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RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

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

THE MASTER AGREEMENT

The Board announces that on 17 June 2022, the HK Vendor (a wholly-owned subsidiary of the Company), the HK Purchaser (a company jointly owned by Mr. Chan and Mrs. Chan), the US Purchaser (a wholly-owned subsidiary of the Company), the US Vendor (a company jointly owned by Mr. Chan and Mrs. Chan), Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) entered into the Master Agreement.

THE PROPOSED ACQUISITION

Pursuant to the Master Agreement, subject to the fulfilment of the Signing Conditions, the US Vendor and the US Purchaser shall enter into the US Property Agreement pursuant to which the US Vendor shall agree to sell, and the US Purchaser shall agree to purchase, the US Property at the consideration of US\$14,500,000 (equivalent to approximately HK\$113,825,000). Upon the Acquisition Completion, the US Property will be 100% owned by the Group.

THE PROPOSED DISPOSAL AND THE PROPOSED JOINT VENTURE

Pursuant to the Master Agreement, subject to the fulfilment of the Signing Conditions, the HK Vendor and the HK Purchaser shall enter into the HK PropCo Agreement pursuant to which the HK Vendor shall conditionally agree to sell the Sale Shares and assign the Sale Loan, and the HK Purchaser shall conditionally agree to purchase the Sale Shares and take up the assignment of the Sale Loan, free from all encumbrances at the total consideration of HK\$158,400,000 (being 80% of the agreed value of the HK Property of HK\$198,000,000) subject to adjustments in accordance with the terms of the HK PropCo Agreement. For illustration purpose only, based on the consolidated management accounts of the HK PropCo as at 31 March 2022, the Disposal Consideration would be approximately HK\$108,721,000.

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

According to the Master Agreement, the US Property Agreement and the HK PropCo Agreement shall be entered into simultaneously after fulfilment of the Signing Conditions, but the Acquisition Completion will proceed first and the Disposal Completion will be conditional upon, among other things, the Acquisition Completion having taken place. If the Acquisition Completion has taken place but the Disposal Completion fails to take place by the Disposal Completion Date for whatever reason, the Possible Unwinding Transaction will be entered into to unwind the Proposed Acquisition.

LISTING RULES IMPLICATIONS

Notifiable Transactions

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

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

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

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

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

Connected Transactions

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

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

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction). Shareholders with a material interest in the Master Agreement and the transactions contemplated thereunder will be required to abstain from voting at the EGM.

As Mr. Chan is considered to have a material interest in the Master Agreement and the transactions contemplated thereunder, he had abstained from voting on the resolution passed at the Board meeting to approve the Master Agreement and the transactions contemplated thereunder.

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

A circular containing, among other things, (i) further information on the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required to be disclosed under the Listing Rules will be despatched to the Shareholders. To allow sufficient time for the preparation of the relevant information for inclusion in the circular, the notice convening the EGM is expected to be despatched to the Shareholders on or before 29 July 2022.

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

INTRODUCTION

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

A. THE MASTER AGREEMENT

The principal terms of the Master Agreement are summarised below:

Date

17 June 2022

Parties

- (1) the HK Vendor (a wholly-owned subsidiary of the Company);
- (2) the HK Purchaser (a company owned as to 50% by each of Mr. Chan and Mrs. Chan);
- (3) the US Purchaser (a wholly-owned subsidiary of the Company);

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

Subject of the Master Agreement

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

The US Property Agreement and the HK PropCo Agreement

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

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

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

Conditions precedent to Disposal Completion

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

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

(c) Acquisition Completion having taken place.

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

Acquisition Completion and Disposal Completion

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

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

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

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

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

Guarantee and Indemnity

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

B. THE US PROPERTY AGREEMENT

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

Date

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

Parties

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

Assets to be acquired

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

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

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

The Acquisition Consideration and payment terms

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

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

The Acquisition Consideration will be held by the Escrow Holder pending Acquisition Completion, and, subject to Acquisition Completion having taken place, will be released to the US Vendor in accordance with the US Property Agreement. If the US Purchaser fails to complete the Proposed Acquisition by reason of its default, the US Vendor shall retain the Initial US Deposit as liquidated damages.

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

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

Removal of contingencies

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

The US Purchaser's cancellation rights

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

The US Vendor's cancellation rights

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

Acquisition Completion

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

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

C. THE HK PROPCO AGREEMENT

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

Date

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

Parties

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

Assets to be disposed of

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

As at the date of this announcement, the HK Vendor is the legal and beneficial owner of all the issued shares of the HK PropCo and the HK Vendor has advanced to the HK PropCo shareholder's loan in the amount of approximately HK\$151,016,000. The Sale Shares, representing 80% of the entire issued share capital of the HK PropCo, and the Sale Loan, representing 80% of the amount of shareholder's loan owing by the HK PropCo to the HK Vendor at the Disposal Completion are proposed to be disposed of to the HK Purchaser pursuant to the HK PropCo Agreement. The HK PropCo is the sole shareholder of Subsidiary A, which in turn is the sole shareholder of Subsidiary B. Subsidiary B is the sole registered and beneficial owner of the HK Property which will, after Disposal Completion, remain to be subject to the mortgage created to secure the Existing Bank Loan obtained by the HK PropCo to finance its acquisition of Subsidiary A.

The acquisition by the Group of the entire issued share capital of, and shareholder's loan to, Subsidiary A (being the sole shareholder of Subsidiary B, which in turn holds the HK Property) was completed in January 2022. The original acquisition cost of the entire issued share capital of, and shareholder's loan to, Subsidiary A was approximately HK\$210,000,000.

The Disposal Consideration and payment terms

Pursuant to the HK PropCo Agreement, the total consideration for the Sale Shares and the Sale Loan shall be HK\$158,400,000 (the “**Base Value**”) (being 80% of the agreed value of the HK Property of HK\$198,000,000) subject to adjustments to be calculated in accordance with certain agreed principles and calculations based on the consolidated statement of financial position of the HK PropCo as at the Disposal Completion Date (the “**Completion Accounts**”) (the “**Disposal Consideration**”). For illustration purpose only, based on the consolidated management accounts of the HK PropCo as at 31 March 2022, the Disposal Consideration would be approximately HK\$108,721,000.

The Disposal Consideration shall be payable in the following manner:

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

Determination of the Initial Consideration

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

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

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

Determination of the Adjustment Payment

The Adjustment Payment will be determined in the following manner:

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

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

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

Conditions precedent to Disposal Completion

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

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

(c) Acquisition Completion having taken place.

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

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

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

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

Disposal Completion

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

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

The Shareholders' Deed

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

Parties

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

Business

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

Board Representation

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

Management of the Disposal Group

The board of the HK PropCo will be responsible for making decisions relating to the business of the HK PropCo and the board of each Subsidiary will be responsible for making decisions relating to the business of that Subsidiary. All matters to be determined by the board of any Disposal Group Company, other than certain reserved matters, shall be decided by a simple majority vote of the respective directors of the relevant Disposal Group Company present and voting at the relevant board meeting. Reserved matters (which include, among others, any change to the share capital, maximum authorised number of shares or registered capital, the nature or scope of the business, constitutional documents, auditors, or sale of material assets of, or shares in, any Disposal Group Company, approval of any merger or demergers, or voluntary dissolution or winding up of any Disposal Group Company) will require either the written consent of all directors of such Disposal Group Company appointed by the HK Purchaser and the HK Vendor respectively or all directors of such Disposal Group Company present at a board meeting of such Disposal Group Company or the unanimous approval of the HK Purchaser and the HK Vendor.

Financing for the HK PropCo and/or the Subsidiaries

Pursuant to the Shareholders' Deed, the total capital required by the HK PropCo relating to or in furtherance of the Business is currently estimated to be approximately HK\$220,000,000 (inclusive of the Retained Shareholder's Loan, the Sale Loan and the Existing Bank Loan). All further funding needed by the HK PropCo and/or the Subsidiaries (in addition to the Existing Bank Loan, the Retained Shareholder's Loan and the Sale Loan) for the Business shall be satisfied through the following means:

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

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

Distribution

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

Right of first offer

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

Tag-along right

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

INFORMATION ON THE DISPOSAL GROUP AND THE HK PROPERTY

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

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

Financial information of the Disposal Group

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

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

**For the period from 21 May 2021 to
31 March 2022**
HK\$'000
(unaudited)

| | |
|---------------------------------|-----|
| Net loss (before and after tax) | 565 |
|---------------------------------|-----|

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

Based on the consolidated management accounts of the HK PropCo for the period from 21 May 2021 to 31 March 2022, the unaudited consolidated net liabilities value of the Disposal Group and the Sale Loan as at 31 March 2022 was approximately HK\$12,650,000 and HK\$148,552,000 respectively. No audited accounts of the HK PropCo have been prepared.

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL AND USE OF PROCEEDS

Based on the unaudited consolidated net liabilities of the Disposal Group as at 31 March 2022 (which have reflected the HK Property with carrying value at HK\$198,000,000 as at 31 March 2022, the amounts of the Existing Bank Loan and the Sale Loan as at 31 March 2022 of HK\$63,000,000 and approximately HK\$148,552,000 respectively, and without taking into account (i) the transaction costs and tax impact (if any) upon completion of the Proposed Disposal, and (ii) the fair value change on the HK Property between 31 March 2022 and the Disposal Completion Date, subject to the review by the Company's auditors, the Group currently expects to record no gain or loss as a result of the Proposed Disposal in the Company's consolidated financial statements. Shareholders should note that the actual gain or loss arising from the Proposed Disposal can only be determined when the net gain or loss on the Proposed Disposal, taking into account (i) the final amount of the Disposal Consideration to be

ascertained after considering necessary adjustments (if any) to be made as described above and (ii) the relevant transaction costs and tax (if any) in connection with the Proposed Disposal, can be determined after Disposal Completion has taken place.

The net sale proceeds from the Proposed Disposal (after deducting related transaction costs) are estimated to be approximately HK\$106,721,000 (assuming that there is no material difference in the amount of NAV arrived at based on the consolidated management accounts of the HK PropCo as at 31 March 2022 and the Completion Accounts). After taking into account the amount of cash of approximately HK\$51,222,000 to be paid out of the Group's internal resources for partial settlement of the Acquisition Consideration, the net cash inflow from the Proposed Transaction will amount to approximately HK\$55,499,000, which is intended to be applied as general working capital of the Group.

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

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

The Group contracted to acquire the entire issued share capital and shareholder's loan of Subsidiary A, the sole investment of which is Subsidiary B which in turn holds the HK Property, in July 2021 and completed such acquisition in January 2022 with the view to investing in the luxury property market in Hong Kong. While the Group is aware that the investment period of the Group's investment in the HK Property may continue to be prolonged as the luxury property market has slowed down since the fifth wave of the COVID-19 pandemic in Hong Kong, the Group remains positive on the outlook of the luxury property market in Hong Kong in the long run. Therefore, to diversify its investment risks and alleviate cash flow pressure tied with the earlier acquisition of Subsidiary A, the Group has decided to dispose of 80% interest and retain 20% interest in the HK PropCo upon Disposal Completion with the hope of reaping gains from long term capital appreciation in and rental income from the HK Property.

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

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

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

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

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

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

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

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

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

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

LISTING RULES IMPLICATIONS

Notifiable Transactions

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

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

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

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

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

Connected Transactions

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

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

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction). Shareholders with a material interest in the Master Agreement and the transactions contemplated thereunder will be required to abstain from voting at the EGM.

As Mr. Chan is considered to have a material interest in the Master Agreement and the transactions contemplated thereunder, therefore, he had abstained from voting on the resolution passed at the Board meeting to approve the Master Agreement and the transactions contemplated thereunder.

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

A circular containing, among other things, (i) further information on the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required to be disclosed under the Listing Rules will be despatched to the Shareholders. To allow sufficient time for the preparation of the relevant information for inclusion in the circular, the notice convening the EGM is expected to be despatched to the Shareholders on or before 29 July 2022.

DEFINITIONS

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

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| “Acquisition Completion” | the completion of the sale and purchase of the US Property pursuant to the US Property Agreement |
| “Acquisition Consideration” | the consideration payable by the US Purchaser to the US Vendor for the purchase of the US Property in the manner as set out in the section headed “B. The US Property Agreement – The Acquisition Consideration and payment terms” |
| “Adjustment Payment” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms – Determination of the Adjustment Payment” |

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Bank” | Hang Seng Bank Limited |
| “Bank Consent” | all necessary consent and approval from the Bank in respect of the HK PropCo Agreement and the transactions contemplated thereunder (including but not limited to the Bank’s consent to, subject to Disposal Completion, the substitution of the Existing Guarantee by the New Guarantees) |
| “Base Value” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “Board” | the board of Directors |
| “Business” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Shareholders’ Deed – Business” |
| “business day(s)” | a day (except Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is in force at any time between 9:00 a.m. and 12:00 noon) on which licensed banks are generally open for normal banking business in Hong Kong |
| “Company” | Rykadan Capital Limited, an exempt company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2288) |
| “Completion Accounts” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Disposal Completion” | the completion of the sale and purchase of the Sale Shares and the assignment and taking up of the Sale Loan pursuant to the HK PropCo Agreement |

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| “Disposal Completion Date” | the date of the Disposal Completion as set out in the sections headed “A. The Master Agreement – Acquisition Completion and Disposal Completion” and “C. The HK PropCo Agreement – Disposal Completion” |
| “Disposal Condition(s)” | the conditions precedent to Disposal Completion as set out in the section headed “A. The Master Agreement – Conditions precedent to Disposal Completion” |
| “Disposal Consideration” | the aggregate consideration payable by the HK Purchaser to the HK Vendor for the Sale Shares and the Sale Loan in the manner as set out in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “Disposal Group” | collectively, the HK PropCo, Subsidiary A and Subsidiary B, and “Disposal Group Company” means any one of them |
| “EGM” | the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) |
| “Escrow Holder” | an independent third party acceptable to both the US Vendor and the US Purchaser which will act as the escrow holder of the Acquisition Consideration |
| “Existing Bank Loan” | the loan in the principal amount of HK\$63,000,000 granted to the HK PropCo by the Bank |
| “Existing Guarantee” | the existing corporate guarantee executed by the Company in favour of the Bank to guarantee the liabilities of the HK PropCo under the Existing Bank Loan |
| “Final Consideration” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms – Determination of the Adjustment Payment” |
| “Further Instalment” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “Group” | the Company and its subsidiaries from time to time |

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| “HK PropCo” | Vibrant Colour Holdings Limited, a limited liability company incorporated in the British Virgin Islands, and a direct wholly-owned subsidiary of the HK Vendor |
| “HK PropCo Agreement” | the conditional sale and purchase agreement to be entered into between the HK Purchaser and the HK Vendor in relation to the Proposed Disposal |
| “HK Property” | House 11 (including its house unit, external walls, staircase to basement floor, staircase at main roof, main roof and upper roof, garden and open space, planter and car parking spaces Nos. 11A and 11B on the basement floor) of No. 1 Shouson Hill Road East, Hong Kong |
| “HK Purchaser” | Harbour Best Investments Limited, a limited liability company incorporated under the laws of the British Virgin Islands |
| “HK Purchaser’s Guaranteed Obligations” | all of the HK Purchaser’s obligations (including all payment obligations), commitments, undertakings, warranties and indemnities under or pursuant to the Master Agreement and the HK PropCo Agreement |
| “HK Vendor” | 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 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George, which has been established by the Company to make recommendation to the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) |
| “Independent Financial Adviser” | an independent financial adviser to be appointed to advise the Independent Board Committee to make recommendation to the Independent Shareholders in respect of the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) |

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| “Independent Shareholder(s)” | Shareholder(s) other than Shareholders with a material interest in the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction), who is(are) required to abstain from voting at the EGM pursuant to the Listing Rules |
| “Independent Shareholders’ Approval Condition” | the passing by the Independent Shareholders at the EGM of the necessary resolution(s) approving the Master Agreement and the transactions contemplated thereunder (including the Proposed Acquisition, the Proposed Disposal, the Proposed Joint Venture and the Possible Unwinding Transaction) |
| “Initial Consideration” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “Initial Instalment” | has the meaning ascribed to it in the section headed “C. The HK PropCo Agreement – The Disposal Consideration and payment terms” |
| “Initial US Deposit” | has the meaning ascribed to it in the section headed “B. The US Property Agreement – The Acquisition Consideration and payment terms” |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Losses” | all losses, damages, liabilities (including, without limitation, tax liabilities), costs (including, without limitation, legal costs), charges, expenses, actions, proceedings, claims and demands |
| “Master Agreement” | the master agreement dated 17 June 2022 entered into among the HK Vendor, the HK Purchaser, the US Purchaser, the US Vendor, Mr. Chan (as guarantor) and Mrs. Chan (as guarantor) in relation to certain arrangements concerning the HK PropCo Agreement and the US Property Agreement |
| “Mr. Chan” | Mr. William Chan, Chairman, Chief Executive Officer and an Executive Director of the Company |
| “Mrs. Chan” | Ms. Madeline Ng, spouse of Mr. Chan |

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| “NAV” | the total consolidated current tangible assets of the HK PropCo (excluding the HK Property) less the total consolidated liabilities of the HK PropCo (including without limitation the Existing Bank Loan but excluding the Retained Shareholder’s Loan and the Sale Loan) as at the Disposal Completion Date |
| “New Guarantees” | the guarantees to be provided by the Company, Mr. Chan and/or Mrs. Chan (or such other person(s) acceptable to the Bank to be procured by the HK Purchaser) respectively in favour of the Bank to guarantee the liabilities of the HK PropCo under the Existing Bank Loan, on a several basis in proportion to (in the case of the Company) the shareholding of the HK Vendor in the HK PropCo and (in the case of Mr. Chan and/or Mrs. Chan or other person(s) acceptable to the Bank) the shareholding of the HK Purchaser in the HK PropCo, in substitution of the Existing Guarantee |
| “Possible Unwinding Transaction” | has the meaning ascribed to it in the section headed “A. The Master Agreement – Acquisition Completion and Disposal Completion” |
| “Previous Announcement” | the announcement of the Company dated 28 August 2014 in respect of the Previous Transaction |
| “Previous Transaction” | the disposal by the Group to a company equally owned by Mr. Chan and Mrs. Chan of all the shares of the US Vendor then in issue and owned by Rykadan Inc. (an indirect wholly-owned subsidiary of the Company), and all the shareholder’s loan then owing by the US Vendor to Rykadan Inc., whereby the Company indirectly disposed of the Previous US Property, details of which are disclosed in the Previous Announcement |
| “Previous US Property” | has the meaning ascribed to it in the section headed “B. The US Property Agreement – Assets to be acquired” |
| “Proposed Acquisition” | the acquisition of the US Property by the US Purchaser from the US Vendor pursuant to the US Property Agreement |
| “Proposed Disposal” | the conditional disposal of the Sale Shares and the Sale Loan by the HK Vendor to the HK Purchaser pursuant to the HK PropCo Agreement |

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

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

By order of the Board
Rykadan Capital Limited
Chan William
Chairman and Chief Executive Officer

Hong Kong, 17 June 2022

As at the date of this announcement, the Board comprises Mr. Chan William (Chairman and Chief Executive Officer), Mr. Yip Chun Kwok (Chief Operating Officer) and Mr. Lo Hoi Wah, Heywood (Chief Financial Officer) as executive Directors, Mr. Ng Tak Kwan as a non-executive Director and Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George as independent non-executive Directors.

For the purpose of this announcement, the exchange rate of US\$1.00 = HK\$7.85 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes only and does not constitute representations that any amount in HK\$ or US\$ has been, could have been or may be converted at such a rate.