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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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)**

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN A  
PROPERTY HOLDING COMPANY  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 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 19 to 41 of this circular.

A notice convening the EGM to be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 16 September 2024 at 4:30 p.m. (or soon thereafter as the 2024 annual general meeting of the Company to be held at 3 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-2 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.

Hong Kong, 30 August 2024

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## DEFINITIONS

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

“Acquisition”	the acquisition of the RH Sale Shares and the RH Sale Loan by the RH Purchaser from the RH Vendors pursuant to the RH PropCo Agreement
“Acquisition Condition(s)”	the conditions precedent to RH Completion as set out in the section headed “The RH PropCo Agreement – Conditions precedent to RH Completion” in the Letter from the Board of this circular
“Acquisition Consideration”	the aggregate consideration payable by the RH Purchaser to the RH Vendors for the RH Sale Shares and the RH Sale Loan in the manner as set out in the section headed “The RH PropCo Agreement – The Acquisition Consideration and payment terms” in the Letter from the Board of this circular
“Adjusted Consideration”	has the meaning ascribed to it in the section headed “The RH PropCo 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 “The RH PropCo Agreement – The Acquisition Consideration and payment terms – Determination of the Adjustment Payment” in the Letter from the Board of this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank”	The Hong Kong and Shanghai Banking Corporation Limited
“Bank Consent”	all necessary consent and approval from the Bank in respect of the RH PropCo Agreement and the transactions contemplated thereunder (including but not limited to the Bank’s consent to, subject to RH Completion, the substitution of the Existing RH Guarantees by the New RH Guarantee)
“Base Value”	has the meaning ascribed to it in the section headed “The RH PropCo Agreement – The Acquisition Consideration and payment terms – Determination of the Initial Consideration and Adjusted Consideration” in the Letter from the Board of this circular

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## DEFINITIONS

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“Board”	the board of Directors
“business day(s)”	a day (except Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning signal 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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 “The RH PropCo Agreement – The Acquisition 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
“EGM”	the extraordinary general meeting of the Company to be convened and held on 16 September 2024 for the purpose of considering and, if thought fit, approving the Acquisition or any adjournment thereof
“Existing RH Bank Loan”	the loan granted to the RH PropCo by the Bank, the outstanding principal amount of which as at 30 June 2024 was HK\$26,520,000
“Existing RH Guarantees”	the existing personal guarantees executed by Mr. Chan in favour of the Bank to guarantee the liabilities of the RH PropCo under the Existing RH Bank Loan
“Final Consideration”	has the meaning ascribed to it in the section headed “The RH PropCo Agreement – The Acquisition Consideration and payment terms – Determination of the Adjustment Payment” in the Letter from the Board of this circular
“Further Instalment”	has the meaning ascribed to it in the section headed “The RH PropCo Agreement – The Acquisition Consideration and payment terms” in the Letter from the Board of this circular

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## DEFINITIONS

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“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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. Ho Kwok Wah, George and Ms. Khan Sabrina, which has been established by the Company to make recommendation to the Independent Shareholders in respect of the Acquisition
“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 by the Company to advise the Independent Board Committee to make recommendation to the Independent Shareholders in respect of the Acquisition
“Independent Shareholder(s)”	Shareholder(s) other than Shareholders with a material interest in the Acquisition, 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 RH PropCo Agreement and the transactions contemplated thereunder
“Initial Consideration”	HK\$56,084,228
“Initial Instalment”	has the meaning ascribed to it in the section headed “The RH PropCo Agreement – The Acquisition Consideration and payment terms” in the Letter from the Board of this circular
“Initial NAV”	the NAV of the RH PropCo as at 30 June 2024 as computed based on the Management Accounts, being a negative amount of HK\$26,465,772
“Latest Practicable Date”	27 August 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Accounts”	the unaudited financial statements of the RH PropCo for the period from 1 April 2024 to 30 June 2024
“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 current tangible assets of the RH PropCo (excluding the RH Property) less the total liabilities of the RH PropCo (including without limitation the Existing RH Bank Loan but excluding the RH Sale Loan); as at 30 June 2024, the carrying value of the RH Property was approximately HK\$43,346,000
“New RH Guarantee”	the guarantee to be provided by the Company (or such other person(s) acceptable to the Bank to be procured by the RH Purchaser) in favour of the Bank to guarantee the liabilities of the RH PropCo under the Existing RH Bank Loan, in substitution of the Existing RH Guarantees
“RH Completion”	the completion of the sale and purchase of the RH Sale Shares and the assignment and taking up of the RH Sale Loan pursuant to the RH PropCo Agreement
“RH Completion Date”	the date of the RH Completion as set out in the section headed “The RH PropCo Agreement – RH Completion” in the Letter from the Board of this circular
“RH PropCo”	Cosmo Kingdom Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands and held as to 50% by each of Mr. Chan and Mrs. Chan as at the Latest Practicable Date
“RH PropCo Agreement”	the sale and purchase agreement dated 23 July 2024 entered into between the RH Purchaser and the RH Vendors in relation to the Acquisition
“RH Property”	House No. 53, Cedar Drive, The Redhill Peninsula, No. 18 Pak Pat Shan Road, Hong Kong

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## DEFINITIONS

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“RH Purchaser”	Worth Celestial Limited, a limited liability company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“RH Sale Loan”	the shareholder’s loan owing by the RH PropCo to Mr. Chan as at RH Completion
“RH Sale Share 1”	1 share of par value US\$1.00 of the RH PropCo which is legally and beneficially owned by Mr. Chan (being the RH Vendor 1), representing 50% of the entire issued share capital of the RH PropCo as at RH Completion
“RH Sale Share 2”	1 share of par value US\$1.00 of the RH PropCo which is legally and beneficially owned by Mrs. Chan (being the RH Vendor 2), representing 50% of the entire issued share capital of the RH PropCo as at RH Completion
“RH Sale Shares”	RH Sale Share 1 and RH Sale Share 2 collectively
“RH Vendor 1”	Mr. Chan
“RH Vendor 2”	Mrs. Chan
“RH Vendors”	Mr. Chan and Mrs. Chan collectively
“RH Vendors’ Warranties”	the representations, warranties and undertakings given by the RH Vendors under or pursuant to the RH PropCo Agreement
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the US
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chan William (陳偉倫)  
*(Chairman and Chief Executive 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. Ho Kwok Wah, George (何國華)  
Ms. Khan Sabrina (簡佩詩)

*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

30 August 2024

*To the Shareholders,*

Dear Sirs,

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN A  
PROPERTY HOLDING COMPANY  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

On 23 July 2024, the Board announced that the RH Purchaser (a direct wholly-owned subsidiary of the Company) and the RH Vendors entered into the RH PropCo Agreement, pursuant to which the RH Vendors have conditionally agreed to sell the RH Sale Shares and the RH Vendor 1 has conditionally agreed to assign the RH Sale Loan, and the RH Purchaser has conditionally agreed to purchase the RH Sale Shares and take up the assignment of the RH Sale Loan free from all encumbrances at the Initial Consideration of HK\$56,084,228, subject to adjustment (if any) in accordance with the terms of the RH PropCo Agreement.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information about the RH PropCo Agreement and the Acquisition; (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.

### THE RH PROPCO AGREEMENT

The principal terms of the RH PropCo Agreement are summarised as follows:

#### Date

23 July 2024

#### Parties

- (1) the RH Purchaser;
- (2) Mr. Chan (being the RH Vendor 1); and
- (3) Mrs. Chan (being the RH Vendor 2).

#### Asset to be acquired

Pursuant to the RH PropCo Agreement, the RH Vendors have conditionally agreed to sell the RH Sale Shares and the RH Vendor 1 has conditionally agreed to assign the RH Sale Loan, and the RH Purchaser has conditionally agreed to purchase the RH Sale Shares and take up the assignment of the RH Sale Loan free from all encumbrances.

Mr. Chan (being the RH Vendor 1) is the legal and beneficial owner of the RH Sale Share 1, representing 50% of the entire issued share capital of the RH PropCo; and Mrs. Chan (being the RH Vendor 2) is the legal and beneficial owner of the RH Sale Share 2, representing the remaining 50% of the entire issued share capital of the RH PropCo. The RH Sale Shares constitute the entire issued share capital of the RH PropCo.

The RH Sale Loan represents the entire unsecured, non-interest bearing and repayable on demand shareholder's loan owing by the RH PropCo to Mr. Chan as at the RH Completion Date. For information purpose only, the RH Sale Loan amounted to approximately HK\$40,294,000 as at 30 June 2024.

The RH PropCo is the sole registered and beneficial owner of the RH Property.

#### The Acquisition Consideration and payment terms

Pursuant to the RH PropCo Agreement, the total consideration for the RH Sale Shares and the RH Sale Loan (the "**Acquisition Consideration**") is the Initial Consideration in the amount of HK\$56,084,228, subject to adjustment (if any) to be calculated in accordance

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## LETTER FROM THE BOARD

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with certain agreed principles and based on the statement of financial position of the RH PropCo as at the RH Completion Date (the “**Completion Accounts**”) as further described below.

The Acquisition Consideration shall be payable in the following manner:

- (a) an initial payment in the sum of HK\$2,804,211 (the “**Initial Instalment**”), representing approximately 5% of the Initial Consideration, shall be paid in cash by the RH Purchaser to the RH Vendors within 7 days of the signing of the RH PropCo Agreement as part payment of the Acquisition Consideration;
- (b) a further payment in the sum of HK\$25,237,903 (the “**Further Instalment**”), representing approximately 45% of the Initial Consideration, shall be paid in cash by the RH Purchaser to the RH Vendors within 30 days of the signing of the RH PropCo Agreement (or such other date as the RH Purchaser and the RH Vendors may agree in writing) as further part payment of the Acquisition Consideration;
- (c) an amount equivalent to the Base Value (as adjusted based on the proforma Completion Accounts delivered by the RH Vendors to the RH Purchaser prior to the RH Completion Date) (the “**Adjusted Consideration**”) less the Initial Instalment and the Further Instalment, shall be paid in cash by the RH Purchaser to the RH Vendors at RH Completion; and
- (d) (where applicable) an amount equal to the Adjustment Payment (see below) shall be paid in cash by the RH Purchaser to the RH Vendors or by the RH Vendors to the RH Purchaser (as the case may be) in accordance with the terms of the RH PropCo Agreement.

The Initial Instalment had been paid to the RH Vendors by the RH Purchaser in accordance with the terms of the RH PropCo Agreement. Pursuant to the RH PropCo Agreement, the Further Instalment will be paid to the RH Vendors by the RH Purchaser on or before 13 September 2024.

### *Determination of the Initial Consideration and Adjusted Consideration*

The Initial Consideration equals to the agreed value of the RH Property of HK\$82,550,000 (the “**Base Value**”) less the Initial NAV of HK\$26,465,772.

The Adjusted Consideration mentioned in (c) above will be determined in the following manner:

- (i) if the NAV as computed based on the proforma Completion Accounts is more than the Initial NAV, the Adjusted Consideration will be equal to the Initial Consideration plus the amount of such excess;
- (ii) if the NAV as computed based on the proforma Completion Accounts is less than the Initial NAV, the Adjusted Consideration will be equal to the Initial Consideration less the amount of such shortfall; or

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## LETTER FROM THE BOARD

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- (iii) if the NAV as computed based on the proforma Completion Accounts is the same as the Initial NAV, the Adjusted Consideration will be the same as the Initial Consideration.

### *Determination of the Adjustment Payment*

The Adjustment Payment will be determined in the following manner:

Within 3 business days from the RH Completion Date, the RH Purchaser may request for the proforma Completion Accounts to be audited. If there is any difference between the amount of the Adjusted Consideration and the consideration determined in the same manner at which the Adjusted 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 Adjusted Consideration is less than the Final Consideration) an amount equal to such shortfall is required to be paid by the RH Purchaser to the RH Vendors, or (ii) (if the Adjusted Consideration is more than the Final Consideration), an amount equal to such excess is required to be paid back to the RH Purchaser by the RH Vendors.

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

If, based on a review of the audited accounts of the RH PropCo for the year ended 31 March 2024, which is expected to be available before the deadline for the RH Purchaser to request for the proforma Completion Accounts to be audited, the RH Purchaser identifies any unreasonable differences between such audited accounts and the proforma Completion Accounts or any indication of irregularities in the proforma Completion Accounts, the RH Purchaser will request for the proforma Completion Accounts to be audited.

The Acquisition Consideration was determined after arm’s length negotiations between the RH Purchaser and the RH Vendors with reference to (i) the NAV of the RH PropCo as at the RH Completion Date and (ii) the value of the RH Property as agreed between the RH Purchaser and the RH Vendors of HK\$82,550,000 which was in turn determined based on the preliminary valuation of the RH Property by Knight Frank Petty Limited, an independent valuer.

As stated in the valuation report as set out in Appendix I to this circular, the valuer has adopted the market approach for the valuation of the RH Property, which we understand from the independent valuer is by comparing prices realised in actual transactions and/or asking price of comparable properties located in the surrounding area. According to 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;

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## LETTER FROM THE BOARD

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and (ii) in luxury properties market, the market approach adopted by the independent valuer is the preferred valuation approach and is a commonly adopted approach for property valuation.

We understand that the valuer has conducted thorough market research of available comparable properties for the valuation of the RH Property and selected four recent transactions of properties (the “**Comparable Properties**”). It is noted that the selection criteria of the Comparable Properties had taken into account, among others, (i) location, which should be located at the same area with a close proximity to the RH Property; (ii) similar property nature (i.e. luxury house); and (iii) time, which should be transacted within a reasonable period from the valuation date to ensure there were sufficient comparable properties that met the target characteristics. It is understood that three to four relevant transactions that meet the selection criteria are sufficient evidence for the valuation of the RH Property under market approach. With sufficient comparable properties that meet the target characteristics, and considering that comparable property transactions closer to the valuation date are generally more relevant and reliable, along with the valuer including the time factor as one of the adjustments in the valuation of the RH Property to reflect the price trends of the luxury residential properties market in Hong Kong between the transaction date of the respective Comparable Properties and the valuation date, the Directors consider that the selection period of 1.5 years is fair and reasonable. It is understood that these selection criteria are commonly used in the valuation practice. In light of the above, the Directors consider that the selection criteria of the Comparable Properties are fair and reasonable for the valuation of the RH Property.

It is noted that the Comparable Properties are (i) all located in Southern District and within 3.5 kilometres from the RH Property; (ii) all luxury houses in terms of property nature; and (iii) transacted between February 2023 to April 2024, which are within approximately 1.5 years from the valuation date. As the information of the Comparable Properties have fulfilled the selection criteria, it is considered that the Comparable Properties are exhaustive and representative for the valuation of the RH Property.

It is also noted that the valuer has taken into account various factors when comparing the RH Property and the Comparable Properties, including but not limited to, time of transaction, house size, provision of ancillary area and facilities and building quality. The Comparable Properties range from approximately HK\$25,870 to HK\$34,730 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, it is noted that appropriate adjustments have been made by the valuer on the above factors to reflect the difference between the RH Property and the respective Comparable Properties. The adjustments include (i) location; (ii) building age; (iii) view; (iv) size; (v) timing of transaction; and (vi) other material factors such as building quality and provision of ancillary areas. These adjustments resulted in a percentage range of aggregate adjustments amongst the Comparable Properties of approximately -6.3% to 14.0%. After taking into account of the aforementioned adjustments, the valuer had adopted a unit rate of approximately HK\$31,540 per sq. ft. for the valuation of the RH Property. Given that the saleable

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## LETTER FROM THE BOARD

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area of the RH Property is approximately 2,623 sq. ft., the valuation of the RH Property is estimated to be approximately HK\$82.6 million as at 30 June 2024 as set out in the valuation report after taking into account of the estimated reinstatement cost of HK\$0.45 million for the unauthorised building works identified.

It is understood that the aforementioned valuation adjustments are commonly used in the valuation practice. As relevant and appropriate adjustments have been made by the valuer to reflect the difference between the respective Comparable Properties and the RH Property, the Directors considered such adjustments are fair and reasonable for the valuation of the RH Property.

In the course of the valuation, the valuer has assumed a good and marketable title and that all documentation is satisfactorily drawn. The valuer has also assumed that the RH Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

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

### **Conditions precedent to RH Completion**

RH Completion is subject to and conditional upon the fulfilment or waiver in writing (as the case may be) of the Independent Shareholders' Approval Condition and the following conditions:

- (a) save as disclosed, the RH PropCo being able to prove and give a good title to the RH Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) free from encumbrances but subject to the security documents under the Existing RH Bank Loan;
- (b) the RH Vendors having obtained the Bank Consent on or before the RH Completion Date and such Bank Consent not having been withdrawn or cancelled on or before the RH Completion Date;
- (c) there being no breach of the RH Vendors' Warranties as at the date of the RH PropCo Agreement or as at RH Completion;
- (d) the RH Purchaser being reasonably satisfied with the physical due diligence on the RH Property; and

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## LETTER FROM THE BOARD

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- (e) the RH Purchaser having completed its due diligence review on the RH PropCo, including without limitation, its state of affairs, assets and liabilities, the business, financial, taxation and legal aspects and being reasonably satisfied with the results thereof and there being no matter appearing to the RH Purchaser from such due diligence which in the reasonable opinion of the RH Purchaser may adversely affect the value of the RH Sale Shares and/or the RH Sale Loan.

The Acquisition Conditions mentioned in (c), (d) and (e) above may be waived by the RH Purchaser by written notice in whole or in part and such waiver may be made subject to such terms and conditions as the RH Purchaser may require by written notice to the RH Vendors, while the Independent Shareholders' Approval Condition and the Acquisition Conditions mentioned in (a) and (b) above may not be waived by any party to the RH PropCo Agreement.

As at the Latest Practicable Date, the Bank has required the provision of the New RH Guarantee in connection with the Bank Consent. As negotiation with the Bank is still ongoing, whether or not the Bank will require additional security or guarantee for it to grant the Bank Consent is yet to be determined and finalised.

As at the Latest Practicable Date, none of the Acquisition Conditions set out above has been fulfilled or waived.

### **RH Completion**

Subject to fulfilment (or where applicable, waiver) of the Acquisition Conditions, RH Completion shall take place on the date falling on the second day after the fulfilment or waiver of the Acquisition Conditions or 30 November 2024, whichever is earlier (or on such other date as the RH Purchaser and the RH Vendors may agree in writing).

Upon the RH Completion, the RH PropCo will be held as to 100% by the RH Purchaser and through the RH PropCo, the RH Property will be indirectly wholly-owned by the RH Purchaser.

### **INFORMATION ON THE RH PROPCO AND THE RH PROPERTY**

The RH PropCo is a limited liability company incorporated under the laws of the British Virgin Islands and principally engaged in investment holding and its main asset is the RH Property.

The RH Property is located at House No. 53, Cedar Drive, The Redhill Peninsula, No. 18 Pak Pat Shan Road, Hong Kong. The RH Property, which comprises four floors with roof and car port on the ground floor, is a residential property with a gross floor area of approximately 241 sq. m.. The RH Property is currently occupied by the RH Vendors and vacant possession will be delivered to the RH Purchaser on RH Completion. The RH Property was acquired indirectly by the RH Vendors through their investment vehicle, namely, the RH PropCo, which acquired the RH Property at the purchase price of approximately HK\$56,000,000 in 2012. The RH Property is currently, and it is expected that

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## LETTER FROM THE BOARD

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after RH Completion the RH Property will remain, subject to a mortgage to secure the Existing RH Bank Loan which was obtained by the RH PropCo in 2012 to finance part of the consideration for its acquisition of the RH Property.

### *Financial information of the RH PropCo*

The unaudited financial information of the RH PropCo for the two financial years ended 31 March 2023 and 31 March 2024 are as follows:

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation	2,002	2,163
Loss after taxation	2,002	2,163

The unaudited net liabilities of the RH PropCo as at 30 June 2024 was approximately HK\$23,414,000.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Board believes that the Acquisition presents a favourable opportunity for the Group to expand its investment portfolio. Despite the decline in luxury residential property prices in Hong Kong in the last two years, which is attributable to factors including a high interest rate environment and external market uncertainties, the Group remains positive on the outlook of the luxury residential property market in Hong Kong.

The Board is of the view that the luxury residential property market in Hong Kong is nearing its bottom and anticipates a potential recovery in the near future, which is supported by expectations of an interest rate reduction by the US Federal Reserve starting in the second half of 2024, as well as various policies implemented by the Hong Kong Government, such as the relaxation of property cooling measures and mortgage policies, and the introduction of the New Capital Investment Entrant Scheme and the Top Talent Pass Scheme. By pursuing the Acquisition at this particular timing, the Group intends to hold the RH Property for the purpose of resale and aims to capture the anticipated market upturn and gain from potential price appreciation by realising the RH Property (where possible) in the near term.

### **INFORMATION ON THE PARTIES TO THE RH PROPCO AGREEMENT**

The Group operates and invests in real estate development, real estate investment, distribution of building materials and asset, investment and fund management. The RH Purchaser is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

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## LETTER FROM THE BOARD

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Mr. Chan is the Chairman, Chief Executive Officer and an Executive Director of the Company. Apart from his positions in the Company and being a substantial Shareholder, Mr. Chan is a private investor with years of experience in investments in properties.

Mrs. Chan is Mr. Chan's wife.

### LISTING RULES IMPLICATIONS

As the Acquisition is a transaction of a revenue nature in the ordinary and usual course of business of the Company, the Acquisition does not constitute a notifiable transaction pursuant to Rule 14.04(1)(g) of the Listing Rules and is therefore exempt from the requirements of Chapter 14 of the Listing Rules.

As Mr. Chan is the Chairman, Chief Executive Officer and an Executive Director of the Company, and Mrs. Chan is the spouse of Mr. Chan, thereby being an associate of Mr. Chan, the RH Vendors are connected persons of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Chan is considered to have a material interest in the RH PropCo Agreement and the Acquisition contemplated thereunder, he had abstained from voting on the resolution passed at the Board meeting to approve the RH PropCo Agreement and the Acquisition 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 Acquisition. Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 41 of this circular.

### EGM AND PROXY ARRANGEMENT

The EGM will be convened and held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 16 September 2024 at 4:30 p.m. (or soon thereafter as the 2024 annual general meeting of the Company to be held at 3 p.m. on the same day and at the same place has been concluded or adjourned) for the Independent Shareholders to



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## LETTER FROM THE BOARD

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consider and, if thought fit, approve the RH PropCo Agreement and the Acquisition contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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 Wednesday, 11 September 2024 to Monday, 16 September 2024, 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 Tuesday, 10 September 2024.

In accordance with the Listing Rules, any Shareholder with a material interest in the RH PropCo Agreement and the Acquisition contemplated thereunder will be required to abstain from voting on the resolution(s) to be proposed at the EGM. Mr. Chan, being the RH Vendor 1, is the Chairman, Chief Executive Officer and an Executive Director of the Company and therefore is considered to have a material interest in the Acquisition. Mr. Chan and his associates will abstain from voting on the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition. As at the Latest Practicable Date, Mr. Chan was interested in 148,957,211 Shares, representing approximately 39.67% of the total number of issued Shares.

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 Acquisition and is therefore required to abstain from voting on the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Having taken into account the reasons for and the benefits of the Acquisition as mentioned in this circular, 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) consider that the terms of the RH PropCo Agreement are fair and reasonable and the Acquisition is conducted on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the 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 Acquisition.

The Independent Board Committee, having taken into account the reasons for and the benefits of the Acquisition and its effects and the advice of the Independent Financial Adviser as set out in this circular, considers that the terms of the RH PropCo Agreement are fair and reasonable and the Acquisition is conducted on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition.

### ADDITIONAL INFORMATION

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

**Completion of the RH PropCo Agreement is conditional upon the fulfilment of the Acquisition Conditions, and the Acquisition 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

30 August 2024

*To the Independent Shareholders,*

Dear Sirs,

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN A  
PROPERTY HOLDING COMPANY**

We refer to the circular of the Company dated 30 August 2024 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised 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 Acquisition and on how to vote on the ordinary resolution to be proposed at the EGM to approve the Acquisition, 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 Acquisition are fair and reasonable and whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders on how to vote on the resolution(s) to be proposed at the EGM to approve the Acquisition. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 19 to 41 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 Acquisition and taken into account the advice and recommendation of Innovax, we are of the view that the terms of the RH PropCo Agreement are fair and reasonable and the Acquisition is conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition.

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

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

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

**Khan Sabrina**  
*(Independent Non-executive  
Director)*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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.*



*To the Independent Board Committee and the Independent Shareholders,*

30 August 2024

Dear Sirs,

### **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN A PROPERTY HOLDING COMPANY**

#### **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 RH PropCo Agreement entered into by the Group on 23 July 2024 and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in this circular (the “**Circular**”) dated 30 August 2024 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 announcements of the Company dated 23 July 2024 and 31 July 2024 that on 23 July 2024, the RH Purchaser (a direct wholly-owned subsidiary of the Company) and the RH Vendors, namely Mr. Chan, who is the Chairman, Chief Executive Officer and an executive Director of the Company, and his wife, Mrs. Chan, entered into the RH PropCo Agreement. Pursuant to the RH PropCo Agreement, the RH Vendors have conditionally agreed to sell the RH Sale Shares and Mr. Chan has conditionally agreed to assign the RH Sale Loan, and the RH Purchaser has conditionally agreed to purchase the RH Sale Shares and take up the assignment of the RH Sale Loan free from all encumbrances at the Initial Consideration of approximately HK\$56.1 million, subject to adjustment (if any) in accordance with the terms of the RH PropCo Agreement. Upon the RH Completion, the RH PropCo will be wholly-owned by the Group.

#### **LISTING RULES IMPLICATIONS**

As stated in the Letter from the Board, the Acquisition is a transaction of a revenue nature in the ordinary and usual course of business of the Company, the Acquisition does not constitute a notifiable transaction pursuant to Rule 14.04(1)(g) of the Listing Rules and is therefore exempt from the requirements of Chapter 14 of the Listing Rules. As Mr. Chan is the Chairman, Chief Executive Officer and an executive Director of the Company, and Mrs. Chan is the spouse of Mr. Chan, thereby being an associate of Mr. Chan, the RH

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Vendors are connected persons of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5.0%, the Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, Mr. To King Yan, Adam and Ms. Khan Sabrina, has been formed to consider whether the terms of the RH PropCo Agreement and the transactions contemplated thereunder 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 16 September 2024. Shareholders with a material interest in the RH PropCo 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 39.67% of the total number of issued Shares. Accordingly, Mr. Chan is considered to have a material interest in the RH PropCo 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.

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 master agreement entered into by the Group in relation to certain arrangements for a proposed acquisition of a property and a proposed disposal of certain issued share capital of a subsidiary, details of which can be referred to the circular of the Company dated 19 August 2022. 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 RH PropCo 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 RH PropCo Agreement; (ii) the Letter from the Board contained in the Circular therein; (iii) the annual report of the Company dated 28 June 2023 ("**Annual Report 2023**") and the annual report of the Company for the year ended 31 March 2024 dated 26 June 2024 ("**Annual Report 2024**"); (iv) the valuation report (the "**Valuation Report**") prepared by an

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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independent professional valuer, Knight Frank Petty Limited (the “**Valuer**”), on the RH Property; 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.

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 RH PropCo Agreement and the transactions contemplated thereunder, nor have we considered the taxation implication on the Group or the Shareholders as a result of the RH PropCo Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### I. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE RH PROPCO AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

In formulating our opinion and recommendations on the terms of the RH PropCo Agreement 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.

#### *Financial information of the Group*

Set out below is the summary of financial performance of the Group for the three years ended 31 March 2024 as extracted from the Annual Report 2023 and the Annual Report 2024:

	<b>For the year ended 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>	<b>86,942</b>	<b>87,695</b>	<b>104,388</b>
– Sales of completed properties	63,703	74,000	92,590
– Distribution of construction and interior decorative materials	0	0	6,019
– Asset, investment and fund management income	17,611	12,037	4,734
– Property management fee and utility income	538	128	132
– Rental income	5,090	1,530	913
<b>Gross profit (loss)</b>	<b>11,133</b>	<b>2,553</b>	<b>(27,302)</b>
<b>Loss for the year</b>	<b>(38,985)</b>	<b>(192,222)</b>	<b>(176,166)</b>
<b>Loss attributable to equity shareholders of the Company</b>	<b>(34,870)</b>	<b>(189,329)</b>	<b>(173,886)</b>

#### *Year ended 31 March 2022 compared to year ended 31 March 2023*

Based on the Annual Report 2023, the Group's consolidated revenue increased by 0.9% from HK\$86.9 million for the year ended 31 March 2022 to HK\$87.7 million for the year ended 31 March 2023. The consolidated revenue was primarily driven by the recurring income generated from the Group's asset, investment and fund management business, as well as the monetisation of property redevelopment projects in Hong Kong. The gross profit and gross profit margin of the Group were approximately HK\$2.6 million (2022: HK\$11.1 million) and 2.9% (2022: 12.8%) respectively.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the year ended 31 March 2023, the Group recorded a loss for the year of HK\$192.2 million and a loss of HK\$189.3 million attributable to equity shareholders of the Company, which was mainly attributable to the absorption of a substantial loss recognised by associates, which is principally engaged in property development business, due to the weak commercial property market sentiment and keen competition in Hong Kong, the absorption of losses incurred by joint ventures during the year resulting from the continuous adverse impact of the outbreak of COVID-19 pandemic and the increase in finance costs due to increase in interest rates.

### *Year ended 31 March 2023 compared to year ended 31 March 2024*

Based on the Annual Report 2024, the Group's consolidated revenue increased by 19.0% from HK\$87.7 million for the year ended 31 March 2023 to HK\$104.4 million for the year ended 31 March 2024. The increase in consolidated revenue was mainly attributable to the monetisation of property redevelopment projects in the Group's portfolio, partially offset by the decrease in recurring income generated from the Group's asset, investment and fund management business. For the year ended 31 March 2024, the Group recorded a gross loss of approximately HK\$27.3 million (2023: Gross profit of HK\$2.6 million) and a gross loss margin of 26.2% (2023: Gross profit margin of 2.9%) respectively, which was mostly attributable to gross loss recognised from the disposal of a property redevelopment project under soft market condition, writing down of a property redevelopment project during the year and the decrease in revenue for asset, investment and fund management which was unable to cover fixed operating costs.

For the year ended 31 March 2024, the Group recorded a loss of HK\$176.2 million and loss of HK\$173.9 million attributable to equity shareholders of the Company. Further to the aforementioned gross loss, the loss was mainly attributable to the absorption of losses incurred by associates as well as the joint ventures during the year as a result of the challenging macro environment, the recognition of impairment losses net of reversal on trade receivables and the recognition of impairment losses on interests in joint ventures.

Set out below is the summary of financial position of the Group as at 31 March 2022, 31 March 2023 and 31 March 2024 as extracted from the Annual Report 2023 and the Annual Report 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Total assets</b>	<b>1,591,071</b>	<b>1,358,091</b>	<b>1,147,602</b>
– <i>Investment properties</i>	362,500	158,700	154,500
– <i>Interests in associates</i>	330,911	213,489	178,766
– <i>Interests in joint ventures</i>	266,072	252,632	205,096
– <i>Properties for sale</i>	399,969	485,088	399,121
– <i>Bank deposits and cash on hand</i>	110,143	167,485	100,897
– <i>Loan to an associate</i>	0	7,169	40,000
<b>Total liabilities</b>	<b>359,284</b>	<b>328,199</b>	<b>296,131</b>
– <i>Bank loans</i>	331,592	312,799	276,093
<b>Net Assets</b>	<b>1,231,787</b>	<b>1,029,892</b>	<b>851,471</b>

As disclosed in the Annual Report 2023, the Group's total assets decreased by 14.6% to HK\$1,358.1 million as at 31 March 2023. This decline can be attributed to the reduction in the interests in associates, which involved the absorption of substantial loss from associates recognised during the year. Consequently, the net assets of the Group also decreased by 16.4% to HK\$1,029.9 million as at 31 March 2023.

Additionally, the Group's total liabilities decreased by 8.7% from HK\$359.3 million as at 31 March 2022 to HK\$328.2 million as at 31 March 2023. This reduction was primarily driven by the decrease in bank loans of approximately HK\$18.8 million, resulting mainly from the net drawn down of bank loans amounting to HK\$42.2 million and the disposal of a subsidiary that had a bank loan totalling HK\$61.1 million.

As disclosed in the Annual Report 2024, the Group's total assets further decreased by 15.5% to HK\$1,147.6 million as at 31 March 2024. The decrease was primarily attributed to (i) the reduction in the interests in associates and joint ventures during the year, which involved absorbing losses incurred by associates and joint ventures, as well as the impairment losses of the joint ventures; and (ii) the decrease in the properties for sale, resulting from the disposal of a property redevelopment project with a gross loss and the write-down of a property development project during the year.

Additionally, the Group's total liabilities decreased by 9.8% from HK\$328.2 million as at 31 March 2023 to HK\$296.1 million as at 31 March 2024. The reduction was mainly due to a decrease in bank loans of approximately HK\$36.7 million. As a result of these changes, the net assets of the Group decreased by 17.3% to HK\$851.5 million as at 31 March 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It is important to note that, as stated in the Annual Report 2024, the Group has failed to meet one of the financial covenants, specifically the net worth requirement stipulated in relevant banking facility agreements in relation to bank loans, amounting to an outstanding principal amount of HK\$185.0 million as at 31 March 2024. This breach could potentially allow the lending banks to declare the loans immediately due and payable.

Based on the Annual Report 2024 and our discussion with the Management, we understand that the executive Directors are actively engaging with the relevant bankers to secure the necessary waivers and are negotiating revised terms for the bank loans. As at the Latest Practicable Date, we understand that one of the banks has already granted a one-off waiver for the breach, while negotiations with another bank are ongoing, with no demand for immediate repayment of the loans made yet. The executive Directors are optimistic that the necessary waivers will be obtained, or mutually acceptable revised terms will be reached with the relevant bankers regarding the bank loans. In addition, the Directors are confident that in the event of a call for immediate repayment by the lending banks, there are adequate alternative sources of finance available to ensure the Group's continued operations without any threat.

### **B. BACKGROUND AND INFORMATION OF THE RH VENDORS, THE RH PROPCO AND RH PROPERTY IN RELATION TO THE ACQUISITION**

#### *Background of the RH Vendors*

The RH Vendors are Mr. Chan, who is the Chairman, Chief Executive Officer and an executive Director of the Company, and his wife, Mrs. Chan. Apart from the positions of Mr. Chan in the Company and being a substantial Shareholder, Mr. Chan is a private investor with years of experience in investments in properties.

#### *Information of the RH PropCo and the RH Property*

The RH PropCo is a limited liability company incorporated on 8 September 2011 in the British Virgin Islands and is principally engaged in investment holding. It is owned 50.0% by Mr. Chan and 50.0% by Mrs. Chan and its sole business is holding of the RH Property.

The RH Property is a residential property located at House No.53, Cedar Drive, The Redhill Peninsula, No. 18 Pak Pat Shan Road, Hong Kong. It comprises four floors with roof and car port on the ground floor with a gross floor area of approximately 241 sq. m.. The RH Property is currently occupied by the RH Vendors and vacant possession will be delivered to the RH Purchaser upon the RH Completion.

As stated in the Letter from the Board, the RH Property was acquired indirectly by the RH Vendors through their investment vehicle, namely the RH PropCo, which acquired the RH Property at the purchase price of approximately HK\$56.0 million in 2012. The RH Property is currently, and it is expected that after RH Completion the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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RH Property will remain, subject to a mortgage to secure the Existing RH Bank Loan which was obtained by the RH PropCo in 2012 to finance part of the consideration for its acquisition of the RH Property.

Based on the information provided by the Company, we noted that the RH Property does not have any major structural defects and is in good structural quality. However, upon comparing the existing layout of the RH Property with the latest approval plan from the Building Department, several unauthorized building works have been identified. It is noted that these unauthorized building works are not considered majorly detrimental and do not pose an immediate danger. With reference to the information provided by the Company and our discussion with the Management, we understand that the estimated cost to reinstate those unauthorised building works is HK\$0.45 million.

Set out below is the summary of the key financial information of the RH PropCo for the year ended 31 March 2023 and 31 March 2024 as extracted from the unaudited management accounts of the RH PropCo:

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	0	0
Gross profit	0	0
Loss before taxation	(2,002)	(2,163)
Loss for the year	(2,002)	(2,163)

For the year ended 31 March 2023 and 2024, given the RH Property was occupied by the RH Vendors, there were no revenue and gross profit for RH PropCo. The RH PropCo recorded a loss of approximately HK\$2.0 million and HK\$2.2 million for the year ended 31 March 2023 and 31 March 2024, respectively, which was mainly due to the depreciation incurred by the RH Property and the interest expenses incurred for the Existing RH Bank Loan.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 31 March</b>	
	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Total assets</b>	<b>44,738</b>	<b>43,669</b>
– <i>Properties, plant and equipment</i>	44,676	43,612
– <i>Bank balances and cash</i>	41	36
– <i>Receivables, prepayment and deposits</i>	21	21
<b>Total liabilities</b>	<b>65,449</b>	<b>66,544</b>
– <i>Amount due to Mr. Chan</i>	36,707	39,578
– <i>Bank loans</i>	28,740	26,964
– <i>Other payable</i>	2	2
<b>Net Liabilities</b>	<b>(20,711)</b>	<b>(22,875)</b>

As at 31 March 2023 and 31 March 2024, the RH PropCo had total assets amounting to HK\$44.7 million and HK\$ 43.7 million, respectively. The majority of this amount represents the RH Property, which has been accounted for as properties, plant and equipment at cost less accumulated depreciation.

The liabilities of the RH PropCo mainly consist of (i) the shareholder's loan due to Mr. Chan of HK\$36.7 million and HK\$39.6 million as at 31 March 2023 and 31 March 2024, respectively; and (ii) the bank loans granted to the RH PropCo secured by the RH Property of HK\$28.7 million and HK\$27.0 million as at 31 March 2023 and 31 March 2024, respectively, being the Existing RH Bank Loan.

As a result, the net liabilities of the RH PropCo amounted to HK\$20.7 million as at 31 March 2023 and HK\$22.9 million as at 31 March 2024. The gearing ratio of RH PropCo, calculated as total liabilities divided by total assets, was approximately 1.46 as at 31 March 2023 and 1.52 as at 31 March 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### C. Principal terms of the RH PropCo Agreement

On 23 July 2024, the RH Purchaser and the RH Vendors entered into the RH PropCo Agreement in respect of the Acquisition. The principal terms of the RH PropCo Agreement are as follow:

- Date                    23 July 2024
- Parties:                (1) the RH Purchaser, a direct wholly-owned subsidiary of the Company;
- (2) the RH Vendor 1, namely Mr. Chan; and
- (3) the RH Vendor 2, namely Mrs. Chan

#### *Assets to be acquired*

Pursuant to the RH PropCo Agreement, the RH Vendors have conditionally agreed to sell the RH Sale Shares and the RH Vendor 1 has conditionally agreed to assign the RH Sale Loan, and the RH Purchaser has conditionally agreed to purchase the RH Sale Shares and take up the assignment of the RH Sale Loan free from all encumbrances.

By acquiring the RH Sale Shares, the RH Purchaser is acquiring the entire issued share capital of the RH PropCo, which includes the RH Property, as the RH PropCo is the sole registered and beneficial owner of the RH Property. Details of the information of the RH PropCo and the RH Property can be referred to the section headed “B. Background and information of the RH Vendors, the RH PropCo and RH Property in relation to the Acquisition” above.

The RH Sale Loan represents the entire unsecured, non-interest bearing and repayable on demand shareholder’s loan owing by the RH PropCo to Mr. Chan as at the RH Completion Date. As at 30 June 2024, the RH Sale Loan amounted to approximately HK\$40.3 million.

#### *Conditions precedent to the RH Completion*

The RH Completion is subject to and conditional upon the fulfilment or waiver in writing (as the case may be) of the Independent Shareholders’ Approval Condition and the following conditions:

- (a) save as disclosed, the RH PropCo being able to prove and give a good title to the RH Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) free from encumbrances but subject to the security documents under the Existing RH Bank Loan;

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- (b) the RH Vendors having obtained the Bank Consent on or before the RH Completion Date and such Bank Consent not having been withdrawn or cancelled on or before the RH Completion Date;
- (c) there being no breach of the RH Vendors' warranties as at the date of the RH PropCo Agreement or as at RH Completion;
- (d) the RH Purchaser being reasonably satisfied with the physical due diligence on the RH Property; and
- (e) the RH Purchaser having completed its due diligence review on the RH PropCo, including without limitation, its state of affairs, assets and liabilities, the business, financial, taxation and legal aspects and being reasonably satisfied with the results thereof and there being no matter appearing to the RH Purchaser from such due diligence which in the reasonable opinion of the RH Purchaser may adversely affect the value of the RH Sale Shares and/or the RH Sale Loan.

The Acquisition Conditions mentioned in (c), (d) and (e) above may be waived by the RH Purchaser by written notice in whole or in part and such waiver may be made subject to such terms and conditions as the RH Purchaser may require by written notice to the RH Vendors, while the Independent Shareholders' Approval Condition and the Acquisition Conditions mentioned in (a) and (b) above may not be waived by any party to the RH PropCo Agreement.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Bank has required the provision of the New RH Guarantee in connection with the Bank Consent. As negotiation with the Bank is still ongoing, whether or not the Bank will require additional security or guarantee for it to grant the Bank Consent is yet to be determined and finalised. As at the Latest Practicable Date, none of the Acquisition Conditions set out above has been fulfilled or waived.

### ***The RH Completion***

Subject to fulfilment (or where applicable, waiver) of the Acquisition Conditions, RH Completion shall take place on the date falling on the second day after the fulfilment or waiver of the Acquisition Conditions or 30 November 2024, whichever is earlier (or on such other date as the RH Purchaser and the RH Vendors may agree in writing).

Upon the RH Completion, the RH PropCo will be held as to 100% by the RH Purchaser and through the RH PropCo, the RH Property will be indirectly wholly-owned by the RH Purchaser.

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### *The Acquisition Consideration and payment terms*

Pursuant to the RH PropCo Agreement, the Acquisition Consideration for the RH Sale Shares and the RH Sale Loan is the Initial Consideration in the amount of approximately HK\$56.1 million, subject to adjustment (if any) to be calculated in accordance with certain agreed principles and based on the statement of financial position of the RH PropCo as at the RH Completion Date as further described under the below paragraphs headed “*Determination of the Initial Consideration and the Adjusted Consideration*” and “*Determination of the Adjustment Payment*”.

The Acquisition Consideration shall be payable in the following manner:

- (i) an initial payment in the sum of HK\$2,804,211 (the “**Initial Instalment**”), representing approximately 5.0% of the Initial Consideration, shall be paid in cash by the RH Purchaser to the RH Vendors within 7 days of the signing of the RH PropCo Agreement as part payment of the Acquisition Consideration;
- (ii) a further payment in the sum of HK\$25,237,903 (the “**Further Instalment**”), representing approximately 45.0% of the Initial Consideration, shall be paid in cash by the RH Purchaser to the RH Vendors within 30 days of the signing of the RH PropCo Agreement (or such other date as the RH Purchaser and the RH Vendors may agree in writing) as further part payment of the Acquisition Consideration;
- (iii) an amount equivalent to the Base Value (as adjusted based on the proforma Completion Accounts delivered by the RH Vendors to the RH Purchaser prior to the RH Completion Date) (the “**Adjusted Consideration**” as described below) less the Initial Instalment and the Further Instalment, shall be paid in cash by the RH Purchaser to the RH Vendors at RH Completion; and
- (iv) (where applicable) an amount equal to the Adjustment Payment (see below) shall be paid in cash by the RH Purchaser to the RH Vendors or by the RH Vendors to the RH Purchaser (as the case may be) in accordance with the terms of the RH PropCo Agreement.

### *Determination of the Initial Consideration and the Adjusted Consideration*

The Initial Consideration equals to the agreed value of the RH Property of approximately HK\$82.6 million (the “**Base Value**”) less the Initial NAV of approximately HK\$26.5 million as at 30 June 2024, amounting to approximately HK\$56.1 million.

The Adjusted Consideration will be determined in the following manner:

- (i) if the NAV as computed based on the proforma Completion Accounts is more than the Initial NAV, the Adjusted Consideration will be equal to the Initial Consideration plus the amount of such excess;



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- (ii) if the NAV as computed based on the proforma Completion Accounts is less than the Initial NAV, the Adjusted Consideration will be equal to the Initial Consideration less the amount of such shortfall; or
- (iii) if the NAV as computed based on the proforma Completion Accounts is the same as the Initial NAV, the Adjusted Consideration will be the same as the Initial Consideration.

### *Determination of the Adjustment Payment*

Within 3 business days from the RH Completion Date, the RH Purchaser may request for the proforma Completion Accounts to be audited. If there is any difference between the amount of the Adjusted Consideration and the consideration determined in the same manner at which the Adjusted Consideration is arrived at but based on the audited Completion Accounts instead of the proforma 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 Adjusted Consideration is less than the Final Consideration) an amount equal to such shortfall is required to be paid by the RH Purchaser to the RH Vendors, or
- (ii) (if the Adjusted Consideration is more than the Final Consideration), an amount equal to such excess is required to be paid back to the RH Purchaser by the RH Vendors.

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

If, based on a review of the audited accounts of the RH PropCo for the year ended 31 March 2024 (which is expected to be available before the deadline for the RH Purchaser to request for the proforma Completion Accounts to be audited), the RH Purchaser identifies any unreasonable differences between such audited accounts and the proforma Completion Accounts or any indication of irregularities in the proforma Completion Accounts, the RH Purchaser will request for the proforma Completion Accounts to be audited.

We have reviewed and discussed with the Management regarding the calculation of the Acquisition Consideration and understand that the Acquisition Consideration was calculated based on (i) the Base Value; and (ii) the NAV of the RH PropCo, being the total current tangible assets of the RH PropCo (excluding the RH Property) less the total liabilities of the RH PropCo (including without limitation the Existing RH Bank Loan but excluding the RH Sale Loan).

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For illustrative purpose, based on the unaudited management account of the RH PropCo as at 30 June 2024, the Acquisition Consideration would be approximately HK\$56.1 million. Details of the calculation is set out below:

	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>
<b>Total tangible assets</b>	54
– Bank balances and cash	33
– Receivables, prepayment and deposits	21
<b>Total liabilities</b>	26,520
– the Existing RH Bank Loan	<u>26,520</u>
<b>Net liabilities, being the NAV</b>	<u><u>(26,466)</u></u>
The Base Value, being the agreed valuation of the RH Property	82,550
Less: The absolute amount of the above NAV	<u>(26,466)</u>
<b>The Acquisition Consideration</b>	<u><u>56,084</u></u>

(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 RH Purchaser and the RH Vendors with reference to (i) the NAV of the RH PropCo as at the RH Completion Date; and (ii) the value of the RH Property as agreed between the RH Purchaser and the RH Vendors of approximately HK\$82.6 million which was in turn determined based on the preliminary valuation of the RH Property by the Valuer. Please refer to the Valuation Report as set out in "APPENDIX I – VALUATION REPORT OF THE RH PROPERTY" for the valuation of the RH Property as at 30 June 2024.

(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 Cyrus Fong, 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 15 years of experience in property valuation in Hong Kong and various locations.

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

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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 RH Vendors and the RH Purchaser.

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.

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 RH Property conducted by the Valuer; (ii) internal background check; and (iii) 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 valuation.

*(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 RH Property as at the valuation date (i.e. 30 June 2024) would be approximately HK\$82.6 million. In conducting the valuation of the RH Property, the Valuer has also adopted the following assumptions: (i) the title for the RH Property is good and marketable and that all documentation is satisfactorily drawn, and that the RH property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing; (ii) no allowances for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may incurred in effecting a sale; (iii) all information given by the Company to the Valuer are complete and correct, and that no material facts are omitted from the information provided; (iv) the RH Property is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums; (v) documents and plans available to the Valuer are correct; (vi) the RH Property is in satisfactory condition and contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects; and no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the RH Property are sufficient to support the building constructed or to be constructed thereon, and that the services are suitable for any existing or future development; (vii) the RH Property is unaffected from any environmental contamination; (viii) excepted where otherwise stated, the RH Property

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is constructed, occupied, and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices, and that for all use of the RH Property all required licenses, permits, certificates, consents, approvals and authorizations have been obtained.

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 RH 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 RH Property from the Valuer and have conducted interview with the Valuer. The Valuer conducted thorough market research of available comparable properties for the valuation of the RH Property and selected four recent transactions of properties (the "**Comparable Properties**"). We noted that the selection criteria of the Comparable Properties had taken into account, among others, (i) location, which should be located at the same area with a close proximity to the RH 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 to ensure there were sufficient comparable properties that met the target characteristics. We understand from the Valuer that three to four relevant transactions that met the selection criteria are sufficient evidence for the valuation of the RH Property under market approach. With sufficient comparable properties that met the target characteristics, and considering that comparable property transactions closer to the valuation date are generally more relevant and reliable, along with the Valuer including the time factor as one of the adjustments in the valuation of the RH Property to reflect the price trends of the luxury residential properties market in Hong Kong between the transaction date of the respective Comparable Properties and the valuation date, we believe that the selection period of 1.5 years is fair and reasonable. 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 Comparable Properties are fair and reasonable for the valuation of the RH Property.

We have conducted independent research on the information of the Comparable Properties and noted that the Comparable Properties are (i) all located in Southern District and within 3.5 kilometre from the RH Property; (ii) all luxury houses in terms of property nature; (iii) transacted between February 2023 to April 2024, which are within approximately 1.5 years from the valuation date. As the information of the

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Comparable Properties have fulfilled the selection criteria, we are of the view that the Comparable Properties are exhaustive and representative for the valuation of the RH Property.

Based on our interview with the Valuer, we also noted the Valuer has taken into account various factors when comparing the RH Property and the Comparable Properties, including but not limited to, time of transaction, house size, provision of ancillary area and facilities and building quality. The Comparable Properties ranged from approximately HK\$25,870 to HK\$34,730 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 RH Property and the respective Comparable Properties. The adjustments included (i) location; (ii) building age; (iii) view; (iv) size; (v) timing of transaction; and (vi) other material factors such as building quality and provision of ancillary areas. These adjustments resulted in a percentage range of aggregate adjustments amongst the Comparable Properties of approximately -6.3% to 14.0%. After taking into account of the aforementioned adjustments, the Valuer had adopted a unit rate of approximately HK\$31,540 per sq. ft. for the valuation of the RH Property. Given that the saleable area of the RH Property is approximately 2,623 sq. ft., the valuation of the RH Property is estimated to be approximately HK\$82.6 million as at 30 June 2024 as set out in the Valuation Report after taking into account of the estimated reinstatement cost of HK\$0.45 million for the unauthorized building works identified.

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 Comparable Properties and the RH Property, we considered such adjustments to be fair and reasonable for the valuation of the RH 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 RH Property and we concurred with the Valuer that the selection of the Comparable Properties used in the valuation of the RH 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 RH Property are fair and reasonable and that the Valuation Report is an appropriate reference for determining the valuation of the RH Property.

Given the agreed value of the RH Property of approximately HK\$82.6 million for the determination of the Base Value and Acquisition Consideration is same as the fair value of the RH Property of approximately HK\$82.6 million as at 30 June 2024 as

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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 Acquisition as mentioned in the section headed “*D. Reasons and Benefits of entering into the RH PropCo 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.

### **D. REASONS AND BENEFITS OF ENTERING INTO THE RH PROPCO AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER**

As set out in the Letter from the Board, despite the decline in luxury residential property prices in Hong Kong in the last two years, the Group remains positive on the outlook of the luxury residential property market in Hong Kong. The Board is of the view that the luxury residential property market in Hong Kong is nearing its bottom and anticipates a potential recovery in the near future. Therefore, we have taken into account the following factors in assessing the reasonableness of the entering into of the RH PropCo Agreement and the transactions contemplated thereunder by the Group:

#### **(a) Outlook of the luxury residential property market in Hong Kong**

Due to the relatively high interest rate environment, the impact of COVID-19 and external market uncertainties, there was a decline in the luxury residential property prices in Hong Kong in the last two years. According to statistics from the Rating and Valuation Department, the annual price indices of private domestic units with a saleable area of 160 sq. m. or above decreased by approximately 5.6% in 2022 and 1.3% in 2023, respectively. This trend continued with a drop of 2.1% in the monthly price index in May 2024 compared to the monthly price index in December 2023.

However, the transaction volume in the luxury residential property market rebounded in the second quarter of 2024. Based on the data from the Research Centre of Midland Realty<sup>1</sup>, primary transactions of luxury residential properties valued at over HK\$50.0 million increased from 48 transactions in the second quarter of 2023 to 94 transactions in the second quarter of 2024. Additionally, secondary transactions of luxury residential properties valued at over HK\$50.0 million (excluding internal transfer transactions) increased from 31 transactions in the fourth quarter of 2023 and 25 transactions in the first quarter of 2024 to 57 transactions in the second quarter of 2024. This rebound in transaction volumes indicates that market sentiment on luxury residential property market improved in the second quarter of 2024.

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<sup>1</sup> Midland Realty is one of the leading property agency groups in Hong Kong. The data was extracted from the property market report published in January 2024 and July 2024 by the Research Centre of Midland Realty. Source of the data: <https://deluxe.midland.com.hk/en/deluxe-market-report>

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### **(b) Expectation on interest rate**

Under Hong Kong's Linked Exchange Rate System, the Hong Kong Dollar has been pegged to the US Dollar, and the interest rate in Hong Kong follows suit with the US Dollar. Since 2022, in an effort to address one of the highest inflation rates witnessed in the US, the US Federal Reserve has implemented a series of rate hikes on the benchmark rates. These rates have increased from a range of 0% to 0.25% in January 2022 to a range of 5.25% to 5.50% as of July 2023 through a total of 11 rate hikes.

By maintaining these elevated rates for a period of 12 months, the US inflation rate has shown signs of cooling down and stood at 3.0% as of June 2024. Consequently, market expectations are now shifting towards the belief that the rate has peaked and there is a potential reduction in interest rates during the second half of 2024. According to the CME FedWatch<sup>2</sup>, which monitors market sentiment and predictions on rate changes of US Federal Reserve, it is anticipated that the first rate cut of 0.25% will likely occur in September 2024. As a result, the interest rate in Hong Kong is expected to follow suit and decrease accordingly, leading to a reduction in mortgage costs. This reduction in borrowing costs could potentially drive stronger demand in the luxury residential property market in Hong Kong.

### **(c) Government policies on residential property market**

The property demand-side curbs, also known as “spicy measures”, including the buyer's stamp duty, special stamp duty, and new residential stamp duty were introduced in 2010 by the Hong Kong government to rein rising property prices. These measures increased the property purchase cost for investors and non-local buyers. In response to the current conditions of the Hong Kong property market, the government has removed these additional stamp duties since February 2024. This means that non-local buyers will no longer have to pay these additional stamp duties for home purchases, and local investors will not have to pay them for additional home purchases.

In addition, the Hong Kong Monetary Authority also announced the relaxation of mortgage rules in February 2024, allowing for increased mortgage lending to home buyers. The maximum loan-to-value ratios have been revised upwards. For self-use residential properties valued at HK\$35.0 million or above, the maximum loan-to-value ratio has been raised to 60.0% (previously 50.0%). Additionally, the maximum loan-to-value ratio for non-self-use residential properties has been revised up to 60.0% (previously 50.0%).

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<sup>2</sup> CME FedWatch is a tool developed by the Chicago Mercantile Exchange that aggregates data from the options market to gauge market participants' expectations regarding future changes in the US Federal Reserve's monetary policy, particularly regarding interest rates. Source of the data: <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

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Furthermore, in order to enrich the talent pool and attract investment, the Hong Kong government has introduced the Top Talent Pass Scheme at the end of 2022 and the New Capital Investment Entrant Scheme (“CIES”), which officially accepts applications starting from 1 March 2024. The CIES specifically targets high net worth individuals, as applicants are required to invest a minimum of HK\$30.0 million in eligible investment assets. According to the market report published by the Research Centre of Midland Realty in July 2024, mainland Chinese buyers accounted for approximately 84.4% and 61.5% of the primary and secondary transactions of luxury residential properties at over HK\$50.0 million in April 2024, respectively, a substantial increase from 74.2% and 36.4% in the first quarter of 2024. These figures were based on buyer names and transaction records from the Land Registry, specifically focusing on registrations with individual buyers involving amounts over HK\$50.0 million. It is expected that these high-net-worth individuals will drive demand for luxury residential properties in Hong Kong.

Taking into consideration of the above, we agree with the Board’s perspective that these favourable government policies should have a positive impact on the transaction volume and sentiment in the luxury residential property market in Hong Kong.

Therefore, it is not unreasonable for the Board to believe that the luxury residential property market in Hong Kong is approaching its bottom and to proceed with the Acquisition at this time to capitalize on the potential market upturn and gain from potential price appreciation by realising the RH Property in the near term.



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### (d) Finance resources of the Group

In assessing the financial resources of the Group for the Acquisition, 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		
	2022 HK\$'000 (audited)	2023 HK\$'000 (audited)	2024 HK\$'000 (audited)
Bank deposits and cash on hand	110,143	167,485	100,897
Bank loans	331,592	312,799	276,093
	For the year ended 31 March		
	2022 HK\$'000 (audited)	2023 HK\$'000 (audited)	2024 HK\$'000 (audited)
Net cash flow (used in)/generated from operating activities	(15,055)	(88,136)	678

While the Group recorded a net cash flow used in operating activities in both the years ended 31 March 2022 and 2023, amounting to HK\$15.1 million and HK\$88.1 million, respectively, the Group recorded a net cash flow generated from operating activities of HK\$0.7 million for the year ended 31 March 2024. 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 increased from HK\$110.1 million as at 31 March 2022 to HK\$167.5 million as at 31 March 2023. In the meantime, the Group's bank loans decreased from HK\$331.6 million as at 31 March 2022 to HK\$312.8 million as at 31 March 2023. As at 31 March 2024, the balance of bank deposits and cash on hand of the Group decreased to HK\$100.9 million and its bank loans decreased to HK\$276.1 million.

Although the Group has failed to meet one of the financial covenants as mentioned in the section headed "A. Background Information of the Group – Financial information of the Group", we confirmed with the Management that the Acquisition will not result in any additional breaches of covenants as stipulated in the relevant banking facility agreements. Furthermore, the Acquisition will not have a material impact on the Group's negotiations with the relevant banks to secure necessary waivers or revisions of banking facility terms.

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As set out in the Letter from the Board, the Group intends to fund the Acquisition Consideration by the Group's internal resources. It is estimated that the Group will have a net cash outflow of approximately HK\$56.1 million from the Acquisition. Given the Group had bank deposits and cash of HK\$100.9 million as at 31 March 2024, the Group should have sufficient financial resources to satisfy the payment for the Acquisition Consideration.

Taking into account that (i) the rebound of transaction volume on luxury residential property market; (ii) the interest rate is likely to reduce in the second half of 2024; (iii) the favourable government policies introduced; and (iv) the Group has sufficient financial resources to complete the Acquisition, we concur with the view of the Board that the entering into of the RH PropCo Agreement is conducted in the ordinary and usual course of business of the Group, and is commercially justifiable and in the interest of the Company and the Independent Shareholders as a whole.

### **E. Financial Impact of the Acquisition**

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

#### *The Acquisition*

##### *(a) Net assets*

Based on our discussion with the Management, it is expected by the Group that the Acquisition Consideration will be funded by the Group's internal resources. The Existing RH Bank Loan will be replaced by a new mortgage loan to be secured by the RH Property from the same bank.

Upon the RH Completion, the RH Property will be accounted for as property for sale and the Group's properties for sale is expected to increase accordingly. In addition, the Group's total current assets is expected to be increased by the net effect of the Base Value and the Acquisition Consideration and the Group's liabilities is expected to increase by the amount of the new bank loan to be secured by the RH Property.

##### *(b) Earnings*

Based on our discussion with the Management, it is expected that the Acquisition will not result in a material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income immediately upon the RH Completion. Upon the RH Completion, the RH PropCo will become a wholly-owned subsidiary of the Company and the financial results of the RH PropCo will be consolidated into the consolidated financial statements of the Group. The actual amount to be recorded in the financial statement of the Company will be subject to review by the auditor of the Company.

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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 RH PropCo 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 RH PropCo Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the RH PropCo Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole. 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 RH PropCo 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 18 and 13 years of experience in corporate finance industry, respectively.*

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 30 June 2024 of the Property Interests to be acquired by the Group.*



Knight Frank Petty Limited  
4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

30 August 2024

The Board of Directors  
Rykadan Capital Limited  
Rooms 2701, 27/F & 28/F, Rykadan Capital Tower  
135 Hoi Bun Road, Kwun Tong  
Hong Kong

Dear Sirs

**VALUATION OF HOUSE NO. 53, CEDAR DRIVE,  
THE REDHILL PENINSULA, 18 PAK PAT SHAN ROAD, HONG KONG  
(HEREINAFTER REFERRED TO AS THE “PROPERTY”)**

In accordance with the instructions to us from Rykadan Capital Limited (hereinafter referred to as the “**Company**”, together with its subsidiaries, hereinafter together referred to as the “**Group**”), to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2024 (the “**Valuation Date**”) for public disclosure purposes.

**Basis of Valuation**

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation – Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, Market Value is defined as:–

*“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 also understood as the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market Value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards 2020" issued by HKIS and "RICS Valuation – Global Standards" issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and Rule 11 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**").

Our valuation is based on 100% of the leasehold interest in the Property.

### **Valuation Methodology**

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In arriving at the market value of the Property, we have considered the Market Approach as relevant sale transactions are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions. To ensure fairness and reasonability of our valuation, we have made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include location, building age, building quality, time of transaction, size and other material factors.

### **Expertise**

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Mr. Cyrus Fong FRICS FHKIS RPS(GP) RICS Registered Valuer who has over 15 years of valuation experiences. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation – Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. Our valuation is prepared in an unbiased and professional manner.

**Valuation Assumptions and Conditions**

Our valuation is subject to the following assumptions and conditions:–

***Title Documents and Encumbrances***

We have conducted relevant land search from the Land Registry. We have not, however, examined the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

***Disposal Costs and Liabilities***

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

***Sources of Information***

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us such as floor areas, floor plans, and all other relevant matters. We have not verified the correctness of any information, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property interests or contained on the register of title. We assume that this information is complete and correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

***Inspection***

We have conducted internal and external inspection of the Property on 22 July 2024. Inspection of the Property was undertaken by Mr. Cyrus Fong FRICS FHKIS RPS(GP) RICS Registered Valuer, who has over 15 years of experience in valuing properties in Hong Kong. During the inspection, there are some unauthorized building works found in the Property. According to the Company, the vendors of Cosmo Kingdom Holdings Limited (“**Vendors**”), which in turn is the sole registered and beneficial owner of the Property, have represented to the purchaser of the Property (a subsidiary of the Company) that there is no investigation or litigation resulting from such unauthorized building work and the enquiries and public searches made on behalf of the purchaser of the Property did not reveal any such investigation or litigation either.

***Identity of the Property to be Valued***

We have exercised reasonable care and skill to ensure that the Property, identified by the property addresses in your instructions, are the Property inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

***Property Insurance***

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

***Areas and Age***

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the Property but have assumed that the site and floor areas shown on the documents and plans available to us are correct. Dimensions, measurements and areas included in the property valuation report are based on information provided to us and are, therefore, only approximations.

***Structural and Services Condition***

We have carried out a visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property are free from urgent or significant defects or items of disrepair, or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property were in satisfactory condition and contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects.

***Ground Condition***

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

***Environmental Issues***

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect the potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but an adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

***Compliance with Relevant Ordinances and Regulations***

We have assumed the Property was constructed, occupied, and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licenses, permits, certificates, consents, approvals, and authorisation have been obtained, expected only where otherwise stated.

**Remarks**

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

**Currency**

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).



**Area Conversion**

The area conversion factors in this report are taken as follows:

$$1 \text{ sq m} = 10.764 \text{ sq ft}$$

*We enclose herewith our valuation report.*

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Cyrus Fong**

FRICS FHKIS RPS(GP) RICS Registered Valuer

*Executive Director*

*Head of Valuation & Advisory, Greater China*

*Note:* Mr. Cyrus Fong is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region for various valuation purposes.

## VALUATION REPORT

## Property interests to be acquired by the Group for sale in Hong Kong

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2024
House No. 53, Cedar Drive, The Redhill Peninsula, 18 Pak Pat Shan Road, Hong Kong	The Property is situated on the western side of Cedar Drive in Tai Tam of the Southern District, which was completed in 1990.	The Property is owner occupied as at the Valuation Date.	HK\$82,550,000 (Hong Kong Dollars Eighty-Two Million Five Hundred and Fifty Thousand Only)
60/9100 shares of Section A of Rural Building Lot No. 1050	<p>The Property comprises Ground Floor to 3rd Floor, roof and car port on the Ground Floor of the development.</p> <p>Pursuant to the approved building plans, the total gross floor area of the Property is approximately 2,596 sq ft (241.199 sq m).</p> <p>As per the information provided by Rating and Valuation Department, the total saleable area of the Property is approximately 2,623 sq ft (or 243.7 sq m).</p> <p>The Property is held under Conditions of Sale No. 11461 for a term of 75 years renewable for 75 years commencing from 2 January 1981. The annual Government rent payable is HKD1,000 of RBL No. 1050.</p>		(100% interest attributable to the Group: HK\$82,550,000)

*Notes:*

- (1) Pursuant to the land register record obtained from the Land Registry, the registered owner of the Property as at the Valuation Date is Cosmo Kingdom Holdings Limited, by Assignment dated 15 March 2012, registered vide Memorial No. 12033001870373.
- (2) The Property is held under Conditions of Sale No. 11461 for a term of 75 years commencing from 2 January 1981 with a right of renewal for a further term of 75 years.
- (3) The development falls within an area zoned for “Residential (Group C) 2” uses under the Tai Tam & Shek O Outline Zoning Plan No. S/H18/10 exhibited on 16 May 2008. This zone is intended primarily for low-rise, low-density residential developments where commercial uses serving the residential neighbourhood may be permitted on application to the Town Planning Board.
- (4) The Property is subject to the following encumbrances:
  - (i) Modification Letter re RBL No. 1050 vide memorial no. UB3440104 dated 16 June 1987;
  - (ii) Modification Letter re RBL No. 1050 S.A S.B, S.C & R.P. vide memorial no. UB4085116 dated 18 May 1989;

- (iii) Modification Letter re RBL No. 1050 S.A S.B, S.C & R.P. vide memorial no. UB4213795 dated 27 September 1989;
  - (iv) Supplemental Deed Poll with plan (supplemental to m/n 3989988) re RBL No. 1050 S.A, S.B SS.1, S.B R.P., S.C, S.D & R.P. vide memorial no. UB4538811 dated 11 August 1990;
  - (v) Principle Deed of Mutual Covenant vide memorial no. UB4579713 dated 28 September 1990;
  - (vi) Sub-Deed of Mutual Covenant in favour of Mightyton Property Management Limited vide memorial no. UB4579714 dated 28 September 1990;
  - (vii) Occupation Permit No.H124/90 vide memorial no. UB4750109 dated 23 November 1990;
  - (viii) Certificate of Compliance to Mightyton Limited from Buildings and Lands Department Legal Advisory and Conveyancing Office (Hong Kong) vide memorial no. UB5577772 dated 4 March 1993;
  - (ix) Agreement for Sale and Purchase in favour of Cosmo Kingdom Holdings Limited dated 2 December 2011, registered vide Memorial No. 11121502030014;
  - (x) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 15 March 2012, registered vide Memorial No. 12033001870380;
  - (xi) Management Agreement in favour of Mightyton Property Management Limited as Manager (by estate owners' committee of the Redhill Peninsula) dated 16 June 2022, registered vide memorial no. 22071801160038; and
  - (xii) Management Agreement in favour of Protech Property Management Limited as the Management Agent (by Mightyton Property Management Limited) dated 16 June 2022, registered vide memorial no. 22071801160045.
- (5) In the course of our valuation of the Property, we have referred to sales transaction of residential houses, which are considered relevant to the Property in terms of property type, location, timing of transaction and other property characteristics. The unit rates of the adopted comparable transactions range from about HK\$25,870 to HK\$34,730 per square foot on saleable area basis. Adjustments in terms of location, building age, building quality, size and other material factors have been considered to reflect the differences between the comparable transactions and the Property, in arriving at the adopted unit rate of the Property.
- (6) According to the information provided, the total reinstatement cost of the unauthorized structure of the Property is HK\$450,000. We have taken into account of the reinstatement cost in the valuation. According to the Company, in view that currently there is no notice or order from any Government Authority or the management body of the RH Property requiring the reinstatement of any part of the RH Property, and the RH Property is to be delivered by the Vendors to the Group on an as-is basis, and it is also the intention of the Group to dispose of the RH Property on an as-is basis (where possible) in the near term, there is currently no plan for reinstatement, but reinstatement plan may be devised and implemented by the Group if the circumstances change and reinstatement becomes necessary.

**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 OF DIRECTORS AND CHIEF EXECUTIVE**

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 or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) 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 taken or deemed to have pursuant to such provisions of the SFO); or (b) entered in the register required to be kept under Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) were as follows:

**Long position in the Shares**

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of the issued share capital of the Company (%)</b>
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. DIRECTORSHIPS AND EMPLOYMENT OF THE DIRECTORS WITH COMPANIES HAVING DISCLOSEABLE INTERESTS**

As at the Latest Practicable Date, so far as was known to the Directors, Mr. Chan was also a director of Tiger Crown Limited which has an interest or short position 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.

Save as disclosed above, as at the Latest Practicable Date, no other Director or proposed Director was a director or employee of a company which has an interest or short position 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 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' COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors nor any proposed Director or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or their close associates were appointed to represent the interests of the Company and/or the Group.

**6. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS OF THE GROUP**

As at the Latest Practicable Date:

- (a) save for the interests (direct and indirect) of Mr. Chan (and his spouse, Mrs. Chan) in the Acquisition, 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 2024, 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 Acquisition, 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.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
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
Knight Frank Petty 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 2024, 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 herein of and references to their names, letters and/or reports in the form and context in which they respectively appear.

#### **9. DOCUMENTS ON DISPLAY**

A copy of the following documents will be published on the respective websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.rykadan.com](http://www.rykadan.com) for display for a period of 14 days from the date of this circular:

- (a) the RH PropCo Agreement;
- (b) the valuation report dated 30 August 2024 prepared by Knight Frank Petty Limited in connection with the RH Property as at 30 June 2024 as set out in Appendix I to this circular; and
- (c) the letters of consent from the experts as referred to in the section headed “Qualification and Consent of Expert” in this appendix.

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## NOTICE OF EGM

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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)**

**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 Monday, 16 September 2024 at 4:30 p.m. (or soon thereafter as the 2024 annual general meeting of the Company to be held at 3 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 30 August 2024 (the “**Circular**”).

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the entering into of the RH PropCo Agreement dated 23 July 2024 by Worth Celestial Limited with 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 Acquisition contemplated thereunder be and are hereby approved, confirmed and/or ratified; and
- (b) any one 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 to be necessary, appropriate, desirable or expedient to implement and/or give effect to the RH PropCo Agreement and the Acquisition contemplated thereunder and all matters incidental or ancillary thereto or in connection therewith.”

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

Hong Kong, 30 August 2024



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## NOTICE OF EGM

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*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 Wednesday, 11 September 2024 to Monday, 16 September 2024, 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 Tuesday, 10 September 2024.
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.

*As at the date of this notice, the Board comprises Mr. Chan William (Chairman and Chief Executive 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. Ho Kwok Wah, George and Ms. Khan Sabrina as independent non-executive Directors.*