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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)**

### **UPDATE ON VERY SUBSTANTIAL DISPOSAL**

### **ENTERING INTO OF THE TARGET COMPANY SPA**

Reference is made to the announcement of Rykadan Capital Limited (the “**Company**”, together with its subsidiaries, the Group) dated 13 June 2019 and the circular of the Company dated 23 August 2019 (the “**Circular**”) in respect of, among other things, the disposal by Power City Investment Limited, the Company’s 59%-owned subsidiary, of its 100% equity interests in 美邦啟立光電科技(上海)有限公司 (Bestlinkage NHI Co., Ltd.), which owns the property known as Kailong Nanhui Business Park (凱龍南匯商務園), an industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Shanghai, PRC (中國上海市惠南鎮宣黃公路2300號). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As disclosed under the section headed “*New Framework Agreement – Other principal terms – The Target Company SPA and its timing of signing*” in the “Letter from the Board” of the Circular, Power City and the Purchaser would enter into the Target Company SPA, the formal agreement for conducting the New Disposal.

The Board is pleased to announce that on 30 June 2020, Power City and the Purchaser have entered into the Target Company SPA on terms which reflect and are in substance the same as those agreed under the New Framework Agreement, save that due to practical difficulties encountered in respect of the settlement of the First Instalment (as defined below) as contemplated under the New Framework Agreement as further elaborated below, the arrangement regarding the settlement of the Consideration as finally agreed and provided in the Target Company SPA (the “**Modified Settlement Arrangement**”) was a modified version of that provided in the New Framework Agreement.

## ORIGINAL SETTLEMENT ARRANGEMENT

The principal terms of the original arrangement regarding the settlement of the Consideration as provided in the New Framework Agreement (the “**Original Settlement Arrangement**”) have been disclosed in the section headed “*New Framework Agreement – Terms of payment*” in the “Letter from the Board” of the Circular. Below is a summary of the salient terms of the Original Settlement Arrangement:–

### First Instalment

- (a) The first instalment of the Consideration (being 50% of the Share Consideration) (the “**First Instalment**”), subject to deduction of withholding tax, is required to be paid by the Purchaser to Power City within 10 working days after the Target Company SPA becoming effective.

### Second Instalment

- (b) Within 5 working days after the receipt of the First Instalment, the Purchaser and Power City are required to open a bank account 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 (the “**Second Instalment Account**”).
- (c) The Purchaser is required to deposit the second instalment of the Consideration (being the balance of the Share Consideration plus the amount of the Loan Repayment as at the Reference Date as shown in the Reference Date Audit Report) (the “**Second Instalment**”) into the Second Instalment Account within 60 days after the Second Instalment Account is opened.
- (d) Within 5 working days after the Second Instalment is deposited into the Second Instalment Account, 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, and to obtain the New Business Licence.
- (e) The Purchaser is also required to obtain the relevant tax payment certificates (the “**Tax Certificates**”) and business registration certificate for foreign exchange payment and upon obtaining such certificates:
  - (i) Power City should cooperate with the Purchaser to release an amount equal to the balance of the Share Consideration from the Second Instalment Account to the Purchaser, to facilitate the payment of such amount by the Purchaser to Power City’s Hong Kong bank account; and
  - (ii) the Purchaser should cooperate with Power City to release an amount equal to the Loan Repayment from the Second Instalment Account to Power City towards repayment of the shareholders’ loan owing to Power City by the Target Company; and
  - (iii) thereafter, any amount remaining in the Second Instalment Account should be released and paid to the Purchaser.

## **PRACTICAL DIFFICULTIES IN RESPECT OF THE SETTLEMENT OF THE FIRST INSTALMENT**

In preparation for the implementation of the New Disposal, the Purchaser has contacted its bank (the “**Purchaser’s Bank**”), a reputable bank in the PRC, regarding the payment of the First Instalment to Power City as contemplated under the Original Settlement Arrangement. According to the Purchaser’s Bank, since Power City is a company incorporated in Hong Kong, due to restrictions in relation to foreign exchange and due to a recent change in the cross-border payment procedures, it could not process the payment of the First Instalment to Power City’s bank account in Hong Kong unless, among other things, (i) the relevant authority for administration of industry and commerce has issued the New Business Licence; and (ii) the relevant tax authority has issued the Tax Certificates.

The Company was given to understand that before the change in the cross-border payment procedures, the Purchaser would be able to file the proposed change in the shareholding in the Target Company at the Ministry of Commerce and obtain an acknowledgement of such proposed change (the “**Acknowledgement**”) and the Purchaser’s Bank would be able to rely on such Acknowledgement and the Tax Certificates as supporting evidence and basis to process the payment of the consideration to Power City’s bank account outside the PRC. Following the change in the cross-border payment procedures, such filing procedure of the Ministry of Commerce was abolished and therefore, no Acknowledgement can be obtained. In the absence of such Acknowledgement to form the basis for processing payment, the Purchaser’s Bank requires other evidence namely, the New Business Licence and the Tax Certificates, for processing the payment of the First Instalment.

## **MODIFIED SETTLEMENT ARRANGEMENT**

In order to satisfy the current requirements of the Purchaser’s Bank such that the Purchaser could make the payment of the First Instalment to Power City and the New Disposal can be proceeded with, after arm’s length negotiations, Power City and the Purchaser have agreed to adopt the Modified Settlement Arrangement in the Target Company SPA. The salient terms of the Modified Settlement Arrangement are summarised as follows:–

### **First Instalment**

- (a) Within 3 working days after the signing of the Target Company SPA, the Purchaser and Power City are required to open a bank account (the “**Share Consideration Account**”), which shall be opened in the name of the Purchaser with a bank in Shanghai designated by the Purchaser (“**Designated Bank**”) and jointly managed by the Purchaser and Power City (or its assignee). The agreed use of the funds in the Share Consideration Account, the agreed form of instruction to transfer money out of the Share Consideration Account as well as the specimens of the official chops of the Purchaser, Power City (or its nominee) as well as the designated officers of the Designated Bank will all be clearly set out in writing. The Designated Bank will be duty-bound to ensure that the funds in the Share Consideration Account will be dealt with in accordance with the agreed procedures and with the required documentation. Without the consent from Power City, the Purchaser alone will not be able to operate the Share Consideration Account.

- (b) The Purchaser is required to deposit the First Instalment into the Share Consideration Account within 5 working days of its opening. Within 5 working days of the deposit of the First Instalment, the Purchaser is required to apply to the tax authority for obtaining the relevant Tax Certificates.
- (c) 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, for the issuance of the New Business Licence.
- (d) Within 5 working days after issuance of the New Business Licence, the Purchaser is required to commence the necessary procedures required by the Designated Bank to effect remittance of the First Instalment to Power City's bank account in Hong Kong.
- (e) After the Purchaser has completed the necessary procedures mentioned in paragraph (d) above, the Purchaser and Power City are required to jointly instruct the bank to release the First Instalment from the Share Consideration Account (subject to deduction of withholding tax) and to remit the same to Power City's bank account in Hong Kong. Any interest income accrued in the Share Consideration Account will belong to Power City and will be released to Power City together with any adjustments when the post-Completion audit is conducted with reference to the Completion Date Audit Report.
- (f) Since before applying for the registration of the transfer of 100% equity interest in the Target Company as mentioned in paragraph (c) above, the Purchaser and Power City are required to sign all the necessary documentations and give instructions to the Designated Bank (which will keep these documents pending the issue of the New Business Licence), once the New Business Licence is obtained and provided to the Designated Bank, the Designated Bank will be able to release the First Instalment out of the Share Consideration Account to Power City.

## **Second Instalment**

- (g) Within 5 working days after the deposit of the First Instalment into the Share Consideration Account, the Purchaser and Power City are required to open the Second Instalment Account.
- (h) Within 60 days after the Second Instalment Account is opened, the Purchaser is required to deposit the Second Instalment into the Second Instalment Account.
- (i) Upon issuance of the New Business Licence, the Purchaser is required to complete the necessary procedures for payment of the Second Instalment to Power City, and Power City should provide cooperation.
- (j) Thereafter, the Purchaser and Power City are required to jointly instruct the bank of the Second Instalment Account to:
  - (i) firstly, transfer the balance of the Share Consideration from the Second Instalment Account to the Share Consideration Account, and then to remit such amount from the Share Consideration Account to Power City's bank account in Hong Kong;

- (ii) transfer the amount of the Loan Repayment from the Second Instalment Account to the designated account of the Target Company for the Target Company to effect the Loan Repayment by remitting the amount to Power City's bank account in Hong Kong; and
- (iii) pay any amount remaining in the Second Instalment Account to the Purchaser.

The Company considers that the existing measures provided in the New Framework Agreement will also serve to safeguard the interests of the Group under the Modified Settlement Arrangement. In particular, the New Framework Agreement already contains the following provisions which protect Power City in the event of the Purchaser's default, and these provisions are reflected in the Target Company SPA:

- (a) if the registration of the transfer of 100% equity interest in the Target Company has been completed, and one party is in breach of the New Framework Agreement such that it could not be performed, the New Framework Agreement may be terminated and the parties are required to apply to the relevant authorities to unwind the transfer of the 100% equity interest in the Target Company, such that, among other things, the equity interest of Target Company would again be registered in the name of Power City; and
- (b) 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).

The adoption of the Modified Settlement Arrangement is necessary because the Original Settlement Arrangement was rendered impracticable by a change in the regulation, which is beyond the control of both Power City and the Purchaser. In view of the change in circumstances, the Directors are of the view that the Group's interests in the Target Company have not been undermined under the Modified Settlement Arrangement. The Directors are also of the view that the Modified Settlement Arrangement is on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Save for the adoption of the Modified Settlement Arrangement, the terms of the Target Company SPA reflect, and are in substance the same as, those agreed under the New Framework Agreement.

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

Hong Kong, 30 June 2020

*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.*