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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)**

**(1) VERY SUBSTANTIAL DISPOSAL  
NEW FRAMEWORK AGREEMENT IN RELATION TO  
SALE OF THE PROPERTY BY WAY OF THE NEW DISPOSAL  
AND  
(2) VERY SUBSTANTIAL ACQUISITION  
GRANT OF THE NEW OPTION**

### **NEW FRAMEWORK AGREEMENT**

The Board wishes to announce that on 13 June 2019, after arm's length negotiations, Power City and the Target Company entered into the New Framework Agreement with the Purchaser, an independent third party, which will replace the Original Framework Agreement and the Original Property SPA. On the same date, the Memorandum was also entered into between the same parties to supplement the New Framework Agreement.

### **Termination of the Original Framework Agreement and the Original Property SPA**

The Original Framework Agreement and the Original Property SPA will be automatically terminated upon the New Framework Agreement becoming effective.

### **New Disposal**

Power City has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company, which owns the Property (comprising Block 4 and the Remaining Blocks). After Completion, the Target Company will cease to be a subsidiary of the Group and the Company will cease to own any part of the Property. Under the New Disposal, there will be no separate direct disposal of Block 4 to the Purchaser as originally contemplated under the Original Property SPA.

## **Grant of the New Option**

If there is (i) any undisclosed debt of the Target Company before the Completion Date or (ii) any defect in Power City's title over the equity interest of the Target Company after the agreed period, the Purchaser is entitled to demand Power City to pay off such undisclosed debt or to rectify such defect (as the case may be). If after the expiry of 30 days from receiving the Purchaser's demand, Power City still fails to settle such undisclosed debts and the amount of such unsettled debts is over RMB200,000, or to rectify such defect (as the case may be), the Purchaser is entitled to either (i) terminate the New Framework Agreement and the Target Company SPA, and demand Power City to return any of the Consideration paid and pay the Purchaser an amount equal to ten times of the undisclosed debts, and subject to Power City making the aforesaid payment, to transfer the shares in the Target Company back to Power City; or (ii) to continue to perform the New Framework Agreement and the Target Company SPA, and demand Power City to pay the Purchaser an amount equal to ten times of the undisclosed debts. Please refer to the section headed "*New Framework Agreement – Other principal terms – Undertakings*" for further details.

## **LEASE AGREEMENT**

On 13 June 2019, at the same time that the New Framework Agreement is entered into, the Target Company also entered into the Lease Agreement with the Purchaser, which will supersede the previous leasing arrangement in respect of Block 4 upon it becoming effective.

## **LISTING RULES IMPLICATIONS**

### **New Disposal**

As one of the applicable percentage ratios (as defined in the Listing Rules) calculated under the Listing Rules in respect of the New Disposal is more than 75%, the New Disposal constitute a very substantial disposal of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **Grant of the New Option**

Under Rule 14.74(1) of the Listing Rules, the New Option constitutes an "option" within the meaning of Rule 14.72(1) of the Listing Rules and as the exercise of such options is not at the discretion of the Group, on the grant of the New Option, the transaction will be classified as if it had been fully exercised.

The grant of the New Option constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information of the New Framework Agreement and other information as required under the Listing Rules, and the notice of EGM to consider and, if thought fit, approve the resolution(s) relating to the New Framework Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 30 August 2019, being more than 15 working days as additional time is required to complete various reports and information (including the valuation report on the Property) in accordance with the relevant requirements of the Listing Rules.

**Completion will be conditional upon, among other things, the satisfaction of the conditions set out in the section headed “*New Framework Agreement – Conditions precedent*” in this announcement. Accordingly, the New Disposal and the grant of the New Option may or may not be materialised. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.**

## **BACKGROUND**

Reference is made to the circular of the Company dated 22 September 2017 in relation to, among other things, the Original Framework Agreement and the Original Property SPA. Pursuant to the terms of the Original Framework Agreement and the Original Property SPA, it was originally contemplated that the Property would be sold, directly or indirectly, to the Purchaser in two stages, namely through (1) the disposal of Block 4 by the Target Company to the Purchaser, followed by (2) the disposal by Power City of its 100% equity interest in the Target Company (which would by then be holding only the Remaining Blocks) to the Purchaser.

As disclosed in the annual report 2018 and interim report 2018 of the Company and further elaborated in the section headed “Reasons for and benefits of the New Disposal” below, due to the difficulties encountered in obtaining approval from the authorities for the Original Disposals which were structured to effectively dispose the Property in two stages, the Group and the Purchaser had re-assessed and further negotiated on the deal structure for the disposal of the Property, in order to complete such disposal.

The Board wishes to announce that on 13 June 2019, after arm’s length negotiations, Power City and the Target Company entered into the New Framework Agreement with the Purchaser, an independent third party, which will replace the Original Framework Agreement and the Original Property SPA.

## **NEW FRAMEWORK AGREEMENT**

The principal terms of the New Framework Agreement are summarised below:

### **Date**

13 June 2019

## **Parties**

- (1) Power City, an indirect subsidiary of the Company;
- (2) the Target Company, a direct wholly-owned subsidiary of Power City; and
- (3) the Purchaser.

## **Termination of the original agreements**

The Original Framework Agreement and the Original Property SPA will be automatically terminated upon the New Framework Agreement becoming effective.

## **Assets to be disposed of**

As at the date of this announcement, the Target Company owns the Property (which comprises Block 4 and the Remaining Blocks).

Power City has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company. After Completion, the Target Company will cease to be a subsidiary of the Group and the Company will cease to have any interest in the Property. Under the New Disposal, there will be no separate direct disposal of Block 4 to the Purchaser as originally contemplated under the Original Property SPA.

## **Conditions precedent**

Completion is conditional upon:

- (1) the New Framework Agreement and the transactions contemplated thereunder having been approved by the Shareholders in accordance with the Listing Rules on or before 30 September 2019;
- (2) the New Framework Agreement and the transactions contemplated thereunder having been approved at the shareholders' meeting of the Purchaser on or before 30 September 2019; and
- (3) if the New Framework Agreement is entered into after the listing of the shares of the Purchaser on a domestic stock exchange in the PRC, the shareholders of the Purchaser having performed such decision-making processes as may be required by the China Securities Regulatory Commission.

## **Effectiveness**

The New Framework Agreement, which is legally binding on the parties thereto, shall become effective upon (a) it being signed by, and chopped with the official seals of the signing parties and (b) the conditions in the sub-section headed "*Conditions precedent*" above having been satisfied.

## Consideration

The Consideration is comprised of the Share Consideration and the Loan Repayment.

Subject to the Post-Completion Adjustment (if any), the Share Consideration should be determined with reference to the Reference Date Audit Report, and is to be calculated as follows:

- (1) the agreed total price of the Property of RMB363,738,488, being the agreed unit price of the Property (i.e. approximately RMB6,954 per sq.m.) multiplied by the gross floor area of the Property (i.e. 52,304.07 sq.m.); plus
- (2) the amount of the assets of the Target Company (other than the Property) as at the Reference Date as shown in the Reference Date Audit Report, which should only comprise bank deposit, accounts receivables, accounts prepayment and other receivables; minus
- (3) the total liabilities of the Target Company as at the Reference Date as shown in the Reference Date Audit Report.

Based on the latest unaudited management accounts prepared in accordance with the Chinese Accounting Standards, the amount of the assets of the Target Company (other than the Property) was approximately RMB8 million, whereas the total liabilities of the Target Company was approximately RMB120 million, as at 31 March 2019. For illustration purpose only, the Consideration would be approximately RMB252 million assuming the Reference Date were 31 March 2019.

The Purchaser is also required to make the Loan Repayment to Power City. The amount of the Loan Repayment is to be calculated as the amount of the loan owing by the Target Company to Power City, including shareholder's loan and other liabilities. Based on the latest unaudited management accounts prepared in accordance with the Chinese Accounting Standards of the Target Company, such amount was approximately RMB112 million as at 31 March 2019.

As elaborated in the section headed "Reasons for and benefits of the New Disposal" below, the parties have been facing difficulties in implementing the Original Disposals in the way it was originally structured. Had there not been such difficulties, the disposal of the Property would have proceeded to completion according to the terms of the Original Framework Agreement. Considering that it would be the only available opportunity for the investors of Power City to exit from the investment in the Property, the Original Framework Agreement is a contract which is legally binding on the parties, and the parties intend to overcome such difficulties so as to give effect to the spirit and intent of the Original Framework Agreement, Power City and the Target Company therefore worked with the Purchaser and came up with a modified structure to implement the transactions contemplated under the Original Framework Agreement. It was against such backdrop that the terms of the New Framework Agreement were negotiated and agreed after arm's length negotiations between the parties. That also helps to explain why it was agreed that the Consideration shall be determined with reference to the agreed consideration for the Original Disposals. The Purchaser had bargained that the difference between (i) the transaction costs (in terms of tax and other administrative expenses) that are expected to be borne by the respective parties under the New Disposal, and (ii) the transaction costs (in terms of tax and other administrative expenses)

that would have been borne by the respective parties had the Original Disposals proceeded to completion should be taken into account and reflected in the Consideration, as it is anticipated that under the New Disposal, a lower transaction costs would be payable by Power City due to the change in deal structure. After arm's length negotiation between the parties, it was agreed that the Consideration shall reflect that there shall be a deduction of an amount of RMB8,550,000. To give a clearer picture of how the Consideration is arrived at, calculation method of the total price of the Property under the New Disposal is set out as follows:-

	<i>(RMB'000)</i>
the agreed price of Block 4 under the Original Property Disposal (RMB6,000 per sq.m., with a gross floor area of 7,088.24 sq.m.)	42,529
plus the agreed total price of the Remaining Blocks under the Original Company Disposal applicable to the case where the date of signing of the agreement for the sale and purchase of the entire equity interest of the Target Company pursuant to the Original Framework Agreement is between 1 January 2020 to 30 June 2020 (RMB7,293 per sq.m., with a gross floor area of 45,215.83 sq.m.)	329,759
the combined agreed total price of the Property under the Original Disposals	372,288
minus an amount agreed to be deducted as elaborated above	8,550
<b>total price of the Property under the New Disposal</b>	<b>363,738</b>

Having regard to, among others, the principle to give effect to the spirit and intent of the Original Framework Agreement and the prevailing market price of the Property, the Directors believe that the basis of determining the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Terms of payment**

The Purchaser is required to pay 50% of the Share Consideration (subject to deduction of withholding tax) to Power City as first instalment within 10 working days after the Target Company SPA becoming effective.

The Purchaser and Power City are required to open a bank account within 5 working days after the receipt of the first instalment by Power City. The Purchaser is required to deposit the second instalment (being the balance of the Share Consideration less Deposits already paid by the Purchaser plus the amount of shareholders' loan and other liabilities owing to Power City as at the Reference Date as shown in the Reference Date Audit Report) into such bank account within 60 days after such bank account is opened. Such bank account is to be opened in the name of the Target Company with a bank in Shanghai designated by the Purchaser and jointly managed by Power City and the Purchaser. If the Purchaser requires financing for the purpose of the transactions contemplated under the New Framework Agreement, Power City and the Target Company should cooperate accordingly provided that it would not constitute the violation of any laws or regulations (including the Listing Rules) applicable to Power

City or to the Target Company or constitute a breach of the New Framework Agreement by Power City or the Target Company, and any costs or loss incurred as a result thereof by Power City and the Target Company should be borne or compensated by the Purchaser.

The Purchaser and Power City are required to apply to the relevant authorities for registration of transfer of 100% of the equity interest in the Target Company within 5 working days after the Purchaser has deposited the second instalment into the bank account mentioned above. If the Purchaser requires financing for the purpose of the transactions contemplated under the New Framework Agreement, the Purchaser should within 30 working days of the issuance of the New Business Licence complete the procedures for pledging the shares of the Target Company and the mortgage of the Property, and provide Power City with the relevant tax payment certificate and foreign exchange business registration certificate. After receiving the aforesaid certificates, (a) Power City should cooperate with the Purchaser to release the balance of the Share Consideration from such jointly managed account to the Purchaser to facilitate the payment of such balance by the Purchaser to an account in Hong Kong designated by Power City; and (b) the Purchaser should cooperate with Power City to release the balance of the second instalment to Power City from such jointly managed account to repay the shareholders' loan owing to Power City. Thereafter any amount remaining in the jointly managed bank account should be released and paid to the Purchaser.

#### **Pre-Completion audit**

The Purchaser will at its own cost appoint an auditing institution acceptable to both the Purchaser and Power City, to prepare an audit report in accordance with the Chinese Accounting Standards in respect of the Target Company as at the Reference Date (the “**Reference Date Audit Report**”). The Reference Date Audit Report will be used for the calculation of the initial amount of the Consideration.

#### **Post-Completion audit**

The Purchaser will within 30 days after the Completion Date and at its own cost appoint an auditing institution acceptable to both the Purchaser and Power City, to audit the net asset value of the Target Company as at the Completion Date, and to issue the post-Completion audit report in accordance with the Chinese Accounting Standards (the “**Completion Date Audit Report**”). If the Completion Date Audit Report shows that the net asset value of the Target Company as at the Completion Date is lower than its net asset value as at the Reference Date, then Power City should refund the corresponding difference in amount to the Purchaser or the Target Company. On the contrary, the Purchaser should pay an amount equal to the difference to Power City.

Such refund or additional payment (as the case may be) should be settled by no later than 30 days after the issuance of the Completion Date Audit Report. If there is any delay in payment, a daily interest of 0.05% of the outstanding amount is payable until all refund or payment is made.

Within 90 days of the Completion Date, the Purchaser should procure that the Target Company repay to Power City any additional shareholders' loan obtained from Power City after the Reference Date, determined based on the Completion Date Audit Report. In case of any delay in such repayment due to the relevant requirements or time for approval required by government, banks (which specifically



refers to the scenario where the tax receipt certificate has been obtained and the information required for business registration certificate for foreign exchange payment has been provided as per the relevant bank' requirements, but the relevant bank refuses to provide the business registration certificate) or regulatory authorities, Power City and the Purchaser should negotiate and agree on a new deadline or come up with alternative method.

## **Deposits**

The payments made on 27 July 2017 and 3 November 2017 respectively in the total amount of RMB23,264,720 by the Purchaser to the Target Company is deemed to be the payments of the first two out of the three Deposits.

Within 7 working days of the New Framework Agreement becoming effective, the Purchaser is required to pay the Target Company the last of the three Deposits in the amount of RMB7 million.

The Deposits were/will be received by the Target Company on behalf of Power City, and will be regarded as liabilities owing to Power City by the Target Company.

## **Other principal terms**

### ***Lease Agreement in relation to Block 4***

At the same time of entering into the New Framework Agreement, the Purchaser and the Target Company will enter into the Lease Agreement for the leasing of Block 4. Please refer to the section headed "*Lease Agreement*" below for a summary of the principal terms of the Lease Agreement.

### ***Timing of signing of the Target Company SPA***

Power City and the Purchaser will enter into the Target Company SPA, the formal agreement for conducting the New Disposal. The terms of the Target Company SPA will reflect, and in substance will be the same as, those agreed under the New Framework Agreement.

The Target Company SPA should be entered into: (i) after the Purchaser having given written notice to Power City for the signing of the Target Company SPA; (ii) after the Reference Date having been agreed; and (iii) within 7 working days of the Reference Date Audit Report having been issued. The Target Company SPA should be signed and should become effective on or before 31 December 2020, while the Completion should take place on or before 30 September 2021. In case of delay due to the relevant requirements or time for approval required by government, banks (which specifically refers to the scenario where the tax receipt certificate has been obtained and the information required for business registration certificate for foreign exchange payment has been provided as per the relevant bank' requirements, but the relevant bank refuses to provide the business registration certificate) or regulatory authorities, Power City and the Purchaser should negotiate and agree on a new deadline.



### ***Failure to sign or complete the Target Company SPA***

If the Target Company SPA fails to be signed and to become effective on or before 31 December 2020 or the Completion fails to occur on or before 30 September 2021 due to the fault of the Purchaser, Power City may terminate the New Framework Agreement or the Target Company SPA, and is entitled to forfeit the Deposits, whilst the Purchaser should pay the Target Company RMB7,600,000 as one-off compensation, but Power City should refund the Consideration paid by the Purchaser (after deducting the Deposits). The one-off compensation is determined after arm's length negotiation, which is roughly equivalent to the notional amount of rent for Block 4 for the period from 1 February 2019 to 30 September 2021 which would have been payable by the Purchaser if rent was payable on the basis mentioned in the section headed "*Lease Agreement – Rent*" below:–

<b>Period</b>	<b>Notional amount of rent payable for the relevant period (RMB'000)</b>
From 1 February 2019 to 31 December 2019	2,486
From 1 January 2020 to 31 December 2020	2,854
From 1 January 2021 to 30 September 2021	2,245
<b>TOTAL</b>	<b>7,585</b>

If the Target Company SPA fails to be signed and to become effective on or before 31 December 2020 or the Completion fails to occur on or before 30 September 2021 due to the fault of Power City, the Purchaser may elect to either (i) terminate the New Framework Agreement (and the Target Company SPA, if signed) whereupon Power City is required to pay an amount equal to 200% of the Deposits (i.e. RMB60,529,440) to the Purchaser and refund the Consideration paid by the Purchaser (after deducting the Deposits); or (ii) demand Power City to proceed to perform the New Framework Agreement or the Target Company SPA for the New Disposal, and all expenses incurred as a result thereof (including litigation expenses, legal costs and investigation expenses) will be borne solely by Power City.

If the registration of the transfer of 100% of the equity interest in the Target Company has been completed, but the Completion does not proceed due to default by any one party, the parties to the New Framework Agreement should after the receipt of notice to terminate the New Framework Agreement and within 30 days following the payment obligations in the preceding two paragraphs having been performed, complete the procedures for restoring the transfer of 100% equity interest in the Target Company, such that the equity interest in the Target Company would again be registered under the name of Power City. If the procedures for pledging the shares of the Target Company and the mortgage of the Property have been completed at the request of the Purchaser, the Purchaser should take all necessary actions to release the relevant share pledge and mortgage at the cost of the defaulting party.

Notwithstanding the aforesaid, in case the deadlines of 31 December 2020 or 30 September 2021 could not be met due to relevant requirements or time for approval required by government, banks (which specifically refers to the scenario where the tax receipt certificate has been obtained and the information required for business registration certificate for foreign exchange payment has been provided as per the relevant bank's requirements, but the relevant bank refuses to provide the business registration certificate) or regulatory authorities, Power City and the Purchaser should negotiate and agree on a new deadline.

Prior to the registration of the transfer of 100% of the equity interest in the Target Company, the Target Company owes an irrevocable and joint liability with Power City for the above obligations of Power City.

### *Undertakings*

Power City has agreed to disclose the debt of the Target Company at the time of signing of the New Framework Agreement. The amount of the debt so disclosed is RMB120 million (being the debt of the Target Company as at 31 May 2019 based on the management account of the Company prepared in accordance with Chinese Accounting Standard). Save with the prior consent of the Purchaser (which should not be unreasonably withheld), the difference between (i) the amount of debt of the Target Company on the Reference Date as disclosed in the Reference Date Audit Report and (ii) the amount of debt of the Target Company as disclosed in the New Framework Agreement (the “**Debt Difference**”) should not be greater than RMB15 million, and the types of the Target Company's debt must not fall outside the scope of its business operations. The Target Company is also not allowed to provide external guarantee. If without the prior consent of the Purchaser, the Debt Difference is more than RMB15 million, then apart from the Post-Completion Adjustment, the Purchaser is entitled to deduct a sum representing 5% of such part of the Debt Difference which is over and above RMB15 million from the Consideration. Any additional shareholders' loan and any additional liability owing to the Purchaser by the Target Company between the Reference Date and the Completion Date is excluded for the purpose of determining if there is any such difference.

If within 18 months after Completion, the Purchaser discovers that there was any undisclosed debt of the Target Company before the Completion Date, Power City is required to settle such undisclosed debt or pay an amount representing such undisclosed debt to the Purchaser within 30 days of receiving the notice and evidence of such debt from the Purchaser. Should there be any undisclosed debt of the Target Company before the Completion Date or any defect in Power City's title over the equity interest of the Target Company, the Purchaser is entitled to demand Power City to pay off such undisclosed debt or to rectify such defect (as the case may be) within 30 days after receiving the Purchaser's demand and evidence of such debt or defect. If after the expiry of such 30-day period, Power City still fails to settle such undisclosed debts and the amount of such unsettled debts is over RMB200,000, or to rectify such defect (as the case may be), (i) the Purchaser is entitled to terminate the New Framework Agreement and the Target Company SPA, and demand Power City to return any of the Consideration paid and to pay the Purchaser an amount equal to ten times of the undisclosed debts, and subject to Power City making the aforesaid payment, to transfer the shares in the Target Company back to Power City (the “**New Option**”); or (ii) the Purchaser is entitled to continue to perform the New Framework Agreement and the Target Company SPA, and demand Power City to pay the Purchaser an amount equal to ten times of

the undisclosed debts. If the Purchaser discovers any material undisclosed debt of the Target Company or any defect in Power City's title over the equity interest of the Target Company during the aforesaid period, and demands Power City to pay off such undisclosed debt or to rectify such defect, the Company will make such necessary disclosure or take such necessary action in compliance with the Listing Rules.

Power City irrevocability guarantees the obligations of the Target Company incurred on or before the Completion Date and assumes joint and several liability. The Purchaser irrevocability guarantees the obligations of the Target Company incurred after the Completion Date and assumes joint and several liability.

### ***Default***

In addition to liabilities arising from any breach of obligations mentioned in the sub-sections headed "*Failure to sign or complete the Target Company SPA*", and "*Post-Completion audit*" above, the parties agree that, in the event of non-performance of any other obligation under the New Framework Agreement or performance not in accordance with the agreements under the New Framework Agreement, or in breach of any guarantee or undertaking of the New Framework Agreement, the defaulting party should (1) rectify such default within reasonable time as requested by the non-defaulting party; and (2) pay to the non-defaulting party direct economic loss incurred by the non-defaulting party, and all expenses incurred therefrom (including litigation expenses, legal costs and investigation expenses).

## **LEASE AGREEMENT**

On 13 June 2019, at the same time of the New Framework Agreement being entered into, the Target Company and the Purchaser also entered into the Lease Agreement which will supersede the previous leasing arrangement in respect of Block 4 entered into between them upon the Lease Agreement becoming effective. The principal terms of the Lease Agreement are set out below:–

Parties:	(1) the Target Company, as lessor; and  (2) the Purchaser, as lessee
Property:	Block 4, with an area of 7,088.24 sq.m.
Term:	From the date on which the Lease Agreement becoming effective (the " <b>Lease Effective Date</b> ") to 31 December 2022
Effectiveness:	The Lease Agreement will become effective at the same time of the New Framework Agreement becoming effective.
Renewal:	If the Target Company SPA fails to be signed and to become effective on or before 31 December 2020 or the Completion fails to take place on or before 30 September 2021, the Purchaser may renew the Lease Agreement for three more terms, each of which should not be more than 5 years, and the rent payable for any term commencing on or after 1 January 2023 should be agreed by the parties with reference to the prevailing market rent.

In order to renew the Lease Agreement, the Purchaser should give written notice six months prior to the date of expiry of the relevant lease term, and the parties should enter into an agreement for such renewal within 30 days after the Target Company having received such notice from the Purchaser. If the Purchaser fails to give a written notice within the above period, or the parties fail to enter into an agreement for renewal within such 30-day period, the Purchaser will be regarded as having given up on the renewal, and Target Company has the right to lease Block 4 to any third party following the expiry of the relevant lease term without giving prior notice to the Purchaser.

Rent:

The rent payable is to be calculated on the following basis:

For the period between Lease Effective Date and 31 December 2019	RMB1.05 per sq.m. per day
For the period between 1 January 2020 and 31 December 2020	RMB1.1 per sq.m. per day
For the period between 1 January 2021 and 31 December 2021	RMB1.16 per sq.m. per day
For the period between 1 January 2022 and 31 December 2022	RMB1.22 per sq.m. per day

The above bases of rent are determined with reference to the prevailing market rent and applying an estimated annual inflation rate of approximately 5%.

During the period between the Lease Effective Date and 30 September 2021, the Purchaser is not required to pay any rent, but is required to pay management fees and other fees. For illustration purposes only, the notional amount of rent which would have been payable by the Purchaser had there been no rent-free arrangement and assuming that the Lease Effective Date would be 1 October 2019, is as follows:

<b>Period</b>	<b>Notional amount of rent payable for the relevant period</b> <i>(RMB '000)</i>
From 1 October 2019 to 31 December 2019	685
From 1 January 2020 to 31 December 2020	2,854
From 1 January 2021 to 30 September 2021	2,245
	<hr/>
TOTAL	<u><u>5,784</u></u>

Notwithstanding the above agreement on rent-free period, if the taking effect and the Completion of the Target Company SPA is delayed beyond 30 September 2021 due to the need for approval by Power City and the Target Company, or due to the need for compliance with legal and regulatory requirement (including the Listing Rules) by Power City and the Target Company, the above-mentioned rent-free period shall be extended to the date on which the Target Company SPA has become effective and completed or to the specified date of termination of the Lease Agreement as agreed by the Purchaser and the Target Company.

After the signing of the Target Company SPA pursuant to the New Framework Agreement (inclusive of such date), if the Target Company SPA fails to be signed and to become effective on or before 31 December 2020, or the Target Company SPA is signed on or before 31 December 2020 but the Completion fails to occur on or before 30 September 2021 due to the fault of the Purchaser, and Power City decides to terminate the New Framework Agreement and the Target Company SPA, then starting from 1 October 2021, the Purchaser is required to pay rent to the Target Company.

The Target Company and the Purchaser agree that in case of delay due to the relevant requirements or time for approval required by government, banks (which specifically refers to the scenario where the tax receipt certificate has been obtained and the information required for business registration certificate for foreign exchange payment has been provided as per the relevant bank' requirements, but the relevant bank refuses to provide the business registration certificate) or regulatory authorities, the rent-free period mentioned above should be extended to the date on which the Target Company SPA has become effective and completed or to the specified date of termination as agreed by the Purchaser and the Target Company.

The rent-free arrangement mentioned above was put in place after arm's length negotiation between the Group and the Purchaser, and after taking into account the fact that (i) the Purchaser had already paid a total of RMB23,264,720 (being the RMB2 million deposit paid in July 2017 pursuant to the Original Framework Agreement and the first instalment of (representing 50% of) the consideration for Block 4 paid in November 2017 pursuant to the Original Property SPA) and such amount has been retained by Power City since then and such amount would continue to be retained by Power City, and (ii) a one-off compensation of RMB7,600,000 would be payable by the Purchaser if the Completion fails to occur in accordance with the New Framework Agreement due to the fault of the Purchaser, the Directors considered that such arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

- Lease of additional space: It is the Purchaser's plan to lease additional space with a gross floor area of 43,000 sq.m.. During the term of the Lease Agreement, the Purchaser may give 3-month prior written notice to the Target Company for leasing additional space. The Target Company should use its best effort to meet the Purchaser's additional leasing requirement, but does not guarantee that such requirement could be fully met. Prior to leasing out any units of the Remaining Blocks, the Target Company should give notice to the Purchaser, who should provide its reply as to whether it agrees to lease the relevant units on the same terms and conditions within 7 days of such notice. In case of the Purchaser's failure to reply, the Target Company may lease the relevant units to third parties. A separate lease agreement in respect of the additional units should be signed between the Target Company and the Purchaser. Other than lease term and rent-free period, the major terms of the lease agreement in respect of the additional space (including the bases of determining rent, rental deposit and property management fee) should be consistent with the Lease Agreement.
- Management fee and other fees: Throughout the term of the Lease Agreement, the management fee of RMB3 per sq.m. per month and other expenses including water, electricity, telecommunications, equipment, air-conditioning of the public area should be borne solely by the Purchaser.
- Maintenance of the leased property and its ancillary facilities or equipment shall be the Purchaser's sole responsibility.
- Payment term: Rent shall be paid in advance on the 25th day of the previous month. For each day of overdue payment, default interest of 0.3% will be incurred on the outstanding amount.
- Rental deposit: Refundable rental deposit in the amount of RMB742,936.16, which is equal to the sum of 3-month rent (as set out in the sub-section headed "Rent" above) and 3-month management fee, is payable by the Purchaser to the Target Company. The Purchaser has paid a rental deposit in the amount of RMB678,255.96 under the existing leasing arrangement of Block 4, and such amount will be applied towards partial settlement of the rental deposit payable under the Lease Agreement, with the balance of the rental deposit to be settled by the Purchaser within 10 days of the Purchaser receiving notice from the Target Company. If the rent or management fee is adjusted during the term of the Lease Agreement, the amount of the rental deposit should be adjusted accordingly.
- The rental deposit shall be refunded, without interest, by the Target Company to the Purchaser within 30 days after the termination of the Lease Agreement.
- Car-parking spaces: During the term of the Lease Agreement, the Target Company will provide 15 car-parking spaces to the Purchaser for free.



## MEMORANDUM

On the same date of the New Framework Agreement, Power City, the Target Company and the Purchaser has also entered into the Memorandum to supplement the New Framework Agreement. The Memorandum will become effective upon the New Framework Agreement becoming effective.

Pursuant to the Memorandum, after the Reference Date, the Purchaser is permitted to conduct, through a valuation institution with qualifications in securities and futures appointed by it, evaluation of the net asset value and the equity interest of the Target Company, and Power City and the Target Company are required to provide reasonable assistance for such valuation. However, the results of the valuation will not affect the determination of the Consideration.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a property investment holding company and its major asset is its legal and beneficial interest in the Property.

The financial information of the Target Company set out below is extracted from its unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 March 2018 and 2019:

	<b>For the year ended 31 March 2018</b>	<b>For the year ended 31 March 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Unaudited net profit before taxation	2,393	7,115
Unaudited net profit after taxation	2,393	7,101
	<b>As at</b>	<b>As at</b>
	<b>31 March 2018</b>	<b>31 March 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	137,172	144,273

The Land is located in the Nanhui area, an eastern part of Shanghai close to Shanghai Disney Resort, Shanghai Pudong International Airport and Shanghai Harbour City, and has excellent transport and communications network. Being in the Nanhui Industrial Zone of Shanghai, the PRC, the Land enjoys the preferential tax and subsidies policies available to state level economic and development zones. The Land has a site area of 34,760 sq.m. on which the Property, which has a total gross floor area of 52,304.07 sq.m., was erected. The period of land use rights over the Land is from 31 December 2006 to 30 December 2056.

The Property consists of five high quality buildings and a guard house, power shed and car park. Each building has four to five storeys and each storey has a gross floor area ranging from approximately 1,700 sq.m. to 4,000 sq.m.



As at 31 March 2019, the unaudited net asset value of the Target Company was approximately RMB144 million, including the Property at the fair value as approximately RMB289 million which was valued by an independent valuer.

## **REASONS FOR AND BENEFITS OF THE NEW DISPOSAL**

As disclosed in the circular of the Company dated 22 September 2017, the Group entered into the Original Framework Agreement and the Original Property SPA in relation to the Original Disposals. The Original Disposals contemplate a two-stage process and involve, firstly, the direct disposal of Block 4 by the Target Company to the Purchaser pursuant to the Original Property SPA and, subsequently, the indirect disposal of the Remaining Block to the Purchaser through the disposal of the entire issued shares in Target Company by Power City. The Original Framework Agreement and the Original Property SPA was approved at the extraordinary general meeting of the Company held on 17 October 2017 and application for the necessary governmental approval of the Original Property Disposal was commenced shortly after the shareholders' approval was obtained.

Prior to the entering into of the Original Framework Agreement, based on the consultation with NBPIDL and its superior authority and the key approving regulatory authority, MCJQEDZ, there was an indication of support for the Original Disposals. On 20 October 2017, NBPIDL issued its written submission to MCJQEDZ reporting, among others, that the proposed disposal of the Property would be implemented in stages, and seeking MCJQEDZ's consent to the transfer of Block 4's property ownership. In or around the second week of November 2017, MCJQEDZ gave its verbal reply that it was not minded to approve the Original Property Disposal on the ground that it was a partial sale (as opposed to an entire sale) of an industrial complex. Such view was different from the view previously obtained through the consultation. Subsequent to the consultation, there had been major changes in the personnel of, and the interpretation and implementation of the policies regarding the transfer of industrial land resources by, MCJQEDZ.

Shortly after receiving such verbal reply from MCJQEDZ, consultation with SPREEC in relation to the registration of transfer of Block 4's property ownership was made and the feedback obtained from SPREEC was that additional approvals of four other regulatory authorities regarding the registration of transfer of Block 4's property ownership, namely, Pudong Science, Technology and Economic Commission\* (浦東新區科技和經濟委員會), Pudong Development and Reform Commission\* (浦東新區發展和改革委員會), Shanghai Municipal Planning, Land and Resources Administration\* (上海市規劃國土資源局) and Shanghai Municipal Environmental Bureau\* (上海市環保局) (collectively the **"Two Commissions and Two Bureaux"**) would be required. Thereafter, the Group, its business partner and its consultants have spent enormous efforts on further communicating with MCJQEDZ and the Two Commissions and Two Bureaux, with a view to obtaining the necessary consent and approvals to proceed with the Original Disposals. Despite rounds of discussions with MCJQEDZ and the Two Commissions and Two Bureaux, the necessary consent and approvals have not been obtained yet. It has become apparent in early 2018 that it would be difficult if not impossible to obtain the required consent and approvals to proceed with the Original Disposals.

Due to the difficulty encountered by the Group as mentioned above, little progress has been made regarding the Original Disposals. Other than the original deposit of RMB2 million made on 27 July 2017 pursuant to the Original Framework Agreement and the first instalment of RMB21,264,720 made on 3

November 2017 under the Original Property Disposal, no other payment has been made by the Purchaser to Power City or the Target Company in connection with the Original Disposals. No transfer of Block 4 (or any other part of the Property) or any shares in the Target Company to the Purchaser has taken place yet.

Upon assessment based on the status of the approval process and the time such process has already taken, in order that the intent and purposes of the Original Disposals could be achieved in a timelier manner, it has become necessary for the transacting parties to agree to an alternative structure to implement the sale and purchase of the Property. After arm's length negotiations between the Group and the Purchaser, the structure of the New Disposal was agreed on. It was also agreed that the payments made by the Purchaser of RMB2 million and RMB21,264,720 respectively as mentioned above would be applied towards payments of the first two out of the three Deposits as provided under the New Framework Agreement.

The Company considers that the substance of the New Disposal is essentially the same as the Original Disposals under both of which Power City's direct interest in the Target Company and indirect interest in the Property would be disposed of entirely. The Original Disposals would involve both a real estate sale and purchase transaction (whereby Block 4 would be disposed of directly) and a company sale and purchase transaction (whereby the Remaining Block would be disposed of indirectly) and the two transactions would be implemented in two stages. Whereas, the New Disposal is merely a company sale and purchase transaction and no longer involves the separate and direct disposal of any part of the Property (i.e. the entire Property would entirely be disposed of indirectly and in one go), and fewer regulatory authorities would be involved in the approval process. As such, in comparison to the Original Disposals, the New Disposal is simpler and more straight-forward. It is expected that by pursuing the New Disposal, the transacting parties would be able to overcome the difficulties they have been facing under the Original Disposals, and thereby allowing the Company to proceed further with the intended disposal of the Group's interest in the Property and ultimately bringing the benefits to the Group that were intended to be brought about by the Original Disposals. The Company has sought legal opinion from its legal advisers as to PRC laws in respect of the New Disposal, and based on the advice obtained, the Company does not expect there to be similar complications in obtaining approval from the relevant authorities when implementing the New Disposal.

With regard to the New Option granted in favour of the Purchaser, the Directors are of the view that as is the case with the equivalent options granted under the Original Framework Agreement and the Original Property SPA, there will only be actual consequence if there will be any undisclosed debts of the Target Company before the Reference Date, or any defect in Power City's title over the equity interest of the Target Company. Since there is not expected to be any such undisclosed debts or defect, it is not expected that the New Option will become enforceable.

The terms of the New Framework Agreement are negotiated between the Group and the Purchaser, which is an independent third party purchaser, on an arm's length basis. Having considered the above, the Directors believe that the terms of the transactions contemplated under the New Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL IMPACT OF THE NEW DISPOSAL ON THE GROUP**

After completion of the New Disposal, the Target Company will cease to be a subsidiary of the Group and the Company will cease to have any equity interest in the Target Company.

Based on the audited net asset value of the Target Company as at 31 March 2019, and without taking into account (i) the tax impact and transaction costs, (ii) foreign currency exchange impact upon completion of the New Disposal, (iii) the fair value change on the Property between 31 March 2019 and the completion date of the Target Company SPA, and (iv) the accounting impact arising from the rent-free arrangement mentioned above between 31 March 2019 and the Completion Date, all of which may impact on the actual gain or loss on the New Disposal, and subject to the review by the Company's auditors, the Group expects to recognise a gain on the New Disposal of approximately HK\$84 million to the consolidated financial statements.

Shareholders should note that actual financial impact of the New Disposal on the Group may differ from what is mentioned above, and the Company may recognise a loss instead of a gain on the New Disposal.

## **USE OF PROCEEDS**

The Company intends to use the net proceeds from the New Disposal for general working capital purposes.

## **INFORMATION OF THE GROUP AND THE PURCHASER**

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

Power City is an investment holding company and holds the entire equity interest in the Target Company.

The principal business of the Purchaser is the provision of drug discovery and development services to pharmaceutical and biotechnology companies in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **LISTING RULES IMPLICATIONS**

### **New Disposal**

As one of the applicable percentage ratios (as defined in the Listing Rules) calculated under the Listing Rules in respect of the New Disposal is more than 75%, the New Disposal constitute a very substantial disposal of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **Grant of the New Option**

Under Rule 14.74(1) of the Listing Rules, the New Option constitutes an “option” within the meaning of Rule 14.72(1) of the Listing Rules and as the exercise of such options is not at the discretion of the Group, on the grant of the New Option, the transaction will be classified as if it had been fully exercised.

The grant of the New Option constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, no Shareholder or its close associate (as defined in the Listing Rules) has any material interest in the New Disposal or the New Option, and no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM relating to the New Framework Agreement.

A circular containing, among other things, further information of the New Framework Agreement and other information as required under the Listing Rules, and the notice of EGM to consider and, if thought fit, approve the resolution(s) relating to the New Framework Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 30 August 2019, being more than 15 working days as additional time is required to complete various reports and information (including the valuation report on the Property) in accordance with the relevant requirements of the Listing Rules.

**Completion will be conditional upon, among other things, the satisfaction of the conditions set out in the section headed “New Framework Agreement – Conditions precedent” in this announcement. Accordingly, the New Disposal and the grant of the New Option may or may not be materialised. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Block 4”	Block 4 of the Property with a total gross floor area of 7,088.24 sq.m., which forms part of the Property
“Board”	the board of Directors
“Company”	Rykadan Capital Limited 宏基資本有限公司, 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)
“Completion”	the procedures for registration modification with the administration for industry and commerce under the New Framework Agreement having been completed, all the Consideration (i.e. the Share Consideration and all the shareholder’s loan and other liabilities owing by the Target Company to Power City as at the Reference Date but before the Post-Completion Adjustment) having been paid off as agreed, and the transacting parties having signed the list of assets to be transferred
“Completion Date”	the date of Completion
“Completion Date Audit Report”	has the meaning ascribed to it in the section headed “ <i>New Framework Agreement – Post-Completion Audit</i> ” in this announcement
“Consideration”	the consideration for the New Disposal payable to Power City, which comprises the Share Consideration and the Loan Repayment
“Debt Difference”	has the meaning ascribed to it in the section headed “ <i>New Framework Agreement – Other principle terms – Undertakings</i> ” in this announcement
“Deposits”	the deposits in the aggregate amount of RMB30,264,720 payable by the Purchaser as disclosed in the section headed “ <i>Framework Agreement – Deposits</i> ” in this announcement, comprising the first Deposit, the second Deposit and the third Deposit
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolution(s) relating to the New Disposal and the New Option

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Land”	the land located at No. 2300 Xuanhuang Road, Huinan County, Shanghai, PRC (中國上海市惠南鎮宣黃公路2300號) with a site area of 34,760 sq.m. where the Property is erected thereon
“Lease Agreement”	the lease agreement dated 13 June 2019 entered into between the Target Company as lessor and the Purchaser as lessee, at the same time of the entering into of the New Framework Agreement, for the lease of Block 4
“Lease Effective Date”	has the meaning ascribed to it in the section headed “ <i>Lease Agreement – Term</i> ” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Repayment”	the repayment of the loan owed by the Target Company to Power City, including shareholder’s loan and other liabilities
“MCJQEDZ”	the Management Committee of Shanghai Jinqiao Economic Development Zone* (上海金橋經濟技術開發區管理委員會)
“Memorandum”	the memorandum entered into between Power City, the Target Company and the Purchaser dated 13 June 2019
“NBPIDL”	Shanghai Nanhui Business Park Investment and Development Co., Limited* (上海南匯工業園區投資開發有限公司)
“New Business Licence”	The new business licence of the Target Company to be issued by the relevant industries and commence authority (工商主管機關) showing the Purchaser as the sole shareholder of the Target Company
“New Disposal”	the disposal by Power City of its 100% equity interest in the Target Company pursuant to the New Framework Agreement and the Target Company SPA

“New Framework Agreement”	the framework agreement dated 13 June 2019 entered into among Power City, the Target Company and the Purchaser in relation to, among other things, the termination of the Original Framework Agreement and the Original Property SPA, the New Disposal and the New Option
“New Option”	the right granted to the Purchaser to terminate the New Framework Agreement and the Target Company SPA and demand Power City to return any of the Consideration paid and pay the Purchaser an amount equal to ten times of the undisclosed debts, and subject to Power City making the aforesaid payment, to transfer the shares in the Target Company back to Power City, as further described in the section headed “ <i>New Framework Agreement – Other principal terms – Undertakings</i> ” in this announcement
“Original Company Disposal”	the disposal by Power City of its 100% equity interest in the Target Company to the Purchaser, which would be conducted following the Original Property Disposal where the Target Company would be holding only the Remaining Blocks, as originally contemplated under the Original Framework Agreement
“Original Disposals”	the Original Property Disposal, followed by the Original Company Disposal
“Original Property Disposal”	the disposal of Block 4 by the Target Company to the Purchaser, as originally contemplated under the Original Framework Agreement and the Original Property SPA
“Original Framework Agreement”	the framework agreement dated 5 July 2017 entered into among Power City, the Target Company and the Purchaser in relation to the Original Disposals
“Original Property SPA”	the property sale and purchase agreement dated 5 July 2017 entered into between the Purchaser and the Target Company for the Original Property Disposal
“Post-Completion Adjustment”	the adjustment of the Consideration as described under the section headed “ <i>Post-Completion audit</i> ” of this announcement
“Power City”	Power City Investments Limited, a company incorporated in Hong Kong, and a 59%-owned indirect subsidiary of the Company
“PRC”	the People’s Republic of China



“Property”	Kailong Nanhui Business Park (凱龍南匯商務園), an industrial complex comprises of five blocks of buildings, canteen and other facilities, with a total gross floor area of 52,304.07 sq.m., erected on the Land
“Purchaser”	上海美迪西生物醫藥股份有限公司 (Shanghai Medicilon Inc.), a limited liability company established in the PRC
“Reference Date”	the last day of the preceding month of the date on which the Purchaser gives written notice to Power City for the signing of the Target Company SPA, or such other date as may be determined and agreed by the Purchaser and Power City in writing, which should be a date between the date on which the New Framework Agreement becomes effective and the actual date of the signing of the Target Company SPA, and should not be later than 31 October 2020
“Reference Date Audit Report”	has the meaning ascribed to it in the section headed “ <i>New Framework Agreement – Pre-Completion Audit</i> ” in this announcement
“Remaining Blocks”	the Property excluding Block 4
“RMB”	Renminbi, the lawful currency of the PRC
“Share Consideration”	the consideration for the sale and purchase of the entire equity interest of the Target Company
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SPREEC”	Shanghai Pudong Real Estate Exchange Center* (上海市浦東新區房地產交易中心)
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	美邦啟立光電科技(上海)有限公司 (Bestlinkage NHI Co., Ltd.), an enterprise with investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the People’s Republic of China established in Shanghai, PRC with limited liability directly and wholly-owned by Power City, and, as at the date of this announcement and immediately prior to the transfer of the shares of Target Company to the Purchaser under the Target Company SPA, an indirect non wholly-owned subsidiary of the Company

“Target Company SPA”

the agreement to be entered into between Power City as vendor, the Purchaser as purchaser, and the Target Company in accordance with the New Framework Agreement, for the sale and purchase of the entire equity interest of the Target Company

“%”

per cent.

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

Hong Kong, 13 June 2019

*English names of the PRC established companies/entities and information in this announcement are only translations of their official Chinese names and for reference only.*

*As at the date of this announcement, the Board comprises Mr. Chan William (Chairman and Chief Executive Officer) and Mr. Yip Chun Kwok (Chief Operating 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.*