group's liabilities is expected to increase by the amount of the Acquisition Consideration to be financed by the bank loan.

As advised by the management of the Company, the Group's bank borrowings obtained from US banks for other US properties in its ordinary and usual course of business bear interest at 5.0% per annum. The Group therefore expects that the Proposed Acquisition will increase the annual finance costs by approximately US\$399,000 (equivalent to approximately HK\$3,130,000).

Given that the US Property is yet to be marketed and remains as property for sale of the Group, it is expected that the Proposed Acquisition will not have any immediate material impact on the earnings of the Group.

Upon the Disposal Completion, the interests of the Company in the Disposal Group will be reduced to 20% and the Disposal Group will cease to be subsidiaries of the Company and will become associates of the Company. As a result, the results and assets and liabilities of the Disposal Group will be accounted for in the consolidated financial statements of the Group using the equity method of accounting upon the Disposal Completion.

Based on the unaudited consolidated net liabilities of the Disposal Group as at 31 March 2022 (which have reflected the HK Property with carrying value at HK\$198,000,000 as at 31 March 2022, the amounts of the Existing Bank Loan, the Sale Loan and the Retained Shareholder's Loan as at 31 March 2022 of HK\$63,000,000, approximately HK\$118,842,000 and approximately HK\$29,710,000 respectively, and without taking into account (i) the transaction costs and tax impact (if any) upon completion of the Proposed Disposal, and (ii) the fair value change on the HK Property between 31 March 2022 and the Disposal Completion Date, subject to the review by the Company's auditors), the Group currently expects to record no gain or loss as a result of the Proposed Disposal in the Company's consolidated financial statements. Shareholders should note that the actual gain or loss arising from the Proposed Disposal can only be determined when the net gain or loss on the Proposed Disposal, taking into account (i) the final amount of the Disposal Consideration to be ascertained after considering necessary adjustments (if any) to be made as described above and (ii) the relevant transaction costs and tax (if any) in connection with the Proposed Disposal, can be determined after Disposal Completion has taken place.

The net sale proceeds from the Proposed Disposal (after deducting related transaction costs) are estimated to be approximately HK\$106,721,000 (assuming that there is no material difference in the amount of NAV arrived at based on the unaudited consolidated

LETTER FROM THE BOARD

management accounts of the HK PropCo as at 31 March 2022 and the Completion Accounts). After taking into account the amount of cash of approximately HK\$51,221,000 to be paid out of the Group's internal resources for partial settlement of the Acquisition Consideration, the net cash inflow from the Proposed Transaction will amount to approximately HK\$55,500,000, which is intended to be applied as general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREUNDER

Pursuant to the Previous Transaction, the Group decided to dispose of the Previous US Property in 2014 to re-allocate resources to other suitable real estate investment. Such decision was made in view of the necessary permission for the redevelopment of the Previous US Property had not yet been granted by the city of San Marino at that time and the information obtained subsequent to the Group's acquisition of the Previous US Property revealed that more costs and much longer time than originally expected were required for the redevelopment of the Previous US Property. Now, considering that (i) development of the US Property has been completed already and thus the Group will not face any uncertainties or risks (such as costs and time) at the redevelopment stage (which lasted for almost 8 years after completion of the Previous Transaction), (ii) the city code on property redevelopment has been tightened further subsequent to the grant of the redevelopment permission in respect of the US Property resulting in the opportunities to acquire properties for redevelopment and the investment in the US Property becoming rarer in the city of San Marino, and (iii) the Group remains positive on the outlook of the US property market, the Group considers that the Proposed Acquisition is a good opportunity for the Group to expand and strengthen its US property investment portfolio.

The Group contracted to acquire the entire issued share capital and shareholder's loan of Subsidiary A, the sole investment of which is Subsidiary B which in turn holds the HK Property, in July 2021 and completed such acquisition in January 2022 with the view to investing in the luxury property market in Hong Kong. At around the time the Group entered into the agreement in relation to such acquisition (which was one year ago), the outlook of the luxury property market in Hong Kong was more promising and the original acquisition cost of HK\$210,000,000 for the entire issued share capital of, and shareholder's loan to, Subsidiary A reflected the then market condition. The luxury property market in Hong Kong had been negatively impacted by the outbreak of the Omicron variant in the first quarter of 2022, which saw daily cases spike to over 50,000 in mid-March before steadily declining to below 10,000 by the end of March. The luxury property market has been stagnant, transaction volumes have fallen to new lows and prices have been in decline. According to the information from the Rating and Valuation Department, the price index for Hong Kong class E private domestic premises (representing the luxury residential property market) fell by 2.7% quarter-on-quarter and 5% year-on-year in the first quarter of 2022, the lowest since the fourth quarter of 2019; luxury property volumes (i.e. above HK\$50 million) fell sharply to 91 in the first quarter of 2022, representing a 20% quarter-on-quarter reduction from an already quiet fourth quarter of 2021. Ongoing cross-border restrictions have further deterred Mainland and local buyers from purchasing luxury properties and lockdown measures of major Chinese cities have dampened high-net-worth individuals' appetite for luxury properties in Hong Kong. As a result of the fifth wave of the COVID-19 pandemic, it

LETTER FROM THE BOARD

has become apparent to the Group that it is unlikely that the Group will be able to achieve its original goal of realizing such investment for a positive return in the short run. At the same time, the local luxury property market continues to face threats from external events such as the Russian-Ukraine war and the hiking interest rates in Hong Kong. Given the change in the market conditions subsequent to the time at which the Group contracted to acquire the HK Property indirectly back in July last year, the Group considers that the Proposed Disposal presents a suitable opportunity for the Group to realize part of its investment in the HK Property to provide the Group with funds to meet its working capital requirements for other potential property-related investment projects and at the same time to partner with a buyer whom the Group has confidence in with respect to the retained interest in such investment. While the Group is aware that the investment period of the Group's investment in the HK Property may continue to be prolonged as the luxury property market has slowed down since the fifth wave of the COVID-19 pandemic in Hong Kong, the Group also remains positive on the outlook of the luxury property market in Hong Kong in the long run. Therefore, to diversify its investment risks and alleviate cash flow pressure tied with the earlier acquisition of Subsidiary A, the Group has decided to dispose of 80% interest and retain 20% interest in the HK PropCo upon Disposal Completion with the hope of reaping gains from long term capital appreciation in and rental income from the HK Property. With uncertainties continuing to have a negative impact on the price of luxury properties in Hong Kong, the Directors consider it reasonable and beneficial for the Group to divest its interest in the HK Property at this time as this means the Group will have more readily available funds and will put the Group in a better position to explore and capture other suitable property related investment opportunities. At the same time, as the agreed value of the HK Property for the determination of the Disposal Consideration is the same as the preliminary valuation of the HK Property as at 31 March 2022 with no discount, the Directors consider that the Proposed Disposal (including the Disposal Consideration) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further, structuring the Proposed Disposal to be conditional upon the completion of the Proposed Acquisition with the mechanism of the Possible Unwinding Transaction will ensure that there is sufficient cash flow for the parties to fund the transactions as well as mitigate the pressure on the Group's cash flow which might otherwise be brought about by the Proposed Transaction in the event that the Proposed Acquisition takes place but the Disposal Completion fails to take place, thereby allowing the Proposed Transaction as a whole to achieve a complete commercial outcome.

Given the foregoing, the Directors (excluding the members of the Independent Board Committee whose views will be included in the circular after considering the advice of the Independent Financial Adviser) consider that the terms of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE MASTER AGREEMENT, THE US PROPERTY AGREEMENT AND THE HK PROPCO AGREEMENT

The Group operates and invests in real estate development, real estate investment, distribution of building materials and asset, investment and fund management.

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The HK Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The HK Purchaser is ultimately beneficially owned as to 50% by each of Mr. Chan and Mrs. Chan and is principally engaged in investment holding.

The US Vendor is ultimately beneficially owned as to 50% by each of Mr. Chan and Mrs. Chan and is principally engaged in investment holding.

The US Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Mr. Chan, being the Chairman, Chief Executive Officer and an Executive Director of the Company, is the legal and beneficial owner of 50% of the issued shares of each of the US Vendor and the HK Purchaser.

Mrs. Chan is Mr. Chan's wife, and the legal and beneficial owner of 50% of the issued shares of each of the US Vendor and the HK Purchaser.

LISTING RULES IMPLICATIONS

Notifiable Transactions

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Acquisition exceeds 25% but all of them are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 25% but all of them are less than 75%, the Proposed Disposal constitutes a major transaction of the Company.

As one of the applicable percentage ratios (as defined in the Rule 14.07 of the Listing Rules) in respect of the Possible Unwinding Transaction exceeds 25% but all of them are less than 75%, the Possible Unwinding Transaction constitutes a major transaction of the Company.

As the Master Agreement contemplates both acquisition and disposal, pursuant to Rule 14.24 of the Listing Rules, the Proposed Transaction will be classified by reference to the larger of the acquisition and the disposal, and subject to the relevant requirements applicable to such classification. Accordingly, the Proposed Transaction is classified as a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the HK Vendor's maximum capital commitment for the 20% interest in the HK PropCo retained by the Group exceeds 5% but all of them are less than 25%, the Proposed Joint Venture constitutes a discloseable transaction of the Company.

LETTER FROM THE BOARD

Connected Transactions

Each of the US Vendor and the HK Purchaser is ultimately beneficially owned as to 50% by each of Mr. Chan and Mrs. Chan. As Mr. Chan is the Chairman, Chief Executive Officer and an Executive Director of the Company, both the US Vendor and the HK Purchaser are therefore associates of Mr. Chan under the Listing Rules and thus are connected persons of the Company. As such, each of the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

After Disposal Completion, the HK PropCo will become a connected person of the Company and all transactions between members of the Disposal Group and other members of the Group will, as long as it remains as a connected person of the Company, constitute connected transactions under Chapter 14A of the Listing Rules. As the Retained Shareholder's Loan is, and the New Guarantee to be given by the Company will be, provided on normal commercial terms and will be in proportion to the equity interest of the Group in the HK PropCo, they are fully exempt pursuant to Rule 14A.89 of the Listing Rules.

As Mr. Chan is considered to have a material interest in the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction), therefore, he had abstained from voting on the resolution passed at the Board meeting to approve the Master Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established by the Company to make recommendation to the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction). Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM AND PROXY ARRANGEMENT

The EGM will be convened and held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 September 2022 at 4:30 p.m. (or soon thereafter as the 2022 annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place has been concluded or adjourned) for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction). A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders taken at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) if you so wish. In such event, the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Monday, 5 September, 2022 to Thursday, 8 September 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant Share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 September 2022.

In accordance with the Listing Rules, any Shareholder with a material interest in the Master Agreement and the transactions contemplated thereunder will be required to abstain from voting on the resolution(s) to be proposed at the EGM. As at the Latest Practicable Date, Mr. Chan, being the Chairman, Chief Executive Officer and an Executive Director of the Company, was interested in 148,957,211 Shares, representing approximately 39.67% of the total number of issued Shares. Accordingly, Mr. Chan is considered to have a material interest in the Master Agreement and the transactions contemplated thereunder and he and his associates will abstain from voting on the resolution(s) to be proposed at the EGM.

Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Master Agreement and the transactions contemplated thereunder and is therefore required to abstain from voting at the EGM for the relevant resolution(s).

RECOMMENDATION

The Directors (except the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) are of the opinion that although the Master Agreement was not entered into in the ordinary and usual course of business of the Group, the terms of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are fair and reasonable and in the interests of the Company

LETTER FROM THE BOARD

and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Master Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The entering into of the US Property Agreement and the HK PropCo Agreement is subject to the Signing Conditions, while completion of the HK PropCo Agreement is conditional upon the fulfilment of the Disposal Conditions, and the Proposed Transaction may or may not be materialised. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
Rykadan Capital Limited
宏基資本有限公司
Chan William
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



RYKADAN
CAPITAL

RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

19 August 2022

To the Independent Shareholders,

Dear Sir or Madam,

**MASTER AGREEMENT IN RELATION TO
(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED ACQUISITION OF A PROPERTY
AND
(2) MAJOR DISPOSAL AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED DISPOSAL OF 80% OF THE
ISSUED SHARE CAPITAL OF A SUBSIDIARY, AND
DISCLOSEABLE AND CONNECTED TRANSACTION IN
RELATION TO THE PROPOSED JOINT VENTURE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 19 August 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you in relation to the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) and on how to vote on the resolution(s) proposed at the EGM regarding the Master Agreement and the transactions contemplated thereunder, taking into account the recommendations from the Independent Financial Adviser.

Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote on the resolution(s) at the EGM. We wish to draw your attention to the letter from the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Financial Adviser as set out on pages 40 to 83 of the Circular, which contains, inter alia, its advice and recommendation to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice and recommendation.

Having considered the terms of the Master Agreement and the transactions contemplated thereunder and taken into account the advice and recommendation of Innovax, we are of the view that although the Master Agreement was not entered into in the ordinary and usual course of business of the Group, it was entered into on normal commercial terms, and that the terms of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction).

Yours faithfully,
For and on behalf of the
Independent Board Committee

To King Yan, Adam
*(Independent
Non-executive Director)*

Wong Hoi Ki
*(Independent
Non-executive Director)*

Ho Kwok Wah, George
*(Independent
Non-executive Director)*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Innovax Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



19 August 2022

To the Independent Board Committee and the Independent Shareholders,

Dear Sirs,

**MASTER AGREEMENT
IN RELATION TO
1) MAJOR AND CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED ACQUISITION OF A PROPERTY; AND
2) MAJOR AND CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED DISPOSAL OF 80% OF
THE ISSUED SHARE CAPITAL OF A SUBSIDIARY; AND
DISCLOSESABLE AND CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED JOINT VENTURE**

INTRODUCTION

We refer to our engagement as the independent financial adviser (“**IFA**”) to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement entered into by the Group on 17 June 2022 and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in this circular (the “**Circular**”) dated 19 August 2022 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 17 June 2022 (the “**Announcement**”) that on 17 June 2022, the HK Vendor (a wholly-owned subsidiary of the Company), the HK Purchaser (a company jointly owned by Mr. Chan, being the Chairman, Chief Executive Officer and an executive Director of the Company, and his wife, namely Mrs. Chan), the US Purchaser (a wholly-owned subsidiary of the Company), the US Vendor (a company jointly owned by Mr. Chan and Mrs. Chan), Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) entered into the Master Agreement in relation to certain arrangements of the Proposed Acquisition and the Proposed Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Master Agreement, subject to the fulfilment of the Signing Conditions, the US Vendor and the US Purchaser shall enter into the US Property Agreement, pursuant to which the US Vendor shall agree to sell, and the US Purchaser shall agree to purchase, the US Property at the consideration of US\$14.5 million (equivalent to approximately HK\$113.8 million). Upon the Acquisition Completion, the US Property will be 100.0% owned by the Group.

In addition, subject to the fulfilment of the Signing Conditions, the HK Vendor and the HK Purchaser shall enter into the HK PropCo Agreement pursuant to which the HK Vendor shall conditionally agree to sell the Sale Shares and assign the Sale Loan, and the HK Purchaser shall conditionally agree to purchase the Sale Shares and take up the assignment of the Sale Loan, at the Disposal Consideration. Following the Disposal Completion, the HK PropCo will cease to be a subsidiary of the Group and will be owned as to 20.0% by the Group and 80.0% by the HK Purchaser as the Proposed Joint Venture, respectively.

Furthermore, pursuant to the HK PropCo Agreement to be entered into between the HK Vendor and HK Purchaser, the parties shall agree that upon the Disposal Completion, the HK Vendor, the HK Purchaser, the HK PropCo, Mr. Chan and Mrs. Chan will enter into the Shareholders' Deed to govern the respective rights and obligations of the HK Vendor and HK Purchaser as shareholders of the Proposed Joint Venture. Pursuant to the Shareholders' Deed, among others, the total maximum capital commitment is estimated to be HK\$220.0 million.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Acquisition exceeds 25.0% but all of them are less than 100.0%, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 25.0% but all of them are less than 75.0%, the Proposed Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Possible Unwinding Transaction exceeds 25.0% but all of them are less than 75.0%, the Possible Unwinding Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the HK Vendor's maximum capital commitment for the 20.0% interest in the HK PropCo retained by the Group exceeds 5.0% but all of them are less than 25.0%, the capital commitment as stipulated under the Shareholders' Deed constitutes a discloseable transaction of the Company.

Given each of the US Vendor and the HK Purchaser is ultimately beneficially owned as to 50.0% by each of Mr. Chan and Mrs. Chan and Mr. Chan is the Chairman, the Chief Executive Officer and an executive Director of the Company, both the US Vendor and the HK Purchaser are therefore associates of Mr. Chan under the Listing Rules and thus are connected persons of the Company. As such, each of the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction also constitutes a connected transaction of the Company, the entering into of the Master Agreement by the Group is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

After the Disposal Completion, the HK PropCo will become a connected person of the Company and all transactions between members of the Disposal Group and other members of the Group will, constitute connected transactions under Chapter 14A of the Listing Rules. As the Retained Shareholder's Loan and the New Guarantee to be given by the Company will be provided on normal commercial terms and will be in proportion to the equity interest of the Group in the HK PropCo, they are fully exempt pursuant to Rule 14A.89 of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George, has been formed to consider whether the terms of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM. In our capacity as the IFA, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 8 September 2022. Shareholders with a material interest in the Master Agreement and the transactions contemplated thereunder will be required to abstain from voting at the EGM. As at the Latest Practicable Date, Mr. Chan, being the Chairman, Chief Executive Officer and an Executive Director of the Company, was interested in 148,957,211 Shares, representing approximately 39.7% of the total number of issued Shares. Accordingly, Mr. Chan is considered to have a material interest in the Master Agreement and the transactions contemplated thereunder and he and his associates will abstain from voting on the resolution(s) to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the last two years, we have acted as the independent financial adviser to the independent board committee of the Company to provide an independent opinion on the conditional cash offer by Dongxing Securities (Hong Kong) Company Limited on behalf of the Company and the application of whitewash waiver, details of which can be referred to the circular of the Company dated 30 October 2020. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as relevant to the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the Master Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed the documents including but not limited to (i) the Master Agreement; (ii) the Letter from the Board contained in the Circular therein; (iii) the annual report of the Company dated 24 June 2021 (“**Annual Report 2021**”) and the annual results of the Company for the year ended 31 March 2022 published on 28 June 2022 (“**Annual Results 2022**”); (iv) the valuation report (the “**Valuation Report**”) prepared by an independent professional valuer, Colliers International (Hong Kong) Limited (the “**Valuer**”), on the US Property and the HK Property as set out in Appendix II to the circular; and (v) the relevant supporting documents provided by the Company to formulate our opinion and recommendations. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management (“**Management**”) of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the IFA, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Master Agreement and the transactions contemplated thereunder, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Master Agreement and the transactions contemplated thereunder.

I. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE MASTER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

In formulating our opinion and recommendations on the terms of the Master Agreements and the transactions contemplated thereunder, we have taken into the following principal factors and reasons into consideration:

A. Background Information of the Group

The Group is principally engaged in real estate development, real estate investment, distribution of building materials and asset, investment and fund management.

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Financial information of the Group

Set out below is the summary of financial performance of the Group for the three years ended 31 March 2022 as extracted from the Annual Report 2021 and the Annual Results 2022.

	For the year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Revenue	110,677	168,157	86,942
– Sales of completed properties	57,001	138,073	63,703
– Distribution of construction and interior decorative materials	10,616	657	0
– Asset, investment and fund management income	19,746	14,950	17,611
– Property management fee and utility income	8,756	5,741	538
– Rental income	14,558	8,736	5,090
Gross profit	43,219	18,922	11,133
Profit (loss) for the year/period	(84,940)	31,410	(38,985)
Profit (loss) attributable to equity shareholders of the Company	(77,319)	4,500	(34,870)

Year ended 31 March 2020 compared to year ended 31 March 2021

As illustrated in the table above, the consolidated revenue of the Group experienced a significant increase by approximately 51.9% from approximately HK\$110.7 million for the year ended 31 March 2020 to approximately HK\$168.2 million for the year ended 31 March 2021. Such increase was mainly attributable to the increase in revenue from the sales of completed properties by HK\$81.1 million to HK\$138.1 million for the year ended 31 March 2021 due to the exit and monetisation of real estate projects of the Group, including the 265 Naomi Project in US and the Shoreditch Project in the United Kingdom, partially offset by the decrease in revenue generated from the distribution of construction and interior decorative materials, the property management fee and utility income as well as the asset, investment and fund management income during the year.

Despite the increase in the consolidated revenue for the year ended 31 March 2021, the Group recorded a decrease in gross profit from HK\$43.2 million for the year ended 31 March 2020 to HK\$18.9 million for the year ended 31 March 2021 and also a decrease in gross profit margin for the year ended 31 March 2021 to 11.3% (2020: 39.0%). The lower gross profit margin was primarily due to higher proportion of revenue contributed from the Group's sales of

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completed properties segment during the year ended 31 March 2021 and the gross profit margin of the sale of completed properties segment in the year ended 31 March 2021 was lower than the previous year.

The Group recorded a profit of HK\$31.4 million for the year ended 31 March 2021 as compared to a loss of HK\$84.9 million for the year ended 31 March 2020. Such rebound was mainly attributable to (i) an one-off gain of HK\$46.7 million on the disposal of the entire equity interest of an indirect wholly owned subsidiary of the Group, namely Bestlinkage NHK Co., Ltd.; (ii) share of profit of joint venture of HK\$16.4 million; and (iii) net foreign exchange gains from Renminbi and British Pound, notwithstanding the provision for expected credit losses on trade and other receivables made during the year.

Year ended 31 March 2021 compared to year ended 31 March 2022

Based on the Annual Results 2022, the Group's consolidated revenue decreased by 48.3% from HK\$168.2 million for the year ended 31 March 2021 to HK\$86.9 million for the year ended 31 March 2022. The fall in the consolidated revenue was mainly attributable to the decrease in revenue contributed from the sales of completed properties during the year as less property redevelopment projects were monetised as compared to the previous financial year. The gross profit and gross profit margin of the Group were HK\$11.1 million (2021: HK\$18.9 million) and 12.8% (2021: 11.3%) respectively.

The Group recorded a loss of HK\$39.0 million and loss of HK\$34.9 million attributable to equity shareholders of the Company for the year ended 31 March 2022, which was mainly attributable to (i) the absorption of losses of HK\$14.6 million of joint ventures during the year ended 31 March 2022; and (ii) the absence of the one-off gain arising from disposal of an indirect wholly-owned subsidiary of the Group during the year ended 31 March 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of financial position of the Group as at 31 March 2020, 31 March 2021 and 31 March 2022 as extracted from the Annual Report 2021 and the Annual Results 2022.

	As at 31 March		
	2020	2021	2022
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Total assets	1,803,697	1,548,681	1,591,071
– Investment properties	162,240	158,240	362,500
– Interest in associates	205,862	231,630	330,911
– Interest in joint ventures	188,953	269,148	266,072
– Properties for sale	478,610	402,282	399,969
– Bank deposits and cash on hand	242,093	369,788	110,143
Total liabilities	462,919	269,868	359,284
– Bank loans	304,703	240,991	331,592
Net Assets	1,340,778	1,278,813	1,231,787

With reference to the Annual Report 2021, the Group's total assets amounted to HK\$1,548.7 million as at 31 March 2021, in which the properties for sale and bank deposits and cash on hand accounted for HK\$402.3 million and HK\$369.8 million, representing approximately 26.0% and 23.9% of the Group's total assets as at 31 March 2021, respectively. The Group's total assets as at 31 March 2021 decreased by 14.1% as compared to the balance as at 31 March 2020, which was mainly attributable to the repayment of bank loan, dividend paid to non-controlling shareholders and buy back of shares through a conditional cash offer (please refer to the circular of the Company dated 30 October 2020) during the year ended 31 March 2021, partially offset by the sales proceeds received from the disposal of interest in the wholly-owned subsidiary. As a result of the above, the net assets of the Group decreased slightly by 4.6% to HK\$1,278.8 million.

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As set out in the Annual Results 2022, the Group's total assets increased slightly by 2.7% to HK\$1,591.1 million as at 31 March 2022, which was mainly attributable to the acquisition of the HK Property during the year ended 31 March 2022 as the consideration for the acquisition was partially financed by the Group's internal resources and partially satisfied by an external bank loan secured by the HK Property. The net assets of the Group as at 31 March 2022 decreased slightly by 3.7% to HK\$1,231.8 million. The Group's total liabilities increased by approximately 33.1% from approximately HK\$269.9 million as at 31 March 2021 to HK\$359.3 million as at 31 March 2022, mainly due to an increase in bank loan of approximately HK\$90.6 million, from approximately HK\$241.0 million as at 31 March 2021 to approximately HK\$331.6 million as at 31 March 2022 as a result of the aforementioned acquisition.

B. Background of the US Vendor and information of the US Property in relation to the Proposed Acquisition

Background of the US Vendor

The US Vendor is a company incorporated in California, US with limited liability and is principally engaged in investment holding. It is owned as to 50.0% by each of Mr. Chan, being the Chairman, Chief Executive Officer and an executive Director of the Company, and Mrs. Chan.

Information of the US Property

The US Property is a residential estate located at 1470 Virginia Rd, San Marino, CA 91108, US. San Marino is a residential city in Los Angeles County and is one of the wealthiest cities in terms of household income in US. The US Property, which is a 2-storey Spanish style detached custom home, has a gross floor area of approximately 7,877 sq. ft.. As at the Latest Practicable Date, the US Property was vacant and was not subject to any lease, tenancy and mortgage.

As set out in the Letter from the Board, the land on which the US Property is situated together with the building previously erected thereon before it was redeveloped into the US Property (the "**Previous US Property**") was previously wholly-owned by the Group indirectly. The Previous US Property, a building of 3,398 sq. ft. built in 1938, was sold to the sole shareholder of the US Vendor in 2014 at approximately US\$6.2 million (equivalent to approximately HK\$48.5 million), details of which can be referred to the announcement of the Company dated 28 August 2014.

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C. Background Information of the HK Purchaser and information of the Disposal Group and the HK Property the in relation to the Proposed Disposal

Background of the HK Purchaser

The HK Purchaser is a company incorporated under the law of the British Virgin Islands with limited liability and is principally engaged in investment holding. It is owned as to 50.0% by each of Mr. Chan and Mrs. Chan.

Information of the Disposal Group and the HK Property

The Disposal Group comprises the HK PropCo, Subsidiary A and Subsidiary B. The HK PropCo is a limited liability company incorporated on 21 May 2021 in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The HK PropCo is principally engaged in investment holding and is the sole shareholder of Subsidiary A, who in turn is the sole shareholder of Subsidiary B. Subsidiary B is a limited liability company incorporated in Hong Kong and is the sole registered and beneficial owner of the HK Property. Its sole business is the holding of the HK Property for investment purpose.

The HK Property is a residential property located at No.1 Shouson Hill Road East, Hong Kong. It comprises a three-storey house over two car parking spaces on the basement floor with a saleable area of approximately 2,657 sq. ft, excluding garden/terrace/yard of approximately 391 sq. ft and top roof of approximately 629 sq.ft.. The completion of the original acquisition of the entire issued share capital of Subsidiary A (being the sole shareholder of Subsidiary B, which in turns hold the HK Property) and the shareholder's loan was taken place by the Group in January 2022 at a consideration of HK\$210.0 million. As at the Latest Practicable Date, the HK Property was vacant and was not subject to any lease or tenancy.

Set out below is the summary of the key consolidated financial information of the Disposal Group for the period from 21 May 2021 (being the date of incorporation of the HK PropCo) to 31 March 2022 as extracted from the unaudited management accounts of the Disposal Group:

	For the period from 21 May 2021 to 31 March 2022 HK\$'000 (unaudited)
Revenue	0
Gross profit	0
Loss for the period	(12,650)
Loss attributable to equity shareholders of the Company	(12,650)

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During the period from 21 May 2021 to 31 March 2022, given the HK Property was vacant, there were no revenue and gross profit for the Disposal Group. The Disposal Group recorded a loss of HK\$12.7 million for the period ended 31 March 2022, which was primarily attributable to the fair value loss of HK\$12.0 million on investment properties arising from the HK Property during the period.

	As at 31 March 2022 <i>HK\$'000</i> (unaudited)
Total assets	199,066
– Investment properties	198,000
– Bank balances and cash	710
– Receivables, prepayments and deposits	356
Total liabilities	211,716
– Amount due to group companies	148,552
– Bank loan	63,000
– Accruals	164
Net liabilities	(12,650)

As at 31 March 2022, the Disposal Group had total assets of HK\$199.1 million, of which HK\$198.0 million was the HK Property which has been accounted for as investment properties, representing approximately 99.5% of the total assets of the Disposal Group.

The liabilities of the Disposal Group as at 31 March 2022 mainly consist of (i) the shareholder's loan of HK\$148.6 million, being the Sale Loan and the Retained Shareholder's Loan; and (ii) the bank loans of HK\$63.0 million granted to the HK PropCo secured by the HK Property held by Subsidiary B, being the Existing Bank Loan.

As a result, the net liabilities of the Disposal Group amounted to HK\$12.7 million as at 31 March 2022. The gearing ratio of the Disposal Group, as expressed as total liabilities over total assets, was approximately 1.06 as at 31 March 2022.

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D. Principal terms of the Master Agreement

On 17 June 2022, the HK Vendor, the HK Purchaser, the US Purchaser, the US Vendor, Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) entered into the Master Agreement in relation to certain arrangements regarding the Proposed Acquisition and the Proposed Disposal.

Pursuant to the Master Agreement, subject to the Signing Conditions which include (a) the fulfilment of the Independent Shareholders' Approval; and (b) the Bank Consent in respect of the HK PropCo Agreement and the transactions contemplated thereunder having been obtained and not having been withdrawn or cancelled:

- (i) the US Purchaser and the US Vendor shall enter into the US Property Agreement pursuant to which the US Vendor shall sell, and the US Purchaser shall purchase, the US Property (please refer to the section headed "*E. Principal terms of the US Property Agreement in relation to the Proposed Acquisition*" below); and
- (ii) the HK Purchaser and the HK Vendor shall enter into the HK PropCo Agreement pursuant to which the HK Vendor shall conditionally agree to sell the Sale Shares and assign the Sale Loan, and the HK Purchaser shall conditionally agree to purchase the Sale Shares and take up the assignment of the Sale Loan, free from all encumbrances (please referred to the section headed "*F. Principal terms of the HK PropCo Agreement in relation to the Proposed Disposal*" below).

The US Property Agreement and the HK PropCo Agreement shall be entered into simultaneously and in any event by no later than 15 business days after the date of fulfilment of the Signing Conditions or such other date as the parties to the Master Agreement may agree in writing. In addition, the HK Vendor and the US Purchaser shall not be obliged to enter into the HK PropCo Agreement or the US Property Agreement (as the case may be) unless the HK Purchaser and the US Vendor enter into the HK PropCo Agreement and the US Property Agreement respectively simultaneously, and vice versa.

The Possible Unwinding Transaction

Pursuant to the Master Agreement, in the event that the Acquisition Completion has taken place but the Disposal Completion fails to take place by the Disposal Completion Date for whatever reason, the Proposed Acquisition shall be unwound as soon as practicable. For that purpose, Mr. Chan and Mrs. Chan shall either procure the US Vendor and/or another company nominated by them to act as purchaser, or Mr. Chan and Mrs. Chan jointly as purchasers or either of them alone as purchaser, to buy back the US Property from the US Purchaser at a cash consideration equal to the Acquisition Consideration.

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If the Disposal Completion fails to take place by the Disposal Completion Date due to the default of or reasons attributable to the HK Purchaser, the HK Purchaser will be liable for all costs and expenses incurred by the US Purchaser and/or the HK Vendor and/or the Company arisen out of or arising out of or in connection with the Master Agreement, the Proposed Acquisition, the Proposed Disposal and the Possible Unwinding Transaction (as the case may be), and shall indemnify the US Purchaser, the HK Vendor and/or the Company against all losses incurred or suffered by them as a result thereof.

If the Disposal Completion fails to take place by the Disposal Completion Date due to the default of or reasons attributable to the HK Vendor, the HK Vendor will be liable for all costs and expenses (including all legal expenses) incurred by the US Vendor and/or the HK Purchaser arisen out of or arising out of or in connection with the Proposed Acquisition, the Proposed Disposal and the Possible Unwinding Transaction (as the case may be), and shall indemnify the US Vendor and the HK Purchaser against all losses incurred or suffered by them as a result thereof.

Based on our discussion with the Management, we understand that the Possible Unwinding Transaction is similar to an inter-conditional arrangement between the Proposed Acquisition and the Proposed Disposal. It is a commercial decision agreed between the parties to the Master Agreement to ensure that there is sufficient cash flow for the parties to fund the Proposed Acquisition and the Proposed Disposal and to migrate the potential pressure on the Group's cash flow which might otherwise be brought to the Group if the Acquisition Completion takes place but the Disposal Completion fails to take place.

Taking into consideration that (1) the US Vendor shall buy back the US Property at the same consideration of the Acquisition Consideration if the Proposed Acquisition has completed but the Proposed Disposal fails to complete; (2) the party who defaults or leads to the failure of the Disposal Completion shall be liable to all cost and expenses incurred by the counterparties of the Master Agreement; and (3) the Possible Unwinding Transaction can migrate the potential pressure on the Group's cash flow, we are of the view that the Possible Unwinding Transaction is commercially justifiable and agree with the Directors that the terms of the Possible Unwinding Transaction are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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E. Principal terms of the US Property Agreement in relation to the Proposed Acquisition

Pursuant to the Master Agreement, subject to the Signing Conditions, the US Purchaser and the US Vendor shall enter into the US Property Agreement in respect of the Proposed Acquisition. The principal terms of the US Property Agreement are as follow:

- Date: the US Property Agreement will be entered into simultaneously with the HK PropCo Agreement by no later than 15 business days after the date of fulfilment of the Signing Conditions.
- Parties:
- (1) Rykadan Carlyle South LLC, being the US Purchaser and an indirect wholly-owned subsidiary of the Company;
 - (2) Century Winner Inc., being the US Vendor and a company owned as to 50% by each of Mr. Chan and Mrs. Chan; and

Assets to be acquired

The US Vendor shall agree to sell, and the US Purchaser shall agree to purchase, the US Property at the Acquisition Consideration. The US Property is a residential estate located at 1470 Virginia Rd, San Marino, CA 91108, US. The US Property, which is a 2-storey Spanish style detached custom home, has a gross floor area of approximately 7,877 sq. ft.. As at the Latest Practicable Date, the US Property was vacant and was not subject to any lease, tenancy and mortgage charge.

Pursuant to the US Property Agreement, the US Property is to be sold on an “as-is” basis and upon the Acquisition Completion, the US Vendor shall deliver vacant possession of the US Property to the US Purchaser.

Removal of contingencies

The US Property Agreement is contingent upon, among other things,

- (i) the US Purchaser obtaining the external bank loan to finance part of the Acquisition Consideration;
- (ii) a written appraisal of the US Property by a licensed or certified appraiser at no less than the Acquisition Consideration;
- (iii) the US Purchaser’s acceptance of the condition of, and any other matter affecting the US Property;

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- (iv) the US Purchaser's ability to obtain an applicable title policy and on the US Purchaser's review of a current title report and satisfying the US Purchaser regarding the current status title; and
- (v) the US Purchaser's review of the relevant reports, disclosures and other relevant information required to be provided by the US Vendor.

Within the specified timeframes under the US Property Agreement, being 17 days after the signing of the US Property Agreement, or 5 days after the receipt of the relevant documents (where applicable and whichever is later), the US Purchaser should either remove the applicable contingencies in accordance with the terms of the US Property Agreement or cancel the US Property Agreement. The US Purchaser has no obligation to remove a contractual contingency unless the US Vendor has provided all required documents, reports, disclosures and information pertaining to that contingency.

The US Purchaser's cancellation rights

If by the time specified in the US Property Agreement, (i) the US Vendor does not deliver to the US Purchaser a notice either removing the applicable contingency or cancelling the US Property Agreement, or has not delivered any stipulated documents or performed any contractual obligations imposed on it under the US Property Agreement; or (ii) the US Purchaser does not remove all the contingencies, then the US Purchaser may, after first delivering to the US Vendor a notice to seller to perform in the prescribed form, cancel the US Property Agreement. In such event, the US Vendor shall authorize the return of the initial deposit of the Acquisition Consideration (the "**Initial US Deposit**") and all part payments to the US Purchaser, except for fees and costs to be borne by the US Purchaser under the US Property Agreement.

The US Vendor's cancellation rights

If by the time specified in the US Property Agreement, the US Purchaser does not deliver to the US Vendor a removal of the applicable contingency or cancellation of the US Property Agreement, or does not take the relevant actions required to be taken by it under the US Property Agreement, then the US Vendor may, after first delivering to the US Purchaser a notice to buyer to perform in the prescribed form, cancel the US Property Agreement. In such event, the US Vendor shall authorize the return of the Initial US Deposit and all part payments to the US Purchaser, except for fees and costs to be borne by the US Purchaser under the US Property Agreement.

Acquisition Completion

Acquisition Completion shall take place within 30 days after the signing of the US Property Agreement. Upon Acquisition Completion, the US Purchaser will be the sole owner of the US Property.

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While the Master Agreement provides the overall timeframe of the transactions contemplated thereunder, it is the intention of the US Purchaser and the US Vendor that Acquisition Completion shall take place within 30 days after the signing of the US Property Agreement pursuant to the US Property Agreement. However, in the event that Acquisition Completion is unable to take place within 30 days, it has been agreed under the Master Agreement that the US Purchaser and the US Vendor will have up to 60 days (or such other date as the US Purchaser and the US Vendor may agree in writing) for the Acquisition Completion.

The Acquisition Consideration and payment terms

The Acquisition Consideration is US\$14.5 million (equivalent to approximately HK\$113.8 million), which shall be payable in cash in the following manner:

- (i) an initial deposit of US\$435,000 (equivalent to approximately HK\$3.4 million) being the Initial US Deposit, representing 3.0% of the Acquisition Consideration, shall be paid by the US Purchaser to the escrow holder within 3 days of the signing of the US Property Agreement;
- (ii) the sum of US\$7,975,000 (equivalent to approximately HK\$62.6 million), representing 55.0% of the Acquisition Consideration, shall be paid to the escrow holder within 17 days of the signing of the US Property Agreement by the US Purchaser drawing on the bank loan to be obtained by it to finance part of the Acquisition Consideration; and
- (iii) the sum of US\$6,090,000 (equivalent to approximately HK\$47.8 million), being the remaining balance of the Acquisition Consideration, shall be paid by the US Purchaser to the escrow holder before the completion of the Proposed Acquisition.

The Acquisition Consideration will be held by the escrow holder pending the Acquisition Completion, and, subject to the Acquisition Completion having taken place, will be released to the US Vendor in accordance with the US Property Agreement. If the US Purchaser fails to complete the Proposed Acquisition by reason of its default, the US Vendor shall retain the Initial US Deposit as liquidated damages. Save for the retention of the Initial US Deposit by the US Vendor, all part payments shall be returned by the escrow holder to the US Purchaser within 10 business days from the date on which the US Purchaser fails to complete the Proposed Acquisition by reason of its default.

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(a) Basis of determination of the Acquisition Consideration by the Board

As set out in the Letter from the Board, the Acquisition Consideration was determined after arm's length negotiations between the US Purchaser and the US Vendor with reference to the valuation of the US Property of US\$14.5 million as at 30 March 2022 as appraised by an independent professional valuer engaged by the bank from which the Group has applied for the bank loan to finance part of the Acquisition Consideration. The Company appointed an independent professional valuer, Colliers International (Hong Kong) Limited, namely the Valuer, to assess the fair value of the US Property, details of the Valuation Report can be referred to "APPENDIX II – VALUATION REPORT OF THE HK PROPERTY AND THE US PROPERTY".

The Company intends that out of the Acquisition Consideration, US\$6,525,000 (equivalent to approximately HK\$51.2 million) will be funded by its internal resources and the remaining US\$7,975,000 (equivalent to approximately HK\$62.6 million) will be financed by an external bank loan to be secured by the US Property.

(b) Our due diligence on the Valuer

We have interviewed the Valuer and conducted an enquiry into their experiences and qualification. According to our interview and the information provided by the Valuer, we noted that the project team leader of the Valuer, namely Mr. Jason Fung, is (i) a general practice surveyor; (ii) a fellow member of the Royal Institution of Chartered Surveyors; and (iii) a fellow member of The Hong Kong Institute of Surveyors, with over 14 years of experience in property valuation in Hong Kong and various locations. In addition, the Valuer also has an extensive experience on the valuation of properties in US.

We also confirmed with the Valuer that it is not the Company's subsidiary or holding company or a subsidiary of the Company's holding company or any of its partners, directors or officers, is not an officer or servant or proposed director of the Company or the Company's subsidiary or holding company or of a subsidiary of the Company's holding company or any associated company. The Valuer also confirmed that they are independent to the Group, the US Vendor, the HK Purchaser, Mr. Chan and Mrs. Chan.

For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for preparing the Valuation Report. From the mandate letters and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Valuation Report.

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With respect to the steps and due diligence measures taken by the Valuer in performing the valuation, we note that the Valuer mainly carried out its due diligence through, among other, (i) on-site inspection on the HK Property conducted by the Valuer; (ii) on-site inspection on the US Property conducted by Myers Appraisal Service, an independent Certified Residential Real Estate Appraiser in US, engaged by the Group for the inspection purpose; (iii) internal background check; and (iv) conducted its own research on the key parameters adopted in the valuations. We noted the scope of work performed by the Valuer is consistent with the market practice and appropriate to give the opinion. Based on our review, we are not aware of any limitations on the scope of work which might have a negative impact on the degree of assurance given by the Valuation Report.

Based on the above due diligence conducted on the Valuer, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuations.

(c) Our analysis on the basis of determination of the Acquisition Consideration

In order to assess the fairness and reasonableness of the Acquisition Consideration, we have reviewed the Valuation Report prepared by the Valuer. With reference to the Valuation Report, the Valuer is of the opinion that the estimated value of the US Property as at the valuation date (i.e. 31 May 2022) would be US\$14.5 million (equivalent to approximately HK\$113.8 million). In performing the valuation, the key assumptions adopted by the Valuer include: (i) the US Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value; (ii) land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the US Property have been fully paid and settled; (iii) proper titles have been obtained, and the US Property and the interests valued therein can be freely transferred, mortgaged and let in the market; (iv) no easements or rights of way affecting the US Property and have assumed that none exist; (v) all information, estimates and opinions furnished to the Valuer and contained in the Valuation Report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources; and (vi) the US Property are free from any contamination and environmental problems or hazards.

We noted from the Valuation Report that the Valuer has provided the valuation on the basis of market value, which meant the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Valuer adopted the market approach for the valuation of the US Property by comparing prices realized in actual transactions and/or asking price of comparable properties located in their surrounding area. According to our interview conducted with the Valuer, we understand that (i) in an open market where reliable, verifiable and relevant market information of property of a similar

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nature is available; and (ii) in luxury properties market, the market approach adopted by the Valuer in the Valuation Report is the preferred valuation approach and is a commonly adopted approach for property valuation.

We have obtained the information of the comparable properties for the valuation of the US Property from the Valuer and conducted interview with the Valuer. The Valuer conducted thorough market research of available comparable for the valuation of the US Property and selected 10 comparable properties (the “**US Comparable Properties**”), in which 8 of the US Comparable Properties were actual property transactions and 2 of the US Comparable Properties were properties currently offered for sale. We noted that the selection criteria of US Comparable Properties had taken into account, among others, (i) location, which should be located at the same area with a close proximity to the US Property; (ii) similar in property nature (i.e. luxury house); (iii) property size, which should have property size comparable to the US Property as the US Property has a gross living area of approximately 7,877 sq. ft.; and (iv) time, which should be transacted within a reasonable period from the valuation date, or currently offered for sale, which can reflect market trend. Given the market activity of the US property market was not as active as the HK property market and houses in San Marino were mainly owner-occupied and not for investment purpose, there were relatively less comparable available in the US property market than the HK property market. Therefore, the Valuer has adopted a selection period of approximately 4 years from the valuation date as a selection criteria to ensure there were sufficient comparable properties that fell within the target characteristics. Among the 8 actual property transactions of the US Comparable Properties, 6 of them were transacted in 2021, while 1 was transacted in each of 2018 and 2019. The 2 US Comparable Properties which were transacted in 2018 and 2019 were situated on the same street and in the same estate area as the US Property, which best met the selection criteria for location. Given location is an important aspect in establishing the price or value of a property and there were few comparable properties in the same street or estate area as the US Property, the Valuer had chosen those 2 transactions to guarantee the representativeness of the US Comparable Properties. We understand from the Valuer that these selection criteria were commonly used in the valuation practice. In light of the above, as the Valuer have included time of transaction as one of the adjustments in the valuation of the US Property to reflect the macroeconomic changes between the transaction date of the respective US Comparable Properties and the valuation date, we are of the view that the selection criteria of the US Comparable Properties, including the selection period, are fair and reasonable for the valuation of the US Property.

We have conducted independent research on the information of the US Comparable Properties and noted that the US Comparable Properties are (i) all located in San Marino/ Pasadena and within 2 miles from the US Property; (ii) all luxury house in property nature; (iii) having gross living area of approximately 6,000 sq. ft to 12,700 sq. ft.; and (iv) transacted between May 2018 to April 2022, which were within approximately 4 years from the valuation date, or

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currently offered for sale. As the information of the US Comparable Properties have fulfilled the selection criteria, we are of the view that the US Comparable Properties are exhaustive and representative for the valuation of the US Property.

Based on our interview with the Valuer, we also noted the Valuer has taken into account several factors when comparing the US Property and the US Comparable Properties, including but not limited to, time of transaction, house size, provision of ancillary area and facilities, building quality and actual transactions or currently offered for sale. The US Comparable Properties ranged from approximately US\$1,118 per sq. ft. to US\$1,979 per sq. ft. As the market approach determines the value of a property by comparing recent transaction prices of similar property on the valuation benchmark date based on the principle of substitution, we noted that appropriate adjustments have been made by the Valuer on the above factors to reflect the difference between the US Property and the respective US Comparable Properties. The adjustments included but not limited to (i) market condition (i.e. time of transaction), where the prices of the respective US Comparable Properties on the transaction date were adjusted to the price on the valuation benchmark date; and (ii) property physical condition (i.e. house size, ancillary area and facilities and building quality), where the prices of the US Comparable Properties under their individual conditions were adjusted to be the price under the individual condition of the US Property.

In particular, the market condition adjustments were based on news reports that claimed there had been market increases throughout Southern California as well as what the Valuer had observed and measured using market data at the time of the sales for the entirety of Los Angeles County and then specifically the subject market area. Upward adjustments were made on the US Comparable Properties to reflect the rising trend of the US property market. Property physical conditions, including lot size, house size, building quality and availability of facilities, were taken into consideration in the valuation of the US Property by making adjustments based on the physical characteristics of the US Comparable Properties. We understand from the Valuer that lot size of a house is essential to accommodating additional features and amenities (i.e. pool/spa, garden, tennis court) and having better privacy. As such, negative adjustments were allowed to those US Comparable Properties with bigger lot sizes because those homes are thought to be superior to the US Property. In addition, larger homes typically have better layout and flexibility in how their space is used. Therefore, a downward adjustment would be made to reflect the difference in dwelling size if the house size of the respective US Comparable Properties is larger than that of the US Property. Furthermore, building quality was based on an exterior inspection, and overall quality was adjusted based on the overall quality of the US Property and the respective US Comparable Properties. This adjustment appears excessive but a modest premium is often found in high end homes. For the provision of amenities such as pool/spa, wine area, elevator and guest quarters, adjustments were allowed per amenity to reflect the difference of amenities with the US Property. These adjustments resulted in a percentage range of aggregate adjustments amongst the US Comparable Properties of approximately -46.5% to 61.0%. After taking into account of the aforementioned adjustments and with no weighting on those US

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Comparable Properties that were currently offered for sale, the Valuer had adopted an unit rate of approximately US\$1,841 per sq. ft. for the valuation of the US Property. Given the gross living area of the US Property is approximately 7,877 sq. ft., the valuation of the US Property is estimated to be approximately US\$14.5 million as at 31 May 2022 as set out in the Valuation Report.

Based on the interview with the Valuer, we understand that the aforementioned valuation adjustments were commonly used in the valuation practice. As relevant and appropriate adjustments have been made by the Valuer to reflect the difference between the respective US Comparable Properties and the US Property, we considered such adjustments to be fair and reasonable for the valuation of the US Property.

Given the market approach in the Valuation Report is commonly adopted and well recognised methodology for valuing properties, and the major assumptions made in relation to the market approach are reasonable, we agree with the Valuer that the market approach was appropriate for the valuation of the US Property and we concurred with the Valuer that the selection of US Comparable Properties used in the valuation of the US Property and the basis of the adjustments made are fair and reasonable.

We note that the Valuer did not carry out physical site inspection on the US Property owing to the anti-pandemic international travel and quarantine measures and policies imposed by the governments. Nevertheless, alternative procedures have been adopted for the inspection purposes of the valuation of the US Property as mentioned in the paragraph headed “(b) *Our due diligence on the Valuer*” above and as disclosed in the Valuation Report. We have discussed with the Valuer on such approach and the Valuer is of the view that the alternative procedures do not have any material impact on the valuation of the US Property.

Taken into account of the above, we are of the view that the methodology, together with the underlying bases, and assumptions for the valuation of the US Property are fair and reasonable and that the Valuation Report is an appropriate reference for determining the valuation of the US Property.

Given the Acquisition Consideration is same as the fair value of the US Property of US\$14.5 million (equivalent to approximately HK\$113.8 million) as at 31 May 2022 as stated in the Valuation Report with no premium, we consider the Acquisition Consideration is on normal commercial terms, is fair and reasonable so far as the Company and Independent Shareholders as a whole are concerned.

Having considered the above and the reasons of the Proposed Acquisition as mentioned in the section headed “*H. Reasons and Benefits of entering into the Master Agreement and the transactions contemplated thereunder*”, we are of the view that the terms of the Proposed Acquisition are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

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F. Principal terms of the HK PropCo Agreement in relation to the Proposed Disposal

Pursuant to the Master Agreement, subject to the Signing Conditions, the HK Vendor and the HK Purchaser shall enter into the HK PropCo Agreement in respect of the Proposed Disposal. The principal terms of the HK PropCo Agreement are as follow:

- Date: the HK PropCo Agreement will be entered into simultaneously with the US Property Agreement by no later than 15 business days after the date of fulfilment of the Signing Conditions.
- Parties:
- (1) Harbour Best Investments Limited, being the HK Purchaser and a company owned as to 50% by each of Mr. Chan and Mrs. Chan; and
 - (2) Worth Celestial Limited, being the HK Vendor and a direct wholly-owned subsidiary of the Company

Assets to be disposed of

Pursuant to the HK PropCo Agreement, the HK Vendor shall conditionally agree to sell and the HK Purchaser shall conditionally agree to purchase and take up the assignment of:

- (i) the Sale Shares, representing 80.0% of the entire issued share capital of the HK PropCo as at the Latest Practicable Date; and
- (ii) the Sale Loan, being 80.0% of all the shareholder's loans owing by the HK PropCo to the HK Vendor at the Disposal Completion.

free from all encumbrances at the Disposal Consideration.

By disposing the Sale Shares, the HK Vendor is disposing 80.0% of the Group's interest in the Disposal Group (including the HK Property) of which the HK PropCo is the holding company. Details of the information of the HK PropCo, the Disposal Group and the HK Property can be referred to the section headed "C. Background Information of the HK Purchaser and information of the Disposal Group and the HK Property and the in relation to the Proposed Disposal – Information of the Disposal Group and the HK Property" above.

In addition, as at 31 March 2022, the amount due by the Disposal Group to the Group, amounted to approximately HK\$148.6 million.

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Conditions precedent to Disposal Completion

The Disposal Completion is subject to and conditional upon the fulfilment or waiver in writing (as the case may be) of the following conditions:

- (i) the HK Vendor having obtained the Bank Consent on or before the Disposal Completion Date and such Bank Consent not having been withdrawn or cancelled on or before the Disposal Completion Date;
- (ii) there being no breach of certain fundamental warranties as at the date of the HK PropCo Agreement or as at Disposal Completion; and
- (iii) the Acquisition Completion having taken place.

The Disposal Condition mentioned in (ii) above may be waived by the HK Purchaser by written notice, while the Disposal Conditions mentioned in (i) and (iii) above may not be waived by any party to the HK PropCo Agreement.

The HK PropCo Agreement may be rescinded and the transactions thereunder may be cancelled:

- (a) by the HK Vendor if any of the Disposal Conditions (other than the Disposal Condition mentioned in (ii) above or where the non-fulfilment of the Disposal Condition mentioned in (iii) above is due to any default on the part of the US Purchaser) has not been fulfilled or waived (as the case may be) on or before the Disposal Completion Date; or
- (b) by the HK Purchaser if any of the Disposal Conditions has not been fulfilled or waived (as the case may be) on or before the Disposal Completion Date (except where the non-fulfilment of the Disposal Condition mentioned in (iii) above is due to any default on the part of the US Vendor),

by giving to the HK Purchaser or the HK Vendor (as the case may be) not less than 7 days' prior written notice, whereupon, neither the HK Purchaser nor the HK Vendor shall have any other claims or rights against the other party in respect of such rescission, cancellation and/or for other reliefs, but without prejudice to the accrued rights and obligations of the parties before that rescission, and if the HK PropCo Agreement is rescinded by either the HK Vendor or the HK Purchaser on the ground of the non-fulfilment of the disposal condition mentioned in (i) above or by the HK Purchaser either on the ground of non-fulfilment of the Disposal Condition mentioned in (ii) above or on the ground of the non-fulfilment of the Disposal Condition mentioned in (iii) above due to any default on the part of the US Purchaser, the HK Vendor shall return to the HK Purchaser all part payments paid by the HK Purchaser as soon as reasonably practicable and in any event within 7 days upon demand but without interest costs or compensation.

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The Disposal Completion

The Disposal Completion shall take place on the date falling on the 60th day after the fulfilment or waiver of the Disposal Conditions or 31 March 2023, whichever is earlier (or on such other date as the HK Vendor and the HK Purchaser may agree in writing).

Upon the Disposal Completion, the HK PropCo will be held as to 20.0% by the HK Vendor (thereby ceasing to be a subsidiary of the Company) and 80.0% by the HK Purchaser, and the respective rights and obligations of, among others, the HK Vendor and the HK Purchaser in relation to the Proposed Joint Venture will be governed by the Shareholders' Deed, details of which can be referred to the section headed "*G. Principal terms of the Shareholders' Deed*" below.

The Disposal Consideration and payment terms

Pursuant to the HK PropCo Agreement, the Disposal Consideration for the Sale Shares and the Sale Loan shall be the Base Value (being 80% of the agreed valuation of the HK Property of HK\$198.0 million) and as adjusted by the manner described under (a) the below paragraph headed "*Determination of the Initial Consideration*" based on the unaudited consolidated statement of financial position of the HK PropCo as at the Disposal Completion Date (the "**Completion Accounts**"); and (b) the below paragraph headed "*Determination of the Adjustment Payment*".

The Disposal Consideration shall be payable in the following manner:

- (i) an initial payment in the sum of HK\$5,436,000 (the "**Initial Instalment**"), representing approximately 5.0% of the Base Value and as adjusted in the manner described under the below paragraph headed "*Determination of the Initial Consideration*" but based on the unaudited consolidated management accounts of the HK PropCo as at 31 March 2022), shall be paid in cash by the HK Purchaser to the HK Vendor within 7 days of the signing of the HK PropCo Agreement as part payment of the Disposal Consideration;
- (ii) a further payment in the sum of HK\$48,925,000 (the "**Further Instalment**"), representing approximately 45.0% of the Base Value and as adjusted in the same manner at which the Initial Instalment is arrived at, shall be paid in cash by the HK Purchaser to the HK Vendor within 30 days of the signing of the HK PropCo Agreement (or such other date as the HK Purchaser and the HK Vendor may agree in writing) as further part payment of the Disposal Consideration;

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- (iii) an amount equivalent to the Base Value (as adjusted based on the proforma Completion Accounts delivered by the HK Vendor to the HK Purchaser prior to the Disposal Completion Date) (the “**Initial Consideration**”) less the Initial Instalment and the Further Instalment, shall be paid in cash by the HK Purchaser to the HK Vendor at the Disposal Completion; and
- (iv) (where applicable) an amount equivalent to the Adjustment Payment (see the paragraph headed “*Determination of the Adjustment Payment*” below) shall be paid in cash by the HK Purchaser to the HK Vendor or by the HK Vendor to the HK Purchaser (as the case may be) after the Disposal Completion Date in accordance with the terms of the HK PropCo Agreement.

Determination of the Initial Consideration

The Initial Consideration shall be determined in the following manner:

- (i) if the total consolidated current tangible assets (excluding the HK Property) less the total consolidated liabilities (including without limitation the Existing Bank Loan but excluding the Retained Shareholder’s Loan and the Sale Loan) (the “NAV”) of the HK PropCo as computed based on the proforma Completion Accounts is more than zero, the Initial Consideration will be equal to the Base Value plus 80% of such amount of the NAV;
- (ii) if the NAV as computed based on the proforma Completion Accounts is less than zero, the Initial Consideration will be equal to the Base Value less 80% of the absolute amount of such NAV; or
- (iii) if the NAV as computed based on the proforma Completion Accounts is zero, the Initial Consideration will be the same as the Base Value.

Determination of the Adjustment Payment

Within 3 business days from the Disposal Completion Date, the HK Purchaser may request for the proforma Completion Accounts to be audited. If there is any difference between the amount of the Initial Consideration and the consideration determined in the same manner at which the Initial Consideration is arrived at but based on the audited Completion Accounts instead of the pro forma Completion Accounts (the “**Final Consideration**”), then the following payment (the “**Adjustment Payment**”) will become payable within 5 days from the date of receipt of the audited Completion Accounts:

- (i) (if the Initial Consideration is less than the Final Consideration) an amount equal to such shortfall is required to be paid by the HK Purchaser to the HK Vendor; or

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- (ii) (if the Initial Consideration is more than the Final Consideration), an amount equal to such excess is required to be paid back to the HK Purchaser by the HK Vendor.

If no request is made by the HK Purchaser to perform the audit as mentioned above, the Initial Consideration will be the Final Consideration and no Adjustment Payment will be required to be paid by any party after the Disposal Completion.

We have reviewed and discussed with the Management regarding the calculation of the Disposal Consideration and understand that the Disposal Consideration was calculated based on (i) the Base Value; and (ii) the net tangible liabilities of the Disposal Group. For illustrative purpose, based on the unaudited consolidated management account of the Disposal Group as at 31 March 2022, the Disposal Consideration would be approximately HK\$108.7 million. Details of the calculation is set out below:

	As at 31 March 2022 HK\$'000 (unaudited)
Total consolidated tangible assets	1,066
– Bank balances and cash	710
– Receivables, prepayments and deposits	356
Total consolidated liabilities	63,164
– the Existing Bank loans	63,000
– Accruals	164
Net consolidated liabilities, being the NAV	<u>(62,098)</u>
The Base Value (80% of the valuation of the HK Property at HK\$198.0 million agreed between parties)	158,400
Less: 80.0% of the absolute amount of the above NAV	<u>(49,679)</u>
The Disposal Consideration	<u>108,721</u>

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(a) Basis of determination of the Disposal Consideration by the Board

As set out in the Letter from the Board, the Disposal Consideration for the Sale Share and the Sale Loan was determined after arm's length negotiations between the HK Purchaser and the HK Vendor with reference to 80% of (i) the NAV of the Disposal Group as at the Disposal Completion Date; and (ii) the value of the HK Property as agreed between the HK Purchaser and the HK Vendor of HK\$198.0 million which was in turn determined based on the preliminary valuation of the HK Property as at 31 March 2022 conducted by the Valuer. Please refer to the Valuation Report as set out in "APPENDIX II – VALUATION REPORT OF THE HK PROPERTY AND THE US PROPERTY" for the valuation of the HK Property as at 31 May 2022.

The Company intends to apply the net sale proceeds from the Proposed Disposal, which is estimated to be approximately HK\$106.7 million, in the following manner:

- (i) approximately HK\$51.2 million will be applied for partial settlement of the Acquisition Consideration; and
- (ii) approximately HK\$55.5 million will be applied as general working capital of the Group.

(b) Our due diligence on the Valuer

Given the Valuer covered both valuations of the US Property and the HK Property, please refer to the section headed "E. Principal terms of the US Property Agreement in relation to the Proposed Acquisition – The Acquisition Consideration and payment terms – (b) Our due diligence of the Valuer" above in respect of our due diligence conducted on the Valuer for the Proposed Disposal.

(c) Our analysis on the basis of determination of the Disposal Consideration

In order to assess the fairness and reasonableness of the Disposal Consideration, we have reviewed the Valuation Report prepared by the Valuer. With reference to the Valuation Report, the Valuer is of the opinion that the estimated value of the HK Property as at the valuation date (i.e. 31 May 2022) would be HK\$198.0 million. In conducting the valuation of the HK Property, the Valuer has also adopted the following assumptions: (i) the HK Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value; (ii) land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the HK Property have been fully paid and settled; (iii) proper titles have been obtained, and the HK Property and the interests valued therein can be freely transferred, mortgaged and let in the market; (iv) no easements or rights of way affecting the HK Property and have assumed that none exist; (v) all information, estimates and opinions furnished to the Valuer and contained in the Valuation Report including all information

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provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources; and (vi) the HK Property are free from any contamination and environmental problems or hazards.

We noted from the Valuation Report that the Valuer has provided the valuation on the basis of market value, which meant the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Valuer adopted the market approach for the valuation of the HK Property by comparing prices realized in actual transactions and/or asking price of comparable properties located in the surrounding area. According to our interview with the Valuer, we understand that (i) in an open market where reliable, verifiable and relevant market information of property of a similar nature is available; and (ii) in luxury properties market, the market approach adopted by the Valuer in the Valuation Report is the preferred valuation approach and is a commonly adopted approach for property valuation.

We have obtained the information of the comparable properties for the valuation of the HK Property from the Valuer and have conducted interview with the Valuer. The Valuer conducted thorough market research of available comparable for the valuation of the HK Property and selected 6 recent transactions of properties (the "**HK Comparable Properties**"). We noted that the selection criteria of the HK Comparable Properties had taken into account, among others, (i) location, which should be located at the same area with a close proximity to the HK Property; (ii) similar in property nature (i.e. luxury house); and (iii) time, which should be transacted within a reasonable period from the valuation date, being within approximately one year from the valuation date as there were sufficient recent market transactions in the HK property market that are deemed to be excellent evidence of the market. We understand from the Valuer that these selection criteria were commonly used in the valuation practice. In light of the above, we are of the view that the selection criteria of the HK Comparable Properties are fair and reasonable for the valuation of the HK Property.

We have conducted independent research on the information of the HK Comparable Properties and noted that the HK Comparable Properties are (i) all located in Shouson Hill area and within one kilometre from the HK Property; (ii) all luxury house in property nature; (iii) transacted between May 2021 to May 2022, which were within approximately 1 year from the valuation date. As the information of the HK Comparable Properties have fulfilled the selection criteria, we are of the view that the HK Comparable Properties are exhaustive and representative for the valuation of the HK Property.

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Based on our interview with the Valuer, we also noted the Valuer has taken into account various factors when comparing the HK Property and the HK Comparable Properties, including but not limited to, time of transaction, house size, provision of ancillary area and facilities and building quality. The HK Comparable Properties ranged from approximately HK\$56,000 per sq. ft. to HK\$101,500 per sq. ft. As the market approach determines the value of a property by comparing recent transaction prices of similar property on the valuation benchmark date based on the principle of substitution, we noted that appropriate adjustments have been made by the Valuer on the above factors to reflect the difference between the HK Property and the respective HK Comparable Properties. The adjustments included (i) market condition (i.e. time of transaction), where the prices of the respective HK Comparable Properties on the transaction date were adjusted to the price on the valuation benchmark date; and (ii) property physical condition (i.e. house size, ancillary area and facilities and building quality), where the prices of the respective HK Comparable Properties under their individual conditions were adjusted to be the price under the individual condition of the HK Property.

In particular, the market condition adjustments were based on the price indices from the Rating and Valuation Department. Since Hong Kong has suffered from the fifth wave of the COVID-19 pandemic as at the valuation date, the indices of luxury residential properties have dropped slightly, thus the Valuer had negative adjustments on time factor on the HK Comparable Properties. Property physical conditions, including house size, building quality, and availability of facilities, were taken into consideration in the valuation of the HK Property by making adjustments based on the physical characteristics of the HK Comparable Properties. We understand from the Valuer that larger homes typically have better layout and flexibility in how their space is used. Therefore, a downward adjustment on house size would be made to reflect the difference in dwelling size if the size of the HK Comparable Property is larger than that of the HK Property. In addition, adjustment for building quality was based on an exterior inspection, and an upward adjustment would be made on the preference for a new modern home as some of the HK Comparable Properties appeared to be not well maintained or were of a traditional style. For the provision of amenities such as private swimming pool, maid room, garden and carport area, a mild adjustment was allowed per amenity to reflect the difference of amenities with the HK Property. These adjustments resulted in a percentage range of aggregate adjustments amongst the HK Comparable Properties of approximately -21.0% to 24.0%. After taking into account of the aforementioned adjustments, the Valuer had adopted an unit rate of approximately HK\$74,500 per sq. ft. for the valuation of the HK Property. Given the saleable area of the HK Property is approximately 2,657 sq. ft., the valuation of the HK Property is estimated to be approximately HK\$198.0 million as at 31 May 2022 as set out in the Valuation Report.

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Based on the interview with the Valuer, we understand that the aforementioned valuation adjustments were commonly used in the valuation practice. As relevant and appropriate adjustments have been made by the Valuer to reflect the difference between the respective HK Comparable Properties and the HK Property, we considered such adjustments to be fair and reasonable for the valuation of the HK Property.

Given the market approach in the Valuation Report is commonly adopted and well recognised methodology for valuing properties, and the major assumptions made in relation to the market approach are reasonable, we agree with the Valuer that the market approach was appropriate for the valuation of the HK Property and we concurred with the Valuer that the selection of the HK Comparable Properties used in the valuation of the HK Property and the basis of the adjustments made are fair and reasonable.

Taken into account of the above, we are of the view that the methodology, together with the underlying bases, and assumptions for the valuation of the HK Property are fair and reasonable and that the Valuation Report is an appropriate reference for determining the valuation of the HK Property.

Given the agreed value of the HK Property of HK\$198.0 million for the determination of the Base Value and Disposal Consideration is same as the fair value of the HK Property of HK\$198.0 million) as at 31 May 2022 as stated in the Valuation Report with no discount, we consider the Disposal Consideration is on normal commercial terms, is fair and reasonable so far as the Company and Independent Shareholders as a whole are concerned.

Having considered the above and the reasons of the Proposed Disposal as mentioned in the section headed “*H. Reasons and Benefits of entering into the Master Agreement and the transactions contemplated thereunder*”, we are of the view that the terms of the Proposed Disposal are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

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G. Principal terms of the Shareholders' Deed

Following the Disposal Completion, the HK PropCo will cease to be a subsidiary of the Group and will be owned as to 80.0% by the HK Purchaser and 20.0% by the HK Vendor as the Proposed Joint Venture. As disclosed in the Letter from the Board, pursuant to the HK PropCo Agreement, the HK Purchaser, the HK Vendor, the HK PropCo, Mr. Chan and Mrs. Chan will enter into the Shareholders' Deed to regulate the respective rights and obligations amongst the shareholders of the Proposed Joint Venture. Principal terms of the Shareholders' Deed are summarised below:

- Parties:
- (1) the HK Purchaser;
 - (2) the HK Vendor;
 - (3) Mr. Chan;
 - (4) Mrs. Chan; and
 - (5) HK PropCo.

Board composition: The maximum number of directors of the HK PropCo shall be three. The HK Vendor will be entitled to appoint up to one director and the HK Purchaser will be entitled to appoint up to two directors.

No meeting of the board of the HK PropCo may proceed to business nor transact any business unless a quorum of one director appointed by the HK Vendor and one director appointed by the HK Purchaser are present personally or represented by an alternate at the start of and throughout such meeting.

Management of the Disposal Group: The board of the HK PropCo will be responsible for making decisions relating to the business of the HK PropCo and the board of each subsidiary will be responsible for making decisions relating to the business of that subsidiary. The board of each subsidiary of the HK PropCo will consist of no more than three directors, of which the HK Vendor will be entitled to appoint up to one director and the HK Purchaser will be entitled to appoint up to two directors. All matters to be determined by the board of any company of the Disposal Group, other than certain reserved matters, shall be decided by a simple majority vote of the respective directors of the relevant company of the Disposal Group present and voting at the relevant board meeting.

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Matters that require either the written consent of all directors of such company of the Disposal Group appointed by the HK Purchaser and the HK Vendor respectively or all directors of such company of the Disposal Group present at a board meeting of such company of the Disposal Group or the unanimous approval of the HK Purchaser and the HK Vendor, which include:

- (i) sale of material assets of the Disposal Group or of shares in any of the company of the Disposal Group;
- (ii) entering into or approving major changes to any contract or commitment which is not in the ordinary course of business of the Disposal Group;
- (iii) change of auditors;
- (iv) change to the share capital, maximum authorised number of shares or registered capital of any company of the Disposal Group;
- (v) registration of any person as a shareholder of the HK PropCo or any of its subsidiaries other than as permitted in the Shareholders' Deed;
- (vi) voluntary dissolution or winding up of any company of the Disposal Group;
- (vii) change of constitutional documents;
- (viii) changing the nature or scope of the business;
- (ix) any transactions which are not on an arm's length basis;
- (x) any mergers or demergers of any company of the Disposal Group; and
- (xi) distributions other than in accordance with the paragraph headed "Distribution" below.

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Distribution: Subject to compliance with all applicable laws and requirements imposed under any loan or security documents relating to any external borrowings (including the Existing Bank Loan), all or any income received by the HK PropCo from its business shall, after setting aside and making provisions for such sums as may reasonably be determined by the board of the HK PropCo to be necessary towards payment of any costs, charges or expenses of whatsoever nature as may be assessable against the HK PropCo, shall be applied:

- (i) firstly, in repayment of all external loans and interest accrued thereon, all costs and expenses in respect of its business and all other fees, charges, claims, taxation and other liabilities of whatsoever nature payable by the HK PropCo to any third party;
- (ii) secondly, in repayment of the interest (if any) to accrue on any shareholders' loans according to the respective shareholding ratios of the HK Purchaser and the HK Vendor in the HK PropCo;
- (iii) thirdly, in repayment of the shareholders' loans according to the respective shareholding ratios of the HK Purchaser and the HK Vendor in the HK PropCo; and;
- (iv) finally, the remaining balance (if any) be distributed, either by way of dividend or in any other form, including loans, to the HK Purchaser and the HK Vendor according to their respective shareholding ratios in the HK PropCo.

Right of first offer: Neither the HK Purchaser nor the HK Vendor may sell or transfer, its shares in, or shareholder's loan to, the HK PropCo to any potential third party buyer unless it has first offered the sale to the other shareholder and that the other shareholder has not elected to purchase or acquire all such shares or shareholder's loan and subject to the tag-along right of the other shareholder (where applicable).

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Tag-along right:

Where the shares in the HK PropCo to be sold by the selling shareholder of the HK PropCo represent more than 50% of the issued share capital of the HK PropCo, the selling shareholder shall procure that the potential third party buyer also makes an offer to purchase all the shares and shareholder's loans of the other shareholder at the same price per share and per dollar of shareholder's loans and on other terms upon which the shares and shareholders' loans are to be disposed of by the selling shareholder to the potential third party buyer.

The Company will comply with the relevant requirements under Chapter 14 and/or 14A of the Listing Rules should the tag-along right attached to the Company's retained interest in the HK PropCo be exercised.

We have reviewed the Shareholders' Deed and have discussed with the Management regarding the aforementioned terms of the Shareholders' Deed. The HK Vendor will be entitled to appoint one out of three directors of the board of the HK PropCo. While the resolutions relating to usual matters will be made by simple majority votes of the directors, those reserved matters described above require unanimous approval of all directors of the respective company of the Disposal Group.

Since the Company will be interested in 20.0% of the HK PropCo following the Disposal Completion, this voting arrangement effectively means that all important decisions require unanimous approval from both the HK Purchaser and HK Vendor. We consider such voting arrangements, including the veto power by each of the HK Purchaser and the HK Vendor on important decisions, provide a reasonable level of protection for minority shareholder and are usual features adopted in joint venture structure to manage the Disposal Group.

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Financing for the HK PropCo and/or the subsidiaries

Pursuant to the Shareholders' Deed, the total capital required by the HK PropCo relating to or in furtherance of its business is currently estimated to be approximately HK\$220.0 million (inclusive of the Retained Shareholder's Loan, the Sale Loan and the Existing Bank Loan), which consists of (i) the original acquisition cost of the entire issued share capital of, and all the then shareholder's loan to, Subsidiary A of approximately HK\$210.0 million; and (ii) the estimated general working capital required by the Disposal Group in connection with the HK Property of approximately HK\$10.0 million. All further funding needed by the HK PropCo and/or its subsidiaries (in addition to the Existing Bank Loan, the Retained Shareholder's Loan and the Sale Loan) for the Business shall be satisfied through the following means:

- (i) the HK Purchaser and the HK Vendor shall procure the HK PropCo and/or the subsidiaries of the HK PropCo to use reasonable endeavours to arrange finance from banks or other financial institutions on such terms as the board of the HK PropCo may determine provided that if guarantees or securities and/or other support is required to be given to the financier(s) for such external finance by the HK Purchaser and the HK Vendor, such guarantees, securities and support should be on a several basis only according to their respective shareholding in the HK PropCo; or
- (ii) if external financing mentioned in paragraph (i) above cannot be obtained or the amount which can be obtained is insufficient, the outstanding portion of the required funding shall be satisfied by other methods as the HK Purchaser and the HK Vendor may from time to time unanimously agree; and

except for the New Guarantees, neither the HK Purchaser nor the HK Vendor shall at any time be under any obligation to provide any additional funding or financial support (whether by way of provision of any guarantee or security or otherwise) to any company of the Disposal Group.

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We have discussed with the Management of the Company and understand that the capital commitment of the Shareholders' Deed was determined after arm's length negotiation between the HK Vendor and the HK Purchaser with reference to the actual capital provided by the Group to the Disposal Group as at 31 March 2022 based on the unaudited management account of the Disposal Group as at 31 March 2022. The following table set forth the actual capital provided by the Group to the Disposal Group as at 31 March 2022 and an estimation of how the capital commitment shall be utilised upon the Disposal Completion:

	Actual capital provided by the Group to the Disposal Group as at 31 March 2022	Estimated capital commitment upon the Disposal Completion <i>(Note 1)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholder's loan of the Disposal Group	148,552 <i>(Note 2)</i>	148,552
The Existing Bank Loan	63,000	63,000
General working capital	–	8,448 <i>(Note 3)</i>
	211,552	220,000

Notes:

1. The capital commitment of the HK Purchaser and the HK Vendor upon the Disposal Completion shall be 80.0% and 20.0% of the total capital commitment respectively.
2. Such amount represented the aggregate amount of the Sale Loan and the Retaining Shareholder's Loan as at 31 March 2022.
3. Such amount has included additional shareholder's loan of approximately HK\$2.5 million provided by the Group to the Disposal Group since 31 March 2022 and up to the Latest Practicable Date.

As at 31 March 2022, the actual capital provided by the Group to the Disposal Group amounted to approximately HK\$211.6 million, which consists of shareholder's loan in the amount of approximately HK\$148.6 million and the Existing Bank Loan of HK\$63.0 million, representing approximately 96.2% of the total capital commitment. The remaining capital commitment of approximately HK\$8.4 million (including the shareholder's loan of approximately HK\$2.5 million provided by the Group to the Disposal Group since 31 March 2022 and up to the Latest Practicable Date) contributed has been/to be contributed will be utilized for professional fees such as legal fees, and interest expenses payable under the Existing Bank Loan, the refurbishment cost of the

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HK Property and other general working capital of the Disposal Group. The capital commitment of the HK Purchaser and the HK Vendor upon the Disposal Completion shall be 80.0% and 20.0% of the total capital commitment respectively.

Taking into consideration that (i) the capital commitment will be shared in proportion to the respective shareholdings of the HK Vendor and the HK Purchaser in the HK PropCo upon the Disposal Completion; (ii) the actual capital provided by the Group to the Disposal Group as at 31 March 2022 (consists of shareholder's loan of approximately HK\$148.6 million and the Existing Bank Loan of HK\$63.0 million) accounted for approximately 96.2% of the total capital commitment upon the Disposal Completion; (iii) the remaining capital commitment contributed or to be contributed by the Group to the Disposal Group accounted for less than 0.5% of the total assets of the Group as 31 March 2022; and (iv) the capital of the Disposal Group will be used for the sole business of the Disposal Group, which is the holding of the HK Property for investment property only, we are of the view that the terms of the capital commitment (including the capital commitment amount) for the financing of the Disposal Group contemplated under the Shareholders' Deed to be fair and reasonable.

Taking into account of the above, we are of the view that the terms of the Shareholders' Deed are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

H. Reasons and Benefits of entering into the Master Agreement and the transactions contemplated thereunder

As disclosed in the Letter from the Board, the Board considers the Proposed Acquisition is a good opportunity for the Group to expand and strengthen its US property investment portfolio. Meanwhile, the Board also considers that the Proposed Disposal allows the Group to diversify its investments risk and alleviant cash flow pressure. Therefore, we have taken into account the following factors in assessing the reasonableness of the entering into of the Master Agreement and the transactions contemplated thereunder by the Group:

(a) The rarity of the investment opportunity in the US Property

As set out in the Letter from the Board, the Board consider the Proposed Acquisition is a good opportunity for the Group to expand and strengthen its US property investment portfolio as (i) the development of the US Property has been completed thus the Group will not face any uncertainties or risk at the redevelopment stage; and (ii) property redevelopment has been more difficult and the investment in the US Property becoming rarer in the city of San Marino.

The Group is principally engaged in, among others, real estate development and investment, and is very experienced in property redevelopment projects. With reference to the brochure of the Group and our discussion with the Management, the Group has undertaken 20 real estate projects since 2010 and up to the Latest Practicable Date in different countries, including China, United Kingdom and US, in which 10 projects were property redevelopment projects located in US.

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We have discussed with the Management and understand that property redevelopment projects generally face higher uncertainty on time and cost than other real estate projects of the same size as it is subject to redevelopment permission from relevant authorities, including Building Department and Planning in US. Based on the building permit of the US Property issued by the Building Division of San Marino, the US Vendor obtained the redevelopment permission in February 2018 since its acquisition in August 2014, thus it took over 3 years for the US Vendor to obtain such redevelopment permission. In addition, based on the Certificate of Occupancy of the US Property dated 31 March 2021, the US Vendor has spent over 3 years to complete the construction works of the US Property. Therefore, it took over 6 years for the US Vendor to complete the whole redevelopment of the US Property.

Furthermore, we understand from the Management that property redevelopment in San Marino has become more difficult based on their recent experience on a property redevelopment application in San Marino. The US property becoming rarer in the city of San Marino in terms of size and building age. As part of our due diligence, we have conducted a desktop search on the websites of two top real estate agencies in US (i.e. Zillow and RE/MAX) at the end of June 2022. Based on our search results, there were only 4 residential properties with a price over US\$10.0 million available for sale in San Marino, but none of them were built within the last 80 years. Therefore, we concur with the view of the Directors that the US Property is a rare investment opportunity for the Group if the Group considers to expand its investment portfolio in the US.

(b) Outlook of the US property market

Based on our discussion with the Management, we understand that the Group targets to hold the US Property for a short period and should sell if the sales price of the US Property meets their expectation. Therefore, the US Property will be accounted for as property for sale under current assets by the Group upon the Acquisition Completion.

Facing the highest inflation rate in the last 40 years, the US Federal Reserve has raised its benchmark rate three times in the first half of 2022 from a range of 0%-0.25% in January 2022 to a range of 1.5%-1.75% in June 2022. The average rate for a 30-year fixed mortgage hit 5.23% during the week ended 9 June 2022, up from 3.23% at the end of 2021. In addition to the interest rate hike, the US stock market tumbled in the first half of 2022 where the S&P500 Index recorded a decline of approximately 21.0% up to 15 June 2022 from its record closing high on 3 January 2022, triggering a cooldown on the demand of the US housing market.

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According to an analysis conducted by Redfin Corporation dated 10 June 2022¹, the sales of luxury US homes fell 17.8% year over year during the three months ended 30 April 2022. The monthly sales and price statistic issued by the California Association of Realtors² also recorded a drop of 14.3% year to year in May 2022 on the existing home sales of Southern California.

Despite the cooldown on the demand of the US housing market, the US house prices continue to appreciate, which was attributable to, among others, the imbalance between house demand and supply. According to the news released issued by the Federal Housing Finance Agency in May 2022³, the house prices in the US rose by 18.7% from the first quarter of 2021 to the first quarter of 2022 and 4.6% compared to the fourth quarter of 2021 based on the Federal Housing Finance Agency House Price Index. Based on the research results published by Redfin Corp dated 17 June 2022⁴, the national median sale price of US homes in May 2022 has increased by 1.5% on a month over month basis and 14.8% on a year over year basis. In addition, the monthly sales and price statistic issued by the California Association of Realtors also recorded an increase of 11.9% on a year over year basis in May 2022 on the existing home price in Southern California. The US house prices continues to climb and is still on an upward trend, though at a slower pace with the interest rate hike.

In view of the above, we are of the view that the price of the US property market remains to be positive in the short run which support the investment strategy of the Group on the US Property.

(c) Outlook of the HK property market

As set out in the Letter from the Board, despite the fact that the Group remains positive on the outlook of the luxury property market in Hong Kong in the long run, the Group is aware that the investment period of the Group's investment in the HK Property may continue to be prolonged as the luxury property market has slowed down since the fifth wave of the COVID-19 pandemic in Hong Kong.

¹ Redfin Corporation is a company listed on the NASDAQ in US and is mainly engaged in the provision of real estate services, including web based real estate database and brokerage services for residential buildings. Source of the analysis: <https://www.redfin.com/news/luxury-home-sales-april-2022/>

² The California Association of Realtors is a state-wide trade association for those who work in the real estate industry in US and is dedicated to the advancement of professionalism in real estate. Sources of the statistic: <https://www.car.org/marketdata/data/countysalesactivity>

³ The Federal Housing Finance Agency (FHFA) is s a US regulatory agency that oversees the secondary mortgage market in US. Sources of the news: https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/HPI_2022Q1.pdf

⁴ Sources of the research from Redfin Corporation: <https://www.redfin.com/news/housing-market-may-home-sales-decline/>

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Based on the research in relation to Hong Kong residential sales published by Savills in April 2022⁵, it was stated that threats have been posed to the local luxury residential market because of external events such as the Russian invasion of the Ukraine and tougher US regulation of China tech stocks having hit the local stock market hard together with the Omicron outbreak in the first quarter of 2022. It was further stated that the ongoing border restrictive COVID measures have deterred both Mainland and local buyers from making purchasing decision on luxury properties and the lockdown of major Chinese cities may increasingly impact China's economy and Mainland high-net-worth individuals' appetite for luxury properties in Hong Kong. Considering the above, among other factors cited in the research, it was expected by Savills that Hong Kong luxury residential prices to decline further by 5.0% to 7.0% over the remainder of the year 2022, echoing the Group's view in relation to the luxury property market in Hong Kong in the short run.

Furthermore, under the Hong Kong's Linked Exchange Rate System, the Hong Kong Dollar has been pegged to the US Dollar. Given the US Federal Reserve has raised their benchmark rates as an attempt to battle hiking domestic inflation in US, the interest rate in Hong Kong followed suit and, notably, the 3-month Hong Kong Dollar Interest Settlement Rate published by the Hong Kong Association of Banks increased from 0.25% as of 5 January 2022 to 1.48% as of 22 June 2022. Though the Board remains positive on the HK property market in the long run, the above factors may continue to have a negative impact on the price of the luxury properties in Hong Kong. During the year ended 31 March 2022, the Group has recognised a fair value loss of HK\$12.0 million based on the valuation of the HK Property as at 31 March 2022. Therefore, it is not unreasonable for the Board to divest the Group's interests in the HK Property to reduce its investment risk for the financial performance of the Group.

⁵ Sources of the research from Savills:
<https://pdf.savills.asia/asia-pacific-research/hong-kong-research/hong-kong-residential/ress04-2022.pdf>

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(d) Finance resources of the Group

In assessing the financial resources of the Group for the Proposed Acquisition and the Proposed Disposal, we have reviewed several key information of the Group, including the bank deposits and cash on hand, bank loans and the net cash flow (used in)/ generated from operating activities. Such key information of respective financial year or period is set forth below:

	As at 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Bank deposits and cash on hand	242,093	369,788	110,143
Bank loans	304,703	240,991	331,592
	For the year ended		For the
	31 March		period ended
	2020	2021	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Net cash flow (used in)/generated from operating activities	(140,391)	118,602	(33,388)

For the two years ended 31 March 2021 and the six months period ended 30 September 2021, the Group recorded net cash flow used in operating activities in both the year ended 31 March 2020 and the six months period ended 30 September 2021, amounting to HK\$140.4 million and HK\$33.4 million, respectively. Due to the nature of the Group's principal activities, the Group's operating cash flow is subject to the project duration and the timing of the Group's monetisation of their real estate projects. Therefore, it is not uncommon for the Group to have net cash outflow from operating activities.

The balance of the Group's bank deposits and cash decreased from HK\$242.1 million as at 31 March 2020 to HK\$110.1 million as at 31 March 2022. In the meantime, the Group's bank loans increased from HK\$304.7 million as at 31 March 2020 to HK\$331.6 million as at 31 March 2022.

As set out in the Letter from the Board, the Group intends that out of the Acquisition Consideration, US\$6,525,000 (equivalent to approximately HK\$51.2 million) will be funded by its internal resources and the remaining US\$7,975,000 (equivalent to approximately HK\$62.6 million) will be financed by an external bank loan to be secured by the US Property.

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Given the Group had bank deposits and cash of HK\$110.1 million as at 31 March 2022 and the remaining of the Acquisition Consideration will be financed through an external bank loan to be secured by the US Property, the Group should have sufficient financial resources to satisfy the payment for the Acquisition Consideration.

Meanwhile, through the Proposed Disposal, the Group will be able to enhance its cash positions from the net sales proceeds from the Proposed Disposal. As set out from the Letter from the Board, the net sale proceeds from the Proposed Disposal is estimated to be approximately HK\$106.7 million (assuming there is no material difference in the amount of NAV arrived at based on the unaudited consolidated management accounts of the HK PropCo as at 31 March 2022 and the Completion Account).

Therefore, it is estimated that the Group will have a net cash inflow of approximately HK\$55.5 million from the Proposed Disposal and the Proposed Acquisition and in turn can enhance the cash positions of the Group.

Taking into account that (i) the Proposed Acquisition provides a rare investment opportunity for the Group to expand its investment portfolio in US; (ii) the price of the US property market is still on an upward trend despite of the interest rate hike; (iii) it is not unreasonable for the Group to divest its investment risk on the HK Property; and (iv) the Proposed Acquisition and the Proposed Disposal can enhance the cash positions of the Group, we concur with view of the Board that the entering into of the Master Agreement is commercially justifiable and is in the interest of the Company and the Independent Shareholders as a whole, though the Master Agreement was not entered into the ordinary and usual course of business of the Group.

I. Financial Impact of the Proposed Acquisition and the Proposed Disposal

The financial impact of the Proposed Acquisition and the Proposed Disposal on the Group's net assets and earnings are set out below:

The Proposed Acquisition

(a) Net assets

As disclosed in the Letter from the Board, it is expected by the Group that 45.0% of the Acquisition Consideration will be funded by the Group's internal resources and 55.0% of the Acquisition Consideration will be financed by a bank loan to be secured by the US Property. Upon the Acquisition Completion, the US Property will be accounted for as property for sale and the Group's properties for sale is expected to increase by the amount of the Acquisition Consideration accordingly. In addition, the Group's current assets and cash position are expected to decrease by the amount of the Acquisition Consideration to be funded by its internal resources, and the Group's liabilities is expected to increase by the amount of the Acquisition Consideration to be financed by the bank loan.

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(b) Earnings

As disclosed in the Letter from the Board, the Group's bank borrowings obtained from US banks for other US properties in its ordinary and usual course of business bear interest at 5.0% per annum. The Group therefore expects the Proposed Acquisition will lead to an increase on the annual finance costs by approximately US\$399,000 (equivalent to approximately HK\$3.1 million).

Given that the US Property is yet to be marketed and remains as property for sale of the Group, it is expected by the Group that the Proposed Acquisition will not have immediate financial impact on the financial performance of the Group.

The Proposed Disposal

(a) Net assets

Upon the Disposal Completion, the Disposal Group will cease to be a subsidiary of the Group and will be owned as to 20.0% by the Group as the Proposed Joint Venture and will become associates of the Company. As a result, the results and assets and liabilities of the Disposal Group will be accounted for in the consolidated financial statements of the Group using the equity method of accounting upon the Disposal Completion.

(b) Earnings

Based on the unaudited consolidated net liabilities of the Disposal Group as at 31 March 2022 (which have reflected the HK Property with carrying value at HK\$198.0 million as at 31 March 2022), the amounts of the Existing Bank Loan and the Sale Loan as at 31 March 2022 of HK\$63.0 million and approximately HK\$148.6 million respectively, and without taking into account (i) the transaction costs and tax impact (if any) upon completion of the Proposed Disposal, and (ii) the fair value change on the HK Property between 31 March 2022 and the Disposal Completion Date, the Group currently expects to record no gain or loss as a result of the Proposed Disposal in the Company's consolidated financial statements for the year ending 31 March 2023.

Shareholders should note that the actual gain or loss arising from the Proposed Disposal can only be determined when the net gain or loss on the Proposed Disposal, taking into account (i) the final amount of the Disposal Consideration to be ascertained after considering necessary adjustments (if any) to be made as described above; and (ii) the relevant transaction costs and tax (if any) in connection with the Proposed Disposal, can be determined after the Disposal Completion has taken place.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position and performance of the Group will be after the entering into of the Master Agreement and the transactions contemplated thereunder.

II. RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that (i) the terms of the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the Master Agreement (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) are on normal commercial terms and in the interests of the Company and Independent Shareholders as a whole, although the Master Agreement was not entered into in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Master Agreement as well as the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Calvin Poon **Alvin Wong**
Managing Director *Director*

Mr. Calvin Poon and Mr. Alvin Wong are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Alvin Wong have over 16 and 11 years of experience in corporate finance industry, respectively.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 March 2020, 2021 and 2022 are disclosed in the following annual reports of the Company for the years ended 31 March 2020, 2021 and 2022 respectively, which have been published and are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.rykadan.com>):

- (i) the annual report 2020 of the Company for the year ended 31 March 2020 which was published on 28 July 2020 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0728/2020072800446.pdf>), please refer to pages 49 to 125 in particular;
- (ii) the annual report 2021 of the Company for the year ended 31 March 2021 which was published on 27 July 2021 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0727/2021072700813.pdf>), please refer to pages 50 to 125 in particular; and
- (iii) the annual report 2022 of the Company for the year ended 31 March 2022 which was published on 28 July 2022 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072801398.pdf>), please refer to pages 51 to 121 in particular.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the existing cash and bank balances, other internal resources and available existing unutilised banking facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2022, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total borrowings of approximately HK\$356,228,000, details of which are set out below:

	<i>HK\$'000</i>
Secured bank loans	236,228
Unsecured bank loans	120,000
	<hr/>
Total borrowings	356,228
	<hr/> <hr/>

At 30 June 2022, the secured bank loans of the Group were secured by mortgages over certain assets of the Group with an aggregate carrying value of approximately HK\$524,106,000, details of which are set out below:

	<i>HK\$'000</i>
Investment properties	360,200
Buildings held for own use	35,710
Properties for sale	128,196
	<hr/>
	524,106
	<hr/> <hr/>

In addition, at 30 June 2022, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries and an associate of HK\$278,389,000 and HK\$20,000,000 respectively. Such banking facilities were utilised by the subsidiaries and the associate to the extent of HK\$183,728,000 and HK\$Nil respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, at 30 June 2022, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite the uncertain operating environment, the Group's steadfast efforts allow it to pursue its long-term investment strategy – identifying and progressively adding new diversified and promising property redevelopment projects to its portfolio, and efficiently growing their asset value before monetising them within a three-to-five year horizon. With a focus on the future, the Group will continue to steadily forge ahead with growing its asset, investment and fund management business as part of its strategy to broaden its capital base and tap larger-scale projects.

Although the pace of recovery in different parts of the world remain uneven due to logistical challenges, sporadic restrictions, U.S. interest rate hikes, inflation and geographical tensions, the Group will strive to proactively mitigate these challenges by identifying new channels and growth opportunities domestically and abroad. It also expects that further border reopening will revitalise business activities and spur demand for selective hybrid commercial assets which currently form part of the Group's investment portfolio.

Domestically, the Group remains cautiously optimistic about the prospects of its current property redevelopment portfolio. It expects that the extension of revitalisation policies will continue to attract robust funding and investment activities into the commercial and industrial markets while the extension of the cross-harbour rail link will further boost the attractiveness of the Group's projects on Hong Kong Island. The Group plans to monetise these projects appropriately upon further relaxation of pandemic restrictions.

Elsewhere, the Group remains cautiously optimistic about its overseas property portfolio, given the resilience of real estate assets and capital seeking consistent yields.

The Group will keep on seeking and identifying high-potential property redevelopment opportunities that diversify across key commercial hubs and evaluating its projects on hand to capitalise on these investments at an appropriate time. It will also maintain its revenue base by prudently managing its asset, investment and fund management business. Meanwhile, the prudent and selective approach adopted by the Group will facilitate its exploration of fixed income investment opportunities to deliver additional returns to its shareholders.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 31 May 2022 of the property interests of the Group.

Colliers International (Hong Kong) Limited
Company Licence No: C-006052



Suite 5701 Central Plaza
18 Harbour Road Wanchai Hong Kong
+852 2828 9888
colliers.com

19 August 2022

The Directors

Rykadan Capital Limited

Room 2701 & 2801, 27/F & 28/F
Rykadan Capital Tower
135 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

Re: Valuation of (1) House 11 of 1 Shouson Hill Road East, No. 1 Shouson Hill Road East, Hong Kong, and (2) 1470 Virginia Road, San Marino, CA 91108, the United States of America (the “Properties”)

Dear Sirs,

INSTRUCTIONS, PURPOSES AND VALUATION DATE

In accordance with the instructions for us to value the Properties in which Rykadan Capital Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in Hong Kong and the United States of America (the “**US**”), we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Value of the Properties in their existing states, as at 31 May 2022 (the “**Valuation Date**”) for circular purposes.

BASIS OF VALUATION

Our valuation has been made on the basis of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is defined as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

The valuation has been carried out in accordance with the prevailing Hong Kong Institute of Surveyors' (HKIS) Valuation Standards published by the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards, both incorporating the International Valuation Standards published by the International Valuation Standards Council (IVSC). We have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited.

VALUATION METHODOLOGY

We have adopted the Market Approach to assess the Market Value of the Properties.

The Market Approach estimates the value of property by comparing recent sales of similar interests in the building or buildings located in their surrounding area.

By analysing such sales which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject property. This approach is commonly used to value property when reliable sales evidence of property of a similar nature is available.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information provided by the Company on such matters as tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and we consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable.

TITLE INVESTIGATIONS

In respect of the property in Hong Kong, we have been provided with copies of the title documents relating to the property and have made enquires and relevant searches at the Land Registry. In respect of the property in the US, we have been provided with copies of the title documents relating to the property. However, for all properties, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments that may not appear on the copies provided to us.

SITE MEASUREMENT

We have not carried out detailed site measurements to verify the correctness of the site/floor areas in respect of the Properties but have assumed that the site/floor areas shown on the documents and official site/floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the property in Hong Kong by our Jason Fung and Rachel Chin on 23 June 2022 and the property in the US by Paul Myers on 16 June 2022.

We have not carried out investigations to determine the suitability of the ground conditions and the services for any future development of the Properties we have inspected. Our valuations have been prepared on the assumption that these aspects are satisfactory. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the seller disposes of the property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property.

No allowance has been made for any charges, mortgages or amounts owing on the property or for any expenses or taxations which may be incurred in effecting a sale.

In valuing the property interests held in Hong Kong and the US, we have made the following assumptions:

- We have assumed that the Properties are free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.

- We have assumed that any land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the Properties have been fully paid and settled.
- We have assumed proper titles have been obtained, and the Properties and the interests valued therein can be freely transferred, mortgaged and let in the market.
- We are not aware of any easements or rights of way affecting the Properties and have assumed that none exist.
- We have assumed that all information, estimates and opinions furnished to us and contained in this report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources.
- We have assumed that the Properties are free from any contamination and environmental problems or hazards.

THE VALUER

This valuation has been prepared by Jason Fung, Director of Valuation and Advisory Services, who has sufficient experience to carry out valuations of this size and nature.

Neither the valuer nor Colliers International (Hong Kong) Limited are aware of any pecuniary interest or other conflict of interest that could affect their ability to give an unbiased and objective opinion of the value of the Properties.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Hong Kong Dollars (HKD) for the property in Hong Kong and United States Dollars (USD) for the property in the US respectively.

Our valuations of the Properties set out in the summary of valuations and valuation particulars attached hereto, together with this covering letter, form our valuation report.

Yours faithfully, For and on behalf of
Colliers International (Hong Kong) Ltd

Jason Fung

BSc (Hons), MRICS, MHKIS, RPS(GP),
MCIREA REGISTERED REAL ESTATE APPRAISER PRC

Director

Valuation and Advisory Services

Note: Jason Fung is a Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice), a member of the China Institute of Real Estate Appraisers and Agents and a registered Real Estate Appraiser PRC with over 14 years' experience in the real estate industry. His valuation experience covers Hong Kong SAR, mainland China and other Asia regions.

SUMMARY OF VALUATIONS

Property	Market value in its existing state as at 31 May 2022 (HKD)	Effective interest attributable to the Group	Market value in its existing state as at 31 May 2022 attributable to the Group (HKD)
(a) Property Interests in Hong Kong which the Company is considering disposing			
1 House 11 of 1 Shouson Hill Road East, No. 1 Shouson Hill Road East, Hong Kong	198,000,000	100%	198,000,000

Property	Market value in its existing state as at 31 May 2022 (USD)	Effective interest attributable to the Group	Market value in its existing state as at 31 May 2022 attributable to the Group (USD)
(b) Property Interests in the US which the Company is considering acquiring			
2 1470 Virginia Road, San Marino, CA 91108, the United States of America	14,500,000	100%	14,500,000

VALUATION PARTICULARS

(a) Property Interests in Hong Kong which the Company is considering disposing:

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 May 2022
1	House 11 of 1 Shouson Hill Road East, No. 1 Shouson Hill Road East, Hong Kong 2,686/61,982 shares of Rural Building Lot No. 1130	The Property comprises a three-storey house over two car parking spaces (Nos. 11A & 11B) on the basement floor of a house development namely "1 Shouson Hill Road East". According to the Occupation Permit No. H74/99, it was completed in about 1999. As per the information provided and our scale-off measurement on the approved building plans, the saleable area of the Property is approximately 2,656.56 sq. ft., excluding garden/terrace/yard of approximately 390.73 sq. ft. and top roof of approximately 628.62 sq. ft.. The subject lot, Rural Building Lot No. 1130, is held under Conditions of Exchange No. 12388 for a term commencing from 2 April 1996 and expiring on 30 June 2047. The annual Government Rent payable is as specified in General Condition No. 1 of Conditions of Exchange No. 12388 (RBL 1130).	The Property is currently vacant.	HKD198,000,000 (Hong Kong Dollars One Hundred Ninety Eight Million)

Notes:

- (1) The ownership particulars of the Property and interest valued are as follows:

Lot Number	:	Rural Building Lot No. 1130
Lease Terms	:	Held under Conditions of Exchange No. 12388 for a term of commencing from 2 April 1996 and expiring on 30 June 2047
Registered Owner	:	Max Grand Properties Limited by an assignment dated 10 August 2018, registered vide Memorial No. 18082902440046.
Government Rent	:	As specified in General Condition No. 1 of Conditions of Exchange No. 12388 (RBL 1130)

- Major Encumbrances** :
- Certificate of Compliance dated 3 February 2000, registered vide Memorial No. UB7984758 (Remarks: From District Lands Office, HK South Lands Department to Full Rise Limited);
 - Occupation Permit dated 23 December 1999, registered vide Memorial No. UB7998754;
 - Deed of Mutual Covenant and Management Agreement with Plans in favour of Shouson House 11 Ltd. dated 10 December 2004, registered vide Memorial No. UB9419548; and
 - Mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited dated 27 January 2022, registered vide Memorial No. 22022202050086.

- (2) The Property was inspected by Jason Fung and Rachel Chin on 23 June 2022.
- (3) The Property is erected on the Rural Building Lot No. 1130, which is held under Conditions of Exchange No. 12388 for a term of commencing from 2 April 1996 and expiring on 30 June 2047.
- (4) The Property falls within an area zoned as “Residential (Group C)3” under Approved Shouson Hill & Repulse Bay Outline Zoning Plan No. S/H17/13 exhibited on 15 November 2013.

(b) Property Interests in the US which the Company is considering acquiring:

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 May 2022
2	1470 Virginia Road, San Marino, CA 91108, the United States of America	<p>The Property comprises a 2-storey Spanish style detached custom home with 1-level basement, a residential estate with a gross floor area of approximately 7,877 sq. ft. The site area of the Property is 1.15 acres.</p> <p>The Property consists of 6 bedrooms, 6.2 bathrooms, living room, dining room, family room, den room, kitchen, butler's kitchen, elevator, gym room, wine area, game room, pool, spa, gazebo, yard, and a three-car garage.</p> <p>The Property is a new custom home built in 2021 with very good to excellent upgrades throughout and well maintained and considered in overall very good condition.</p> <p>The land portion of the Property is held under a fee simple interest.</p>	The Property is currently vacant.	<p>USD14,500,000</p> <p>(United States Dollars Fourteen Million Five Hundred Thousand)</p>

Notes:

- (1) The Property was inspected by Paul Myers on 16 June 2022. As evidenced by his inspection, the Property appears to be maintained in excellent condition.
- (2) According to Grant Deed Title Order No. LA1461983, Document No. D2014.883215, the Property (AP#: 5328-021-008) is granted to Century Winner, Inc., a California Corporation.
- (3) The Property is situated on Parcel No. 5328-021-008, zoned under "(R-1)", where the permitted uses include Single-Family Dwelling.
- (4) The general description and market information of the Property is summarised below:

Residential Market in the locality:

The Property is located in the City of San Marino, California in Los Angeles County. While COVID-19 has impacted many types of real estate, the overall condition and appeal of the market area is generally good and is expected to see growth in the foreseeable future.

Transportation:	The Property has frontage onto Virginia Road and the accessibility of the Property is considered good. It is close to several major freeways and to public transportation. The 210 freeway and 710 freeway are within three miles and five miles of the Property, respectively.
Nature of Surrounding Area:	<p>The subject neighborhood is an exclusive high-end community called San Marino in the San Gabriel Valley area near Pasadena and South Pasadena Areas.</p> <p>The neighborhood is bound by California Boulevard to the north, Garfield Avenue to the west, city limits to the south, and San Gabriel Boulevard to the east.</p> <p>The Property is on a quiet residential street, primarily surrounded by large older single-family homes on larger lots.</p> <p>The subject lot is mostly level with a slight up slope along the back and side, across the street is Lacy Park with good appeal and walkways, 2 blocks from the Huntington Library.</p>

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have pursuant to such provisions of the SFO); (ii) entered in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company were as follows:

Long position in the Shares

Name	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
CHAN William	Interest in a controlled corporation (<i>Note 1</i>)	97,104,000	25.86
	Other interest (<i>Note 2</i>)	18,153,211	4.83
	Beneficial owner	<u>33,700,000</u>	<u>8.98</u>
		<u>148,957,211</u>	<u>39.67</u>
NG Tak Kwan	Beneficial owner	63,024,000	16.79
LO Hoi Wah, Heywood	Beneficial owner	64,166	0.02

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company is 100% owned by Rykadan Holdings Limited which in turn is 100% held by CHAN William. CHAN William is also the sole director of Tiger Crown Limited and Rykadan Holdings Limited.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement. Hence, CHAN William is also deemed to be interested in the 18,153,211 shares of the Company owned by Scenemay Holdings Limited.
3. All the shares of the Company shown in the table above are ordinary shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director and chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have pursuant to such provisions of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the interests and short positions of the Shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:—

Long position in the Shares

Name	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Rykadan Holdings Limited	Interest in a controlled corporation (<i>Notes 1 and 2</i>)	148,957,211	39.67

Name	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Tiger Crown Limited (<i>Note 1</i>)	Beneficial owner	97,104,000	25.86
	Other interest (<i>Note 2</i>)	<u>51,853,211</u>	<u>13.81</u>
		<u>148,957,211</u>	<u>39.67</u>
Scenemay Holdings Limited	Beneficial owner	18,153,211	4.83
	Other interest (<i>Note 2</i>)	<u>130,804,000</u>	<u>34.84</u>
		<u>148,957,211</u>	<u>39.67</u>
LI Chu Kwan	Interest in a controlled corporation (<i>Note 3</i>)	18,153,211	4.83
	Other interest (<i>Note 2</i>)	<u>130,804,000</u>	<u>34.84</u>
		<u>148,957,211</u>	<u>39.67</u>
LI Wing Yin	Interest in a controlled corporation (<i>Note 3</i>)	18,153,211	4.83
	Other interest (<i>Note 2</i>)	<u>130,804,000</u>	<u>34.84</u>
		<u>148,957,211</u>	<u>39.67</u>

Notes:

1. Tiger Crown Limited is 100% owned by Rykadan Holdings Limited which in turn is 100% held by CHAN William. Rykadan Holdings Limited is therefore deemed to be interested in the 97,104,000 shares of the Company beneficially owned by Tiger Crown Limited as well as the 51,853,211 shares of the Company in which Tiger Crown Limited is deemed to be interested as described in Note 2 below.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company and are parties to an agreement under Section 317 of the SFO, pursuant to the provisions of the SFO, each of them is deemed to be interested in the shares of the Company owned by the other parties to the agreement.
3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 18,153,211 shares of the Company beneficially owned by Scenemay Holdings Limited.
4. All the shares of the Company shown in the table above are ordinary shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director and chief executive of the Company, no other persons or companies had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company had entered into, or proposed to enter into, any service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date:

- (a) save for the interests (direct and indirect) of Mr. Chan (and his spouse, Mrs. Chan) in the Proposed Acquisition, the Proposed Disposal and the Possible Unwinding Transaction as contemplated under the Master Agreement, the US Property Agreement and the HK PropCo Agreement, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.; and
- (b) save for the interests (direct and indirect) of Mr. Chan (and his spouse, Mrs. Chan) in the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction), none of the Directors was materially interested, directly or indirectly, in any contract or arrangement which is subsisting at the date of this circular and is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed directors of the Company or his respective close associates was interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinion or advice contained in this circular:

Name	Qualification
Innovax Capital Limited	A corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Colliers International (Hong Kong) Limited	Independent professional valuer

As at the Latest Practicable Date, the above experts:

- (a) did not have any shareholding, either directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) had given and had not withdrawn their written consents to the issue of this circular with the inclusion of and references to their names, letters and/or reports in the form and context in which they respectively appear.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years preceding the Latest Practicable Date and which are, or may be, material:

- (a) the contract notes dated 14 December 2020 entered into by the Company as purchaser with certain shareholders of the Company as sellers for buying back a total of 102,000,000 Shares at a price of HK\$0.68 per Share pursuant to the cash

offer made by Dongxing Securities (Hong Kong) Company Limited on behalf of the Company upon the terms and conditions as set out in the offer document issued by the Company on 30 October 2020;

- (b) the loan agreements dated 21 January 2021 (Canada time 20 January 2021) entered into by Triple-I Capital Partners Limited, an indirect wholly-owned subsidiary of the Company (as lender) (the “**Triple-I Capital**”), respectively with (i) Terra Bona Cacoeli 7115 Yonge Ltd. and Terra Bona Acquisition Ltd. (as borrowers) and Majid Sarkar Tavakoli, Kasey Ho-Cheung Wong and Jedidiah Kit Wah Liu (as guarantors) (the “**Guarantors**”) pursuant to which Triple-I Capital agreed to grant a mortgage loan in the principal amount of CAD6,500,000 to the borrowers; and (ii) Terra Bona Cacoeli 7115 Yonge Ltd. and Terra Bona Developments Ltd. (as borrowers) and the Guarantors pursuant to which Triple-I Capital agreed to grant a mortgage loan in the principal amount of CAD1,500,000 to the borrowers, both for a term of 12 months;
- (c) the loan agreement dated 16 April 2021 (Canada time 15 April 2021) entered into by Triple-I Capital (as lender) with 12411300 Canada Inc. (as borrower) and Volodymyr Burko and Tacquinn David Soochan (as personal guarantors) and 7925395 Canada Corporation and TS Pharmaceuticals Ltd (as corporate guarantors) pursuant to which Triple-I Capital agreed to grant a mortgage loan in the principal amount of CAD6,400,000 to the borrower for a term of 12 months;
- (d) the subscription agreement dated 28 September 2021 entered into by Rykadan Real Estate Fund GP Limited (“**Rykadan Fund GP**”), an indirect wholly-owned subsidiary of the Company and the general partner of Rykadan Real Estate Fund LP (“**Rykadan Fund**”), pursuant to which Rykadan Fund GP agreed to apply to increase its commitment in Rykadan Fund and to fund HK\$15,750,000 in its partnership interest in Rykadan Fund; and
- (e) the Master Agreement.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company is at Rooms 2701 & 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Mr. Lui Man Kit who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

- (e) This circular is made in English and Chinese. In case of any inconsistency, the English version shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on both the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.rykadan.com>) for a period of 14 days from the date of this circular:

- (a) the Master Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 40 to 83 of this circular;
- (d) the valuation report of the HK Property and the US Property issued by Colliers International (Hong Kong) Limited, the text of which is set out in Appendix II to this circular;
- (e) the written consent of Innovax Capital Limited referred to in the section headed "Qualification and Consent of Experts" in this appendix; and
- (f) the written consent of Colliers International (Hong Kong) Limited referred to in the section headed "Qualification and Consent of Experts" in this appendix.

NOTICE OF EGM



RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Rykadan Capital Limited (the “**Company**”) will be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 September 2022 at 4:30 p.m. (or soon thereafter as the 2022 annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place has been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution (with or without modifications). Unless the context requires otherwise, the terms used herein shall have the same meanings as those used in the circular to the shareholders of the Company (the “**Shareholders**”) dated 19 August 2022 (the “**Circular**”).

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Master Agreement dated 17 June 2022 entered into among Worth Celestial Limited, Harbour Best Investments Limited, Century Winner Inc, Rykadan Carlyle South LLC, William Chan and Madeline Ng (a copy of which has been marked “A” and produced to the EGM and initialled by the chairman of the EGM for the purpose of identification) and the transactions and possible transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction (all such capitalised terms as defined in the Circular)) be and are hereby approved, confirmed and/or ratified; and
- (b) any one or more of the directors of the Company be and is/are hereby authorised for and on behalf of the Company to approve, execute any further instrument, deed, agreement or document, waiver and/or amendment and to do all such acts and things as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient for the Company and/or any of its subsidiaries to give effect to the Master Agreement and the transactions and possible transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction (all such capitalised terms as defined in the Circular)) and all matters incidental thereto or in connection therewith.”

NOTICE OF EGM

By Order of the Board
Rykadan Capital Limited
宏基資本有限公司
Lui Man Kit
Company Secretary

Hong Kong, 19 August 2022

Notes:

1. All resolution(s) at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more (if he holds more than one Share) proxies to attend and vote instead of him. If more than one proxy is appointed, the appointment shall specify the number of shares of the Company (the “**Shares**”) in respect of which each such proxy is so appointed. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the said form of proxy shall be deemed to be revoked.
4. For determining the qualification of members to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 September 2022 to Thursday, 8 September 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible as members to attend and vote at the EGM, all transfer documents, accompanied by the relevant Shares certificates, must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 September 2022.
5. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong 2 hours before the scheduled time of the EGM, the EGM will be adjourned. The Company will post an announcement on the Company’s website and the Stock Exchange’s website to notify Shareholders of the date, time and place of the adjourned meeting. The meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.
6. In view of the ongoing COVID-19 pandemic and in line with the Hong Kong Government’s directive on social distancing, personal and environmental hygiene, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:
 - (a) Compulsory temperature screening/checks will be carried out on every attendee at the main entrance of the venue. Any person with a body temperature above the reference range quoted by the Department of Health, or is exhibiting flu-like symptoms or is otherwise unwell may be denied entry into the venue and be requested to leave the venue.
 - (b) Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks.

NOTICE OF EGM

- (c) There will be no distribution of gifts and no provision of beverages and refreshments attendees at the EGM.
- (d) Every attendee will be required to complete scan the “LeaveHomeSafe” venue and vaccination record QR codes and comply with the requirements of the “Vaccine Pass Direction”, prior to entry into the EGM venue.

Attendees are in addition requested to observe and practise good personal hygiene at all times. Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government’s prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company to the extent permitted by law.

- 7. The Company wishes to strongly advise Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.
- 8. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements on short notice. Shareholders should check the Company’s website for future announcements and updates on the EGM arrangements.

As at the date of this notice, 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.