
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or 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 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**RYKADAN CAPITAL LIMITED****宏基資本有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2288)****MAJOR TRANSACTION
SHAREHOLDERS' DEED AND LOAN AGREEMENT**

10 August 2017

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I – Financial Information of the Group	17
Appendix II – General Information	19

DEFINITIONS

In this circular, the following expressions have the following respective meanings unless the context requires otherwise:

“Agreements”	the Shareholders’ Deed and the Loan Agreement
“Board”	the board of Directors
“Business”	has the meaning given to it under “ <i>B. Shareholders’ Deed – Business</i> ” in the letter from the Board of this circular
“BVI”	British Virgin Islands
“Company”	Rykadan Capital Limited, an exempted 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)
“Director(s)”	the director(s) of the Company
“Euro”	the lawful currency of the Eurozone
“Group”	the Company and its subsidiaries
“Guarantee”	has the meaning given to it under “ <i>C. Capital Commitment</i> ” in the letter from the Board of this circular
“HIBOR”	with respect to each Interest Period, the rates of interest for Hong Kong dollars deposits for a period comparable to the Interest Period for Loan A calculated by the Hong Kong Association of Banks and displayed at or about 11:15 a.m. (Hong Kong time) on the website of the Hong Kong Association of Banks on the Quotation Day with respect to each Interest Period (provided that if the rate appears thereon is zero or negative the applicable rate shall be zero); and if no rate appears on such website on a particular Quotation Day, the next available HIBOR displayed thereon immediately after the Quotation Day
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Interest Period”	the period by reference to which interest on Loan A is calculated, and (i) the first interest period commences on 1 April 2017 to 30 June 2017 (both days inclusive); (ii) thereafter, every 3-month period ending on 31 March, 30 June, 30 September and 31 December in respect of each calendar year
“Joint Champ”	Joint Champ International Limited, a company incorporated in the BVI and is a non-wholly owned subsidiary of the Company
“JV Co Shares”	shares of the JV Company with a par value of US\$1 each
“JV Company”	Quarella Holdings Limited, a company incorporated in the BVI
“JV Company Board”	the board of directors of JV Company from time to time
“JV Group”	the JV Company and the JV Subsidiaries; and each of them a “JV Group Company”
“JV Partners”	Shareholder A and Shareholder B; and “JV Partner” means any of them
“JV Subsidiaries”	subsidiaries of the JV Company and “JV Subsidiary” means any of them
“Latest Practicable Date”	8 August 2017, being the latest practicable date prior to the printing of this circular for ascertaining information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan A”	the outstanding unsecured loans in the aggregate amount of HK\$180,000,000 advanced by the Company to QGL
“Loan Agreement”	the loan agreement dated 28 June 2017 entered into between QGL and the Company, pursuant to which the Company agreed to continue to make available Loan A to QGL on and subject to the terms set out therein

DEFINITIONS

“Loan B”	the outstanding unsecured loans in the aggregate amount of HK\$180,000,000 advanced by PM to QGL, and in respect of which a loan agreement on substantially the same terms as the Loan Agreement was entered into by PM and QGL on 28 June 2017
“March Announcement”	the announcement of the Company dated 16 March 2017
“Mr. Chan”	Mr. Chan William, an executive Director and a substantial Shareholder
“Mr. Ng”	Mr. Ng Tak Kwan, a non-executive Director and a substantial Shareholder
“November Announcement”	the announcement of the Company dated 9 November 2016
“PM”	Perfect Marble Company Limited (聯益雲石有限公司), a company incorporated in Hong Kong and an affiliate of Shareholder B
“PRC”	the People’s Republic of China
“QGL”	Quarella Group Limited (可維萊集團有限公司), a company incorporated in Hong Kong wholly-owned by the JV Company and an associated company of the Company
“QRBG”	Q.R.B.G. S.r.L., a company incorporated in Italy wholly-owned by QGL and an associated company of the Company
“Quarella Italy”	Quarella S.p.A., a joint stock company incorporated in Italy
“Quotation Day”	in relation to any Interest Period, the business day immediately before the first day of such Interest Period
“Scenemay”	Scenemay Holdings Limited, a company incorporated in the BVI with limited liability and a substantial Shareholder
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the Company

DEFINITIONS

“Shareholder A”	Noble Stone Investments Limited, a company incorporated in the BVI and an indirect non-wholly owned subsidiary of the Company
“Shareholder B”	Lead Rise International Limited, a company incorporated in the BVI
“Shareholders”	holders of Share(s)
“Shareholders’ Deed”	the shareholders’ deed dated 28 June 2017 entered into among Shareholder A, Shareholder B and the JV Company to, amongst others, regulate the respective rights of Shareholder A and Shareholder B as shareholders of the JV Company as supplemented by the Supplemental Deed, further details of which are summarised under “ <i>B. Shareholders’ Deed</i> ” in the letter from the Board of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Deed”	the supplemental deed dated 8 August 2017 entered into among Shareholder A, Shareholder B and the JV Company, details of which are summarised under “ <i>B. Shareholders’ Deed</i> ” in the letter from the Board of this circular
“SWI”	Star Wonder Investments Limited (星弘投資有限公司), a company incorporated in Hong Kong wholly owned by the JV Company and an associated company of the Company
“Tiger Crown”	Tiger Crown Limited, a company incorporated in the BVI with limited liability and a substantial Shareholder, and a controlled corporation of Mr. Chan under the SFO
“US\$”	United States dollars, the lawful currency of the United States of America
“Voluntary Announcement”	the announcement of the Company dated 9 September 2016
“XQS”	廈門可維萊石材有限公司 (Xiamen Quarella Stone Co., Ltd.), a company established in the PRC wholly-owned by QGL and an associated company of the Company
“%”	per cent.

LETTER FROM THE BOARD



RYKADAN CAPITAL LIMITED

宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2288)

Executive Directors:

Mr. Chan William (陳偉倫)

(Chairman and Chief Executive Officer)

Mr. Yip Chun Kwok (葉振國)

(Chief Financial Officer)

Non-executive Director:

Mr. Ng Tak Kwan (吳德坤)

Independent Non-executive Directors:

Mr. Ho Kwok Wah, George (何國華)

Mr. To King Yan, Adam (杜景仁)

Mr. Wong Hoi Ki (黃開基)

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-111

Cayman Islands

***Principal Place of Business
in Hong Kong:***

Rooms 2701 & 2801

Rykadan Capital Tower

135 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

10 August 2017

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION SHAREHOLDERS' DEED AND LOAN AGREEMENT

A. INTRODUCTION

Reference is made to the Voluntary Announcement in respect of the successful tender by QRBG, a wholly-owned subsidiary of QGL (which is in turn wholly-owned by the JV Company) and an associated company of the Company, in a public auction for the lease and purchase of the business and certain assets of Quarella Italy and as disclosed therein, it was intended that a shareholders' agreement in that connection would be entered into.

As announced by the Company on 28 June 2017, Shareholder A, an indirect non-wholly owned subsidiary of the Company, Shareholder B, and the JV Company entered into the Shareholders' Deed to, among others, regulate the relationship of the parties with

LETTER FROM THE BOARD

the JV Group and the conduct of the business and affairs of the JV Group. As at the Latest Practicable Date, the JV Company has a total issued share capital of US\$2 and is owned as to 50% and 50% by Shareholder A and Shareholder B respectively. On 8 August 2017 the parties entered into the Supplemental Deed to clarify certain procedural logistics in the exercise of shareholders' rights regarding the transfer of JV Co Shares, as summarised under "*B. Shareholders' Deed*" in letter from the Board of this circular.

Reference is also made to the November Announcement and the March Announcement. As disclosed in such announcements, the Company had advanced to QGL loans in the aggregate amount of HK\$40,000,000. On 20 and 28 June 2017, the Company made further advances to QGL in the amounts of HK\$20,000,000 and HK\$120,000,000, respectively. As a result, as at the Latest Practicable Date, an aggregate amount of HK\$180,000,000 (i.e. Loan A) was owed by QGL to the Company. On 28 June 2017, the Company and QGL entered into the Loan Agreement, pursuant to which the Company has agreed to continue to make available Loan A to QGL subject to and on the terms set out in the Loan Agreement.

The purpose of this circular is to provide you with information in relation to the above required under the Listing Rules.

B. SHAREHOLDERS' DEED

The principal terms of the Shareholders' Deed are summarised as follows:

Date

28 June 2017

Parties

- (1) Shareholder A, an indirect non-wholly owned subsidiary of the Company;
- (2) Shareholder B; and
- (3) JV Company.

Business

The sole business of the JV Group is the wholesale, retail, distribution, production, marketing, design, importation, processing, trading, supply, fitting, repair of resin-based engineered stone and resin-based engineered stone related products business in different territories (the "**Business**").

Board Representation

The board of directors of each of the JV Group Company will comprise of two directors, of which one director will be appointed by Shareholder A and one director will be appointed by Shareholder B. No meeting of the board of each of the JV Group Company may proceed to business nor transact any business unless a quorum of one

LETTER FROM THE BOARD

director appointed by Shareholder A and one director appointed by Shareholder B are present personally or represented by an alternate at the start of and throughout such meeting.

Management of the JV Group

The JV Company Board shall be responsible for making decisions relating to the Business of the JV Company and the board of each JV Subsidiary shall be responsible for making decisions relating to the business of that JV Subsidiary. All matters to be determined by the board of any JV Group Company, other than certain reserved matter (which includes, among others, change to the share capital, maximum authorised number of shares or registered capital, the nature or scope of the business, voluntary dissolution or winding up of any JV Group Company) which require either the written consent of all directors of such JV Group Company appointed by Shareholder A and Shareholder B respectively or all directors of such JV Group Company present at a board meeting of such JV Group Company or the unanimous approval of Shareholder A and Shareholder B), shall be decided by a simple majority vote of the respective directors of the relevant JV Group Company present and voting at the relevant board meeting.

Financing for the JV Company

Each of the parties acknowledged that Shareholder A and/or its related parties and Shareholder B and/or its related parties have advanced to the JV Company and/or the JV Subsidiaries Loan A and Loan B, respectively. For details of Loan A and Loan B, please refer to “*C. Capital Commitment – Loan Agreement*” below.

The JV Partners agreed that all further funding needed by the JV Company and/or the JV Subsidiaries (in addition to Loan A and Loan B) for the Business shall be satisfied through the following means:

- (a) the JV Partners shall procure the JV Company and/or the JV Subsidiaries to use reasonable endeavours to arrange non-recourse finance from banks or other financial institutions on such terms as the JV Company Board may determine; or
- (b) if external financing cannot be obtained pursuant to paragraph (a) above or the amount which can be obtained is insufficient, the outstanding portion of the required funding shall be satisfied by other methods as the JV Company Board may from time to time determine; and

for the avoidance of doubt, notwithstanding anything to the contrary in the Shareholders’ Deed, no JV Partner 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 the JV Company or any other JV Subsidiaries.

LETTER FROM THE BOARD

Distribution

All profits of each JV Group Company legally available for distribution shall be annually distributed firstly to repay all interests and principal outstanding under the relevant shareholders' loan in proportion to the interests and principal amounts of the shareholders' loan made by the JV Partners, and secondly to pay as dividend to the JV Partners on a pari passu basis according to their respective shareholding ratios in the JV Company.

Rights or options

Under the Shareholders' Deed, the JV Partners will have the following rights or options to require the other to buy/sell the JV Co Shares held, and the shareholder's loans made to the JV Group, by the other, upon the occurrence of the following events:–

Right of first offer

Each time when any of the JV Partners wishes to dispose of its JV Co Shares and its shareholder's loan made to the JV Group, the selling JV Partner shall first offer all (but not some only) such JV Co Shares and shareholder's loan to the other JV Partner at the price and on the terms specified in the relevant notice given by the selling JV Partner in accordance with the provisions of the Shareholders' Deed unless such JV Co Shares and shareholder's loan are to be transferred and assigned to any of its affiliates.

Deadlock

In the event of any deadlock in relation to any reserved matters which cannot be resolved through good faith discussions within the JV Company Board and after going through certain prescribed procedures, each of the JV Partners will have the right to make an irrevocable offer to the other to acquire from the other JV Partner all (and only all) of its JV Co Shares and all (and only all) of its shareholder's loan to the JV Group.

LETTER FROM THE BOARD

If no offer is made by any of the JV Partners or, if the only offer or (if, more than one JV Partner make an offer) the offer with the highest price is not accepted by the other JV Partner, the deadlock is deemed to be unresolved. The JV Partners may hold further meetings to resolve the deadlock, failing which the JV Partners must jointly appoint a third party consultant to find a buyer for all (but not some) of the JV Co Shares and the shareholders' loans to the JV Group, subject to the procedure set out in the Shareholders' Deed. If no third party buyer is willing to purchase such JV Co Shares and shareholders' loans within the prescribed period, each of the JV Partners is obliged to make an irrevocable offer to the other to purchase its JV Co Shares and shareholder's loan to JV Group; and among the JV Partners, whoever has made the highest bid in accordance with the procedures set out in the Shareholders' Deed will be bound to purchase the JV Co Shares and shareholder's loan to JV Group of the other who will be bound to sell such JV Co Shares and shareholder's loan provided always that any such transfer, disposal or acquisition of the JV Co Shares and the shareholder's loans to the JV Group by Shareholder A will all be subject to and conditional upon compliance with the applicable legal and regulatory requirements (including but not limited to, the requirement of obtaining the requisite approval from the Shareholders pursuant to the Listing Rules, if needed) to which the Company is subject, and Shareholder A shall have no obligation to complete such transfer, disposal or acquisition if, after using best endeavours by Shareholder A and the Company, compliance with such applicable legal and regulatory requirements have not been or cannot be fulfilled or performed.

LETTER FROM THE BOARD

Default

If (a) a JV Partner is in material breach of the terms of the Shareholders' Deed; (b) a JV Partner, or any part of its assets or undertakings, is involved in or subject to any insolvency proceedings, has stopped or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent in any relevant jurisdiction or there are circumstances which require or would enable any insolvency proceedings to be commenced in respect of such JV Partner or any part of its assets or undertaking; or (c) a JV Partner is in breach of certain warranty or undertaking, including the right of first offer and the noncompetition undertaking, in Shareholders' Deed; such defaulting JV Partner will be deemed to have made an irrevocable offer to each non-defaulting shareholder to sell all of its JV Co Shares and all of its shareholder's loan to the JV Group to the non-defaulting shareholder or its designee at a discount of 10% to the fair market value of such JV Co Shares and such shareholder's loan. Each non-defaulting shareholder has the right to decide if it wishes to exercise its right to accept such offer to acquire such JV Co Shares and shareholders' loan by giving notice in writing to the defaulting JV Partner in accordance with the provisions of the Shareholders' Deed.

Fair market value means the fair market value of the relevant JV Co Shares and shareholder's loan to the JV Group as the defaulting JV Partner and the non-defaulting shareholder shall agree or, failing agreement, to be determined by an auditor from the approved list to be jointly instructed by them. In the event that the non-defaulting shareholder and the defaulting JV Partner cannot agree on the auditor to be instructed, the fair market value will be the simple average of the fair market values determined by the two auditors (from the approved list) to be instructed by them respectively, if the values as determined by these two auditors differ by not more than 5% (by reference to the highest valuation). If the difference is more than the said 5% threshold, a third auditor (also from the approved list) as the non-defaulting shareholder and the defaulting JV Partner shall agree, or failing agreement, to be determined by drawing lot, shall also be instructed to determine the fair market value and the fair market value for the purpose of the sale of the defaulting JV Partner's JV Co Shares and shareholder's loan to the JV Group shall be the simple average of the fair market values determined by the three auditors.

LETTER FROM THE BOARD

Provided always that, pursuant to the Supplemental Deed, any such transfer, disposal or acquisition of the JV Co Shares and the shareholder's loans to the JV Group by Shareholder A will all be subject to and conditional upon compliance with the applicable legal and regulatory requirements (including but not limited to, the requirement of obtaining the requisite approval from the Shareholders pursuant to the Listing Rules, if needed) to which the Company is subject. Shareholder A will have no obligation to complete such transfer, disposal or acquisition if, after using best endeavours by Shareholder A and the Company, compliance with such applicable legal and regulatory requirements have not been or cannot be fulfilled or performed, in which case Shareholder A will be required to compensate the non-defaulting JV Partner in cash by the amount of diminution in fair market value in the non-defaulting shareholder's JV Co Shares and shareholders' loan to the JV Group and any disputed amount of such compensation will be determined by the auditor(s) in accordance with the procedures aforesaid.

Non-competition undertaking

Each of Shareholder A and Shareholder B has undertaken and covenanted with each of the JV Company and the other JV Partner that it, its affiliates and related persons shall not either alone or jointly, with, through or on behalf of any person (except for any JV Group Company) associate with, carry on or be engaged or concerned or interested in, any Business in countries where such Business is carried on by any JV Group Company from time to time aside from (i) the resin-based engineered stone business, which does not involve a tendering or bidding procedure in the determination of the award of the relevant contract or the selection of the successful tenderer or bidder; (ii) the resin-based engineered stone business involving a tendering or bidding procedure which the JV Company or the JV Partners resolved to forego; (iii) the ownership of shares in any company by any JV Partner which directly, or indirectly, carries on or engages in, is concerned with or is interested in, the Business if the shares of such company are listed on a stock exchange and shares owned do not exceed 5% of such listed company's issued share capital.

LETTER FROM THE BOARD

C. CAPITAL COMMITMENT

The Company had advanced to QGL loans in the aggregate amount of HK\$40,000,000. On 20 and 28 June 2017, the Company made further advances to QGL in the amounts of HK\$20,000,000 and HK\$120,000,000, respectively. As at the Latest Practicable Date, an aggregate amount of HK\$180,000,000 (i.e. Loan A) was owed by QGL to the Company and an aggregate amount of HK\$180,000,000 (i.e. Loan B) was also owed by QGL to PM, an affiliate of Shareholder B, and both Loan A and Loan B are unsecured. In addition to Loan A, and as disclosed in the March Announcement, the Group also provided a guarantee in favour of a utility service provider to secure the payment obligation of a JV Subsidiary for an amount up to Euro 370,000 (equivalent to HK\$3,156,100 at the rate of Euro 1 = HK\$8.53) (the “**Guarantee**”). An affiliate of Shareholder B had also provided a guarantee in favour of that utility service provider for the same purpose and for the same amount.

On 28 June 2017, the Company and QGL entered into the Loan Agreement, pursuant to which the Company agreed to continue to make available Loan A to QGL subject to and on the terms set out in the Loan Agreement. On the same date, PM and QGL also entered another loan agreement in respect of Loan B, the terms of which is substantially the same as the Loan Agreement.

Loan Agreement

A summary of the principal terms of the Loan Agreement is set out below:

Date

28 June 2017

Parties

- (1) The Company; and
- (2) QGL

Principle amount of Loan A

HK\$180,000,000

Interest

Interest accrues from day to day and is calculated on the basis of the actual number of days elapsed over a year. The rate of interest on Loan A for each Interest Period is the applicable HIBOR for the corresponding Interest Period plus a margin of 4.50%.

LETTER FROM THE BOARD

Repayment

The Company may by written notice demand QGL to repay Loan A in full or in part as specified therein. QGL is required to repay such amount of Loan A, together with any outstanding accrued interest, within 14 business days of the notice.

Prepayment

QGL may prepay the whole or any part of Loan A, together with the interest accrued thereon up to the date of prepayment and without premium or penalty, by giving the Company 14 business days' written notice in advance.

Event of default

At any time after the occurrence of an event of default under the Loan Agreement which is continuing and is not cured within 30 days, the Company may by notice to QGL declare that all or part of Loan A, together with accrued interest, and all other amounts accrued or outstanding under the Loan Agreement be immediately due and payable.

Funding of the capital commitment

The Group has financed Loan A, and will satisfy any payment to be made under the Guarantee, if needed, by unutilised banking facilities and internally generated funds.

D. EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Group has financed Loan A through internally generated funds and bank borrowings which will be recognised and disclosed as amounts due from joint ventures under interests in joint ventures in the consolidated financial statements of the Company. As such, the provision of Loan A will not have material financial effect to the total assets and liabilities of the Group. Except for the interest income from Loan A and interest expenses from bank borrowings which will be recorded as other income and finance cost of the Group respectively, there will be no material effect on earnings of the Group associated with the provision of Loan A.

Save that a contingent liability is recorded by the Group in connection with the Guarantee issued by the Group in favour of a utility service provider to secure the payment obligation of a JV Subsidiary, the Guarantee will not have any impact on the earnings, assets and liabilities of the Group.

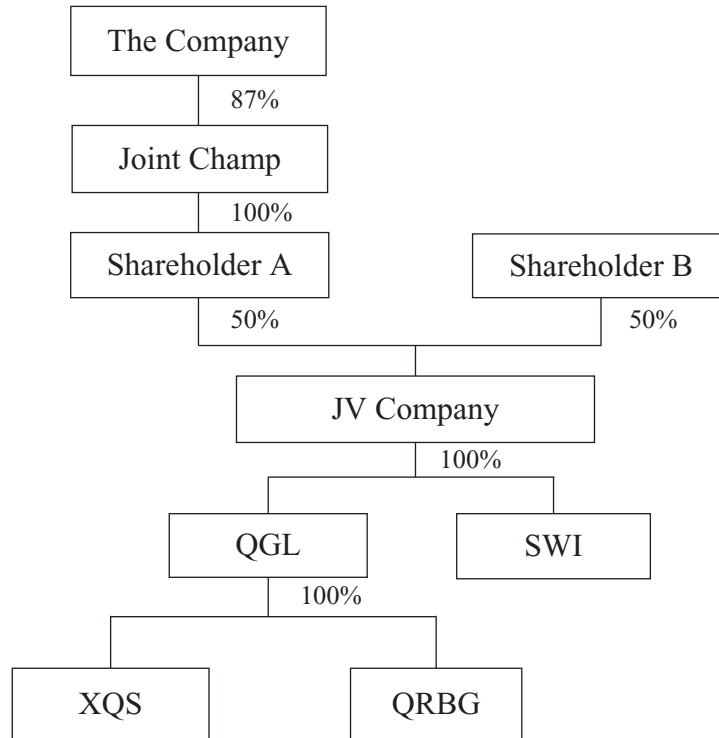
LETTER FROM THE BOARD

E. INFORMATION ON THE PARTIES AND THE JV GROUP

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

Shareholder B is principally engaged in investment holding and is not a connected person of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as described herein, Shareholder B and its ultimate beneficial owner are third parties independent of the Group and its connected persons.

The JV Company is an investment holding company, holding 100% of the share capital in (1) QGL, which in turn holds the entire equity interest in QRBG and XQS; and (2) SWI. Set out below is the simplified shareholding structure of the JV Group:



The principal activities of QGL and XQS are trading of construction and interior decorative materials.

The principal activity of QRBG is manufacturing and trading of engineered stone composite surfaces products.

QRBG and Quarella Italy have entered into a business sale and purchase contract on 19 July 2017, QRBG has acquired, and Quarella Italy has, among other things, sold, the relevant parts of the business and assets of Quarella Italy which relates to the business of production of quartz and marble-based engineered stone composite surface product. The major assets acquired by QRBG under the business sale and purchase contract consist of

LETTER FROM THE BOARD

land and buildings, plant and machineries, inventories and trademarks. Quarella Italy is one of the world leaders in the production of quartz and marble-based engineered stone composite surfaces products. Quarella Italy was established over 50 years ago and currently has factories and research and development centres in Italy. Its products are popularly used for benchtops, bathroom surfaces and floor tiles and it has supplied materials for a number of prominent commercial buildings and shopping malls in many markets around the world, including the PRC and Hong Kong.

Members of the JV Group are accounted for by the Company as joint ventures using equity method of accounting.

F. REASONS FOR AND BENEFITS OF THE AGREEMENTS

The Board considers that entering into the Shareholders' Deed is beneficial to the Company as Shareholder B has expertise in the manufacturing of stone products and the Company is very experienced in the distribution of building materials business, which Shareholder A will bring to the management and financial operations of the JV Group, and with the different experience and expertise of each party, this would bring a synergy to develop the JV Company's business. Loan A was provided, with no fixed repayment date, to finance the capital needs of the JV Group (including the acquisition cost of the business and assets from Quarella Italy as abovementioned) in order to allow for a greater flexibility in the reinvestment of proceeds for business use. Given that Shareholder A can at any time demand for repayment of Loan A depending on the business operations of the JV Group, and Shareholder A will be involved in the financial and management operations of the JV Group, the Board considers that the repayment terms of the Loan Agreement are fair and reasonable.

The terms of the Agreements, including the interest rate under the Loan Agreement, were negotiated amongst the parties at arms' length having regard to the prevailing interest rates for comparable facilities. In addition, Loan A bears an interest rate over the borrowing cost from the banks of the Company. Loan A is in proportion to Shareholder A's equity interest in QGL and was made on substantially the same terms as Loan B provided by PM.

The Board considers that the terms of the Agreements (including the interest rate under the Loan Agreement) are fair and reasonable, and taking into account of the reasons mentioned above, the entering into of the Agreements and the transactions contemplated thereunder (including the making of Loan A) are in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the Agreements and the transactions contemplated thereunder. As such, no Director is required to abstain, and none of the Directors had abstained, from voting at the relevant Board meeting approving the same.

LETTER FROM THE BOARD

G. LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the capital commitment of the Company (being Loan A and the Guarantee) exceeds 25% but is less than 75%, the entering into of the Agreements constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Tiger Crown, Scenemay, Mr. Chan and Mr. Ng were the beneficial owners of 97,104,000 Shares, 97,104,000 Shares, 18,500,000 Shares and 68,724,000 Shares respectively, representing approximately 20.34%, 20.34%, 3.87% and 14.39% respectively (and approximately 58.94% in aggregate) of the issued share capital of the Company. As Tiger Crown is a controlled corporation of Mr. Chan, who is a close business associate of Mr. Ng, and Tiger Crown, Scenemay and their respective controllers are considered concert parties under the Codes on Takeovers and Mergers and Share Buy-backs, Tiger Crown, Scenemay, Mr. Chan and Mr. Ng constitute a closely allied group of the Shareholders for the purpose of Rule 14.44 of the Listing Rules. Since no Shareholder is required to abstain from voting on the Agreements, the joint written approval of Tiger Crown, Scenemay, Mr. Chan and Mr. Ng has been obtained approving the Agreements and all the transactions contemplated thereunder as major transactions of the Company, in lieu of approval from the Shareholders at a general meeting, pursuant to Rule 14.44 of the Listing Rules.

H. ADDITIONAL INFORMATION

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

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

1. INDEBTEDNESS

At the close of business on 30 June 2017, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately HK\$535,140,000, details of which are set out below:

	<i>HK\$'000</i>
Secured bank loans	404,886
Unsecured bank loans	53,608
Loans from non-controlling shareholders	<u>76,646</u>
 Total borrowings	 <u><u>535,140</u></u>

At 30 June 2017, the secured bank loans of the Group were secured by mortgages over certain assets of the Group with an aggregate carrying value of approximately HK\$940,498,000, details of which are set out below:

	<i>HK\$'000</i>
Investment properties	484,488
Buildings held for own use	42,848
Properties for sale	412,740
Pledged bank deposit	<u>422</u>
	 <u><u>940,498</u></u>

In addition, as at 30 June 2017, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries of HK\$919,839,000. The banking facilities were utilised to the extent of HK\$344,331,200 including the bank guarantee in favour of a utility service provider to secure the payment obligation of a JV Subsidiary for an amount up to Euro 370,000 (equivalent to HK\$3,315,200, converted at the rate of Euro 1 = HK\$8.96).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at 30 June 2017, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that after due and careful enquiry, taking into account (i) the financial resources available to the Group, including internally generated funds and the available banking facilities, and (ii) the transactions contemplated under the Agreements, the Group has sufficient working capital to meet its current known requirements for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead, the Group will continue to focus on property development and investment in the coming years. Similar to the Group's ongoing investments in the property sectors in the Greater China, the United State of America and the United Kingdom, the new projects will continue to align with the Group's strategy of securing high-potential investments, growing asset values and exiting within a three-to-five-year horizon.

The Group will continue to leverage on its experienced management team and business partners to evaluate future real estate investment opportunities and further diversify the Group's investment portfolio in order to maximise future returns for shareholders. The Group will also continue to actively manage its ongoing investments in the Greater China region and overseas to support its future performance and unlock value for shareholders in a timely manner.

The Group hopes that through the acquisition of Quarella Italy (via the JV Group), a world-leading producer of quartz and marble based stone composite services products, based in Italy, will expand the Group's investment portfolio and the Group believes that this investment has potential for value growth to provide a decent return to the Shareholders in the medium term.

The Directors expect that the financial position of the Group will remain solid taking into account the financial resources available to and the strong assets base of the Group.

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 Company. 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

(1) Interests of Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of each Director 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 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 he was taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Long position

Name	Nature of interest and capacity	Total number of Shares held as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Mr. Chan	Founder of a discretionary trust ⁽¹⁾	97,104,000	20.34
	Other interest ⁽²⁾	97,104,000	20.34
	Beneficial owner	<u>18,500,000</u>	<u>3.87</u>
		<u>212,708,000</u>	<u>44.55</u>
Mr. Ng	Beneficial owner	68,724,000	14.39

Notes:

1. Tiger Crown, which beneficially owns 97,104,000 Shares, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. Mr. Chan is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust.
2. Since Tiger Crown, Scenemay, Mr. Chan, Mr. Li and Ms. Li are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of SFO, each of them is deemed to be interested in the 97,104,000 Shares beneficially owned or deemed to be interested by each other. Hence, Mr. Chan is also deemed to be interested in the 97,104,000 Shares owned by Scenemay.
3. All the Shares shown in the table above are ordinary shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests and short positions 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 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 he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(2) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) and companies had an interest or short position in the Shares or 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:

Long position

Name	Nature of interest and capacity	Total number of Shares held as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
HSBC International Trustee Limited	Corporate Trustee ⁽¹⁾⁽²⁾	194,208,000	40.68
Rykadan Holdings Limited	Interest in a controlled corporation ⁽¹⁾⁽²⁾	194,208,000	40.68

Name	Nature of interest and capacity	Total number of Shares held as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Tiger Crown ⁽¹⁾	Beneficial owner	97,104,000	20.34
	Other interest ⁽²⁾	97,104,000	20.34
		<u>194,208,000</u>	<u>40.68</u>
Scenemay ⁽³⁾	Beneficial owner	97,104,000	20.34
	Other interest ⁽²⁾	97,104,000	20.34
		<u>194,208,000</u>	<u>40.68</u>
Mr. Li	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Other interest ⁽²⁾	97,104,000	20.34
		<u>194,208,000</u>	<u>40.68</u>
Ms. Li	Interest in a controlled corporation ⁽³⁾	97,104,000	20.34
	Other interest ⁽²⁾	97,104,000	20.34
		<u>194,208,000</u>	<u>40.68</u>

Notes:

1. Tiger Crown, which beneficially owns 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. Mr. Chan is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust.
2. Since Tiger Crown, Scenemay, Mr. Chan, Mr. Li and Ms. Li are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 Shares owned or deemed to be interested by each other.
3. The entire issued share capital of Scenemay is owned by Mr. Li and Ms. Li in equal shares. As each of Mr. Li and Ms. Li is deemed to be interested in the 97,104,000 Shares beneficially owned by Scenemay.
4. All the Shares shown in the table above are ordinary shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director and chief executive of the Company, no other person (not being a Director or chief executive of the Company) or company had, or were deemed to have, any interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in any business which competes or may compete with the business of the Group or had any other conflict of interest with the Group.

5. DISCLOSURE OF OTHER DIRECTORS' INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2017, the date up to which the latest published audited accounts of the Group were made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (1) A shareholders' agreement dated 31 July 2015 entered between Talent Step Investments Limited ("**Talent Step**"), an indirect wholly-owned subsidiary of the Company, and DSM Project Limited ("**DSM**"), a connected person of the Company, to provide for the ownership, management, financing and the other activities of Epic Quest Global Limited ("**Epic Quest**"), a joint venture company and Smart Wealth Asia Pacific Limited ("**Smart Wealth**"), the subsidiary of Epic Quest;
- (2) A supplemental shareholders' agreement to amend the shareholders' agreement dated 24 September 2015 between Talent Step, DSM and Epic Quest in relation to the obligations of Talent Step and DSM in respect of the financing of Epic Quest and Smart Wealth and amend their right to representation on the respective boards of directors of Epic Quest and Smart Wealth in the event of any failure to provide funding required by Epic Quest;
- (3) A repurchase agreement dated 23 November 2015 entered between Talent Step, an indirect wholly-owned subsidiary of the Company, the Company and Kailong Holdings Limited ("**KLR Holdings**") whereby KLR Holdings agreed to repurchase approximately 9.74% of the entire issued share capital of KLR Holdings at the consideration of USD4,187,039;
- (4) A deed of termination and cancellation dated 31 December 2015 entered into between Q-Stone Building Materials Limited ("**Q-Stone**") and Fine China Consultants Limited ("**Fine China**") pursuant to which the share option agreement dated 27 June 2013 was terminated and the option granted by Q-Stone to Fine China to subscribe for unissued shares of Q-Stone was cancelled with effect from 31 December 2015;
- (5) A sale and purchase agreement dated 31 December 2015 entered into between Fine China and Cultivate Shine Limited ("**Cultivate Shine**") as purchasers, and Mr. Wong Fung Wai and Mr. Wang Chunlei as guarantors pursuant to which the Company agreed to sell, and Fine China and Cultivate Shine agreed to purchase, shares in Joint Champ International Limited ("**Joint Champ**"), a non-wholly owned subsidiary of the Company, representing 9% and 4% respectively, of the total issued share capital of Joint Champ at a cash consideration of HK\$1,047,200 and HK\$465,422 respectively;
- (6) A shareholders agreement dated 31 December 2015 entered into between, the Company, Fine China, Cultivate Shine, Mr. Wong Fung Wai, Mr. Wang Chunlei and Joint Champ to, amongst others, regulate the respective rights of the Company, Fine China and Cultivate Shine as shareholders of Joint Champ;

- (7) the Agreements;
- (8) A framework agreement dated 5 July 2017 entered between Power City Investments Limited (“**Power City**”) and Bestlinkage NHI Co., Ltd. (“**Bestlinkage**”) both being indirect subsidiaries of the Company, and Shanghai Medicilon Inc. (“**Medicilon**”) in respect of the disposal of Block 4 of the Kailong Nanhui Business Park by Bestlinkage to Medicilon and the disposal by Power City of its 100% equity interest in Bestlinkage (the “**Framework Agreement**”); and
- (9) A sale and purchase agreement dated 5 July 2017 entered between Bestlinkage and Medicilon in respect of the disposal of Block 4 of the Kailong Nanhui Business Park at a consideration of RMB 42,529,440 (the “**Property SPA**”).

8. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Hong Kong head office and principal place of business of the Company is situated at Rooms 2701 & 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The company secretary of the Company is Yeung Man Yan, Megan, a qualified solicitor in Hong Kong.
- (d) In the event of inconsistency, the English text of the circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Rooms 2701 & 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 March 2016 and 31 March 2017;
- (c) the material contracts disclosed in the paragraph under the heading “*Material Contracts*” in this Appendix to this circular; and
- (d) this circular.