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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)

CONTINUING CONNECTED TRANSACTIONS

On 8 August 2014, the Board announced that Talent Step, an indirect wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Agreement, pursuant to which Talent Step would dispose 30% of the issued entire issued share capital of KLR Holdings and that KLR Holdings and its subsidiaries would cease to be subsidiaries of the Company. Following the completion of the Sale and Purchase Agreement and the Shareholders' Deed becoming effective, KLR Holdings and its subsidiaries ceased to be subsidiaries of the Company on 26 September 2014.

It has recently come to the attention of the Directors that:

- (1) KLR Shanghai, an indirect wholly-owned subsidiary of KLR Holdings, has entered into the Asset Management Agreement with Bestlinkage, an indirect subsidiary of the Company, in respect of the provision of Asset Management Services by KLR Shanghai to Bestlinkage; and
- (2) Kailong Investment Management, an indirect wholly-owned subsidiary of KLR Holdings, has entered into the Investment Management Agreement with Power City, an indirect subsidiary of the Company, in respect of the provision of Investment Management Services by Kailong Investment Management to Power City.

Mr. Cheng is a director of both Bestlinkage and Power City (both of them are indirect subsidiaries of the Company). In view of Mr. Cheng's indirect interest in KLR Holdings (approximately 39.02% prior to the completion of the Sale and Purchase Agreement, and approximately 59.52% following completion of the Sale and Purchase Agreement), KLR Shanghai and Kailong Investment Management (both are subsidiaries of KLR Holdings) are associates of Mr. Cheng. Prior to completion of the Sale and Purchase Agreement, both KLR Shanghai and Kailong Investment Management were not connected persons of the Company pursuant to the Listing Rules, and thus the Asset Management Services and the Investment Management Services were not connected transactions of the Company. Since KLR Shanghai and Kailong Investment Management have ceased to be non wholly-owned subsidiaries following the completion of the Sale and Purchase Agreement on 26 September 2014, KLR Shanghai and Kailong Investment Management have become connected persons of the Company since that date. Accordingly, (a) the provision of the Asset Management Services by KLR Shanghai to Bestlinkage pursuant to the Asset Management Agreement; and (b) the provision of the Investment Management Services by Kailong Investment Management to Power City pursuant to the Investment Management Agreement have, since 26 September 2014, become continuing connected transactions of the Company.

Pursuant to Rule 14A.60(1) of the Listing Rules, each of the Asset Management Agreement and Investment Management Agreement is subject to the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules and when it is renewed or its terms are varied, the Company will comply with all connected transaction requirements of Chapter 14A of the Listing Rules applicable thereto.

BACKGROUND

Reference is made to the announcement of the Company dated 8 August 2014 in respect of the disposal of interests in KLR Holdings. On 8 August 2014, Talent Step, an indirect wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement, pursuant to which Talent Step would dispose 30% of the issued entire issued share capital of KLR Holdings and that KLR Holdings and its subsidiaries would cease to be subsidiaries of the Company. Following the completion of the Sale and Purchase Agreement and the Shareholders' Deed becoming effective, KLR Holdings and its subsidiaries ceased to be subsidiaries of the Company on 26 September 2014.

It has recently come to the attention of the Directors that:

- (1) KLR Shanghai, an indirect wholly-owned subsidiary of KLR Holdings, has entered into the Asset Management Agreement with Bestlinkage, an indirect subsidiary of the Company, in respect of the provision of Asset Management Services by KLR Shanghai to Bestlinkage; and
- (2) Kailong Investment Management, an indirect wholly-owned subsidiary of KLR Holdings, has entered into the Investment Management Agreement with Power City, an indirect subsidiary of the Company, in respect of the provision of Investment Management Services by Kailong Investment Management to Power City.

Details of the Asset Management Agreement and the Investment Management Agreement are disclosed in this announcement in compliance with Rules 14A.60(1) of the Listing Rules.

THE ASSET MANAGEMENT AGREEMENT

Date : 1 August 2012

Parties : KLR Shanghai
Bestlinkage

Period : a term of 5 years from 1 August 2012

Subject Matter:

Pursuant to the Asset Management Agreement, KLR Shanghai shall provide such Asset Management Services for the Assets to Bestlinkage.

Services to be rendered by KLR Shanghai to Bestlinkage

The asset management services to be provided by KLR Shanghai includes, amongst others, strategic management, new lettings, lease renewals and rent reviews, rent arbitration, surrenders or terminations, refurbishment, collection of rent and service charges, insurance, repair and maintenance, general management, asset administration, reporting and financing (the “**Asset Management Services**”).

Fees and Payment Terms

KLR Shanghai is entitled to the following compensation for the provision of the Asset Management Services under the Asset Management Agreement, i.e. a fee equal to the annual amount of RMB 1,124,537.51, to be paid quarterly in advance; provided however that the right to receive the fee shall terminate on the date of termination or resignation of KLR Shanghai except with respect to any previously accrued and unpaid fees and any indemnification owed to KLR Shanghai.

The aforesaid fees are determined with reference to the service scope, underlying efforts and workload of KLR Shanghai.

THE INVESTMENT MANAGEMENT AGREEMENT

Date : 12 December 2012

Parties : Kailong Investment Management
Power City

Period : a term of 5 years from 1 August 2012

Subject Matter:

Pursuant to the Investment Management Agreement, Power City has appointed Kailong Investment Management to provide certain Investment Management Services.

Investment Management Services to be rendered by Kailong Investment Management to Power City

The services to be provided by Kailong Investment Management include, amongst others, (a) market research review and investment strategy, including reviewing market research reports such as constant monitoring of the real estate markets, analysis of future market developments and trends that are emerging and evaluation of information, giving comments on the list of shortlisted target properties that are proposed/presented and advising on devising the investment strategy and (b) disposition of real estate, including preparing an exit strategy and making recommendations on disposition of Assets, advising on determination of optimal times for disposition of properties, evaluating exit timing and giving advice on method of exit, reviewing the reports and proposals relating to time and method of implementation of the sale, participating in global search for potential buyer of Assets and involvement in the negotiations and the sale in accordance with the requests of the investor, and in particular be available as contact point for questions, etc., in the course of the due diligence process of a prospective buyer (the “**Investment Management Services**”).

Fees and payment terms

Kailong Investment Management is entitled to the following remuneration for the provision of the Investment Management Services:-

(a) Investment Advisory Fee

An investment advisory fee equal to 0.5% p.a. on RMB 224,907,200. The fee is payable quarterly in advance.

(b) Disposition Fee

A disposition fee equal to 0.5% of the Disposition Proceeds. The disposition fee is payable at the closing of the definitive sales agreement with the respective purchaser, following receipt of payment from the respective purchaser. In the event that Kailong Investment Management is terminated for any reason other than termination upon event of default, all disposition fees earned by Kailong Investment Management with respect to Disposition that has closed prior to such termination and within one hundred and eighty days thereafter and exit with third party purchasers with whom Kailong Investment Management has had substantive discussion with respect to the Assets are identified in writing by Kailong Investment Management to Power City prior to the effective date of Kailong Investment Management's termination that have closed prior to such termination or involuntary resignation or within 180 days thereafter and shall be paid as if such termination or resignation had not occurred in accordance with the provisions of the Investment Management Agreement.

(c) Promote

Kailong Investment Management shall be entitled to receive a fee (the "**Promote**") payable quarterly in arrears, from net cash flow from the Assets as follows:

- (i) first, ten percent (10%) of net cash flow, if and to the extent that as of date of determination, the Assets have yielded an IRR equal to or in excess of fifteen percent (15%) and less than twenty percent (20%); and
- (ii) second, twelve point five percent (12.5%) of net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of twenty percent (20%) and less than twenty-five percent (25%); and
- (iii) third, fifteen percent (15%) of the net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of twenty-five percent (25%)

The aforesaid fees are determined with reference to market practice.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The reasons for and the benefits of entering into the Asset Management Agreement is for the Assets to be properly managed using the expertise of KLR Shanghai.

The reasons for and benefits of entering into the Investment Management Agreement is for the investment aspect of the Assets to be properly managed using the expertise of Kailong Investment Management.

The Directors (including the independent non-executive Directors) consider that the terms of each of the Asset Management Agreement and the Investment Management Agreement are on normal commercial terms and in the ordinary and usual course of business, and fair and reasonable and that the entering into of each of the Asset Management Agreement and the Investment Management Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Cheng is a director of both Bestlinkage and Power City (both of them are indirect subsidiaries of the Company). In view of Mr. Cheng's indirect interest in KLR Holdings (approximately 39.02% prior to the completion of the Sale and Purchase Agreement, and approximately 59.52% following completion of the Sale and Purchase Agreement), KLR Shanghai and Kailong Investment Management (both are subsidiaries of KLR Holdings) are associates of Mr. Cheng. Prior to completion of the Sale and Purchase Agreement, both KLR Shanghai and Kailong Investment Management were not connected persons of the Company pursuant to the Listing Rules, and thus the Asset Management Services and the Investment Management Services were not connected transactions of the Company. Since KLR Shanghai and Kailong Investment Management have ceased to be non wholly-owned subsidiaries following the completion of the Sale and Purchase Agreement on 26 September 2014, KLR Shanghai and Kailong Investment Management have become connected persons of the Company since that date. Accordingly, (a) the provision of the Asset Management Services by KLR Shanghai to Bestlinkage pursuant to the Asset Management Agreement; and (b) the provision of the Investment Management Services by Kailong Investment Management to Power City pursuant to the Investment Management Agreement have, since 26 September 2014, become continuing connected transactions of the Company.

Pursuant to Rule 14A.60(1) of the Listing Rules, each of the Asset Management Agreement and Investment Management Agreement is subject to the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules and when it is renewed or its terms are varied, the Company will comply with all connected transaction requirements of Chapter 14A of the Listing Rules applicable thereto.

GENERAL

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

KLR Holdings and its subsidiaries including KLR Shanghai and Kailong Investment Management carries out real estate investment, fund management and asset management in the Greater China Region.

Power City is a company incorporated in Hong Kong with limited liability and the principal business of which is the holding of interests in Bestlinkage.

Bestlinkage is a company established in Shanghai, China under the laws of the PRC. Bestlinkage is principally engaged in the holding of the Assets.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Asset(s)”	Kailong Nanhui Business Park, Shanghai (Formerly known as Bestlinkage Business Park Shanghai), located at No. 2300 Xuanhuang Road, Pudong, Shanghai, PRC.
“Asset Management Agreement”	the asset management agreement dated 1 August 2012 entered into between KLR Shanghai and Bestlinkage
“Asset Management Services”	has the meaning ascribed hereto under the section “The Asset Management Agreement”
“Bestlinkage”	美邦啓立光電科技(上海)有限公司 (Bestlinkage NHI Co., Ltd.) is a company established in Shanghai, China under the laws of the PRC, an indirect subsidiary of the Company.
“Board”	the board of Directors
“Company”	Rykadan Capital Limited, the shares of which are listed on the Stock Exchange (Stock Code: 2288)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Disposition”	the sale of all or part of the Asset, or the sale of ownership of all or part of the equity interests in Bestlinkage and/or the equity interests in Power City, but excluding any financing or refinancing thereof or the transfer thereof resulting from an exercise of any security interest thereon, to any person other than Kings Haul Limited and Fine Elite Holdings Limited, who are equity holders of Power City (or their respective affiliate(s))
“Disposition Proceeds”	the amount equal to the gross proceeds of the property and other asset value received by Bestlinkage (or Power City with respect to a disposition of shares of Bestlinkage or Kings Haul Limited and/or Fine Elite Holdings Limited with respect to a disposition of shares of Power City) with respect to a Disposition minus any broker fees and other transaction costs (including legal fees, etc.) incurred in connection therewith plus any loans or liabilities being transferred to the buyers in the case of disposition of shares of Bestlinkage or Power City

“Distributions”	the cumulative sum of the distributions made by Power City to Kings Haul Limited and Fine Elite Holdings Limited whether as repayment of shareholder loans, whether as principal or interest, or equity distributions, including but not limited to any Net Disposition Proceeds from Kings Haul Limited and Fine Elite Holdings Limited sale of ownership of the equity interests in Power City (or any successor of the Power City) in a Disposition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IRR”	<p>an internal rate of return of the applicable percentage per annum compounded monthly, of:</p> <p>(a) the aggregate sum of the capital contributions are received by Power City plus the aggregate sum of the sale proceed paid by Kings Haul Limited to Fine Elite Holdings Limited for the acquisition of the shares in Power City. Contribution by Fine Elite Holdings to Power City before the acquisition of the shares of Power City by Kings Haul Limited will be deemed as contributed on the date of closing of the shares transfer of Power City to Kings Haul Limited; and</p> <p>(b) the cumulative sum of the distributions made by Power City to Kings Haul Limited and Fine Elite Holdings Limited whether as repayment of shareholder loans, whether as principal or interest, or equity distributions, including but not limited to any Net Disposition Proceeds from Kings Haul Limited and Fine Elite Holdings Limited sale of ownership of the equity interests in Power City (or any successor of the Power City) in a Disposition</p>

It shall be computed by assuming that all capital contributions occur on the first day of the calendar quarter in which actually made or received.

“Investments”	the aggregate sum of the capital contributions are received by Power City plus the aggregate sum of the sale proceed paid by Kings Haul Limited to Fine Elite Holdings Limited for the acquisition of the shares in Power City. Contribution by Fine Elite Holdings to Power City before the acquisition of the shares of Power City by Kings Haul Limited will be deemed as contributed on the date of closing of the shares transfer of Power City to Kings Haul Limited
“Investment Management Agreement”	the investment management agreement dated 12 December 2012 entered into between Kailong Investment Management and Power City
“Investment Management Services”	has the meaning ascribed hereto under the section “The Investment Management Agreement”
“Kailong Investment Management”	Kailong Investment Management Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of KLR Holdings
“KLR Holdings”	Kailong Holdings Limited, a company incorporated in the Cayman Islands
“KLR Shanghai”	上海凱龍瑞項目投資諮詢有限公司 (Kailong REI Project Investment Consulting (Shanghai) Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of KLR Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Cheng”	Mr. Cheng Hei Ming, a director of both Bestlinkage and Power City and a connected person of the Company
“Net Disposition Proceeds”	the amount equal to the gross proceeds of the property and other asset value received by Bestlinkage (or Power City with respect to a disposition of shares of Bestlinkage or Kings Haul Limited and/or Fine Elite Investments Limited with respect to the disposition of shares of Power City) with respect to a Disposition minus any broker fees and other transaction costs (including legal fees, etc.) incurred in connection therewith plus any loans or liabilities being transferred to the buyers in the case of disposition of shares of Bestlinkage or Power City.
“Power City”	Power City Investments Limited, a company incorporated in Hong Kong with limited liability, an indirect subsidiary of the Company.

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administration Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 August 2014 entered into between Talent Step as vendors and Good Grace Investments Limited, Borrison (B.V.I.) Limited, Coralland Limited, Water Ocean Limited and Mr. Stephen Anthony Roth as purchasers.
“Share(s)”	share(s) of HK\$0.01 each in the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Deed”	the shareholders’ deed dated 26 September 2014 entered into between Talent Step, Good Grace Investments Limited, Borrison (B.V.I.) Limited, Mr. Stephen Anthony Roth, Secured Capital Investment Management Co., Limited, PAG Real Estate Limited, Coralland Limited, Water Ocean Limited, Mr. Geng Hao and KLR Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Talent Step”	Talent Step Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 24 October 2014

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