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XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE AT HK\$3.53 PER RIGHTS SHARE ON A NON-UNDERWRITTEN BASIS; AND (2) CLOSURE OF REGISTER OF MEMBERS

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds (before deducting professional fees and other related expenses) of up to (i) approximately HK\$228.91 million by way of the Rights Issue of 64,845,744 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) or (ii) approximately HK\$228.95 million by way of the Rights Issue of 64,857,271 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options) at the Subscription Price of HK\$3.53 each and on the basis of one (1) Rights Share for every ten (10) Shares held by the Qualifying Shareholders on the Record Date.

The Subscription Price of HK\$3.53 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

Assuming no new Shares are issued and/or repurchased by the Company on or before the Record Date, a total number of Rights Shares of 64,845,744 will be allotted and issued representing:

- (i) approximately 10.00% of the Company's existing issued Shares as at the date of this announcement; and
- (ii) approximately 9.09% of the Company's existing issued Shares as enlarged by the issue of the Rights Shares.

Assuming full acceptance of the Rights Shares by the Qualifying Shareholders (assuming no change in the number of Shares in issue on or before the Record Date), the aggregate nominal value of the Rights Shares, of nominal value of HK\$0.01 each, will be approximately HK\$648,457. Assuming full acceptance of the Rights Shares by the Qualifying Shareholders and no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options, the aggregate nominal value of the Rights Shares, of nominal value of HK\$0.01 each, will be approximately HK\$648,573.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, the size of the Rights Issue will be reduced accordingly.

Subject to the Irrevocable Undertakings as more particularly described in the section headed “Irrevocable Undertakings” in this announcement, a minimum amount of approximately HK\$161.31 million in respect of 45,695,754 Rights Shares undertaken by the Concert Group will be raised under the Rights Issue.

IRREVOCABLE UNDERTAKINGS

Pursuant to the Irrevocable Undertakings, each of the Controlling Shareholders (together, the Concert Group) has irrevocably undertaken to the Company (i) to accept or to procure their respective associates to accept their respective assured entitlements to the Rights Shares under the Rights Issue in full (with the exception of the 4,436,100 Shares held through Full Guang, which is in turn jointly owned by the Concert Group); and (ii) the 456,957,549 Shares held by them in aggregate either directly or indirectly (excluding the 4,436,100 Shares held through Full Guang), representing approximately 70.47% of the Company’s issued share capital as at the date of this announcement, will remain so held by them from the date of the Irrevocable Undertakings to the Record Date.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, the size of the Rights Issue will be reduced accordingly. Shareholders and investors are advised to exercise caution when dealing in the Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 November 2021 to Monday, 22 November 2021 (both dates inclusive) for determining the entitlements under the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

GEM LISTING RULES IMPLICATIONS

The Rights Issue is not subject to Shareholders' approval under the GEM Listing Rules and will be carried out in compliance with Rule 10.31(1) of the GEM Listing Rules.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Conditions of the Rights Issue" in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds (before deducting professional fees and other related expenses) of up to (i) approximately HK\$228.91 million by way of the Rights Issue of 64,845,744 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) or (ii) approximately HK\$228.95 million by way of the Rights Issue of 64,857,271 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options) at the Subscription Price of HK\$3.53 each and on the basis of one (1) Rights Share for every ten (10) Shares held by the Qualifying Shareholders on the Record Date.

The Rights Issue will not be extended to the Excluded Shareholder(s). The terms of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every ten (10) existing Shares held on the Record Date
Subscription Price	:	HK\$3.53 per Rights Share
Number of Shares in issue as at the date of this announcement	:	648,457,444.38 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Not less than 64,845,744 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 64,857,271 (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the Vested Share Options)
Aggregate nominal value of the Rights Shares	:	Not less than approximately HK\$648,457 (assuming no change in the number of Shares in issue on or before the Record Date) and not more than approximately HK\$648,573 (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the Vested Share Options)
Enlarged issued share capital upon completion of the Rights Issue	:	Not less than 713,303,188.38 Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 713,429,983.38 (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the Vested Share Options)
Number of Rights Shares undertaken to be taken up	:	The Concert Group has undertaken to take up an aggregate of 45,695,754 Rights Shares (representing approximately 70.47% of the total Rights Shares proposed to be provisionally allotted by the Company)

Maximum funds to be : HK\$228.95 million
raised before expenses
(assuming (i) all the
Rights Shares will be
taken up; and (ii) no
change in the number of
Shares in issue on or
before the Record Date
other than the full
exercise of the Vested
Share Options)

Assuming no change in the number of issued Shares on or before the Record Date, the 64,845,744 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 10.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

As at the date of this announcement, there are 115,268 Vested Share Options. Assuming no change in the number of issued Shares on or before the Record Date other than the full exercise of Vested Share Options, the 64,857,271 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 10.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Subscription Price

The subscription price of HK\$3.53 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 8.07% to the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 12.36% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$4.03;
- (iii) a discount of approximately 16.57% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$4.23;
- (iv) a discount of approximately 7.39% to the theoretical ex-rights price of approximately HK\$3.81 per Share based on the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a premium of approximately 405.50% to the unaudited consolidated net asset value per Share of approximately HK\$0.6983 (based on the latest published consolidated net asset value attributable to the Shareholders of approximately HK\$452.8 million as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 648,457,444.38 Shares in issue as at the date of this announcement); and
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 5.37% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$3.81 per Share (taking into account the closing price of the Last Trading Day of HK\$3.84 per Share) and the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$4.03 per Share.

The Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions, and the amount of funds the Company intends to raise under the Rights Issue.

The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every ten (10) Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Final Acceptance Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 15 November 2021.

The last day of dealings in the Shares on a cum-rights basis is Thursday, 11 November 2021. The Shares will be dealt with on an ex-rights basis from Friday, 12 November 2021.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Excluded Shareholder(s) (if any)

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus and the Overseas Letter to the Excluded Shareholders for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form, to be sold

in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. The Company will retain individual amount of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue at the date of allotment and issue of the Rights Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and sold by the Company in the open market if a premium (net of expenses) can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders.

Odd lot trading arrangement

Upon completion of the Rights Issue, the board lots of the Company will remain as 4,000 Shares. In order to alleviate difficulties in relation to the existence of odd lots of the Shares arising from the Rights Issue, the Company has appointed Kingsway Financial Services Group Limited as an agent to provide matching services on a best effort basis to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 21 December 2021 to 4:00 p.m. on Tuesday, 4 January 2022, both dates inclusive. Holders of the Shares in odd lot represented by the existing share certificate for the Shares who wish to take advantage of this facility to either dispose of their odd lots of the Shares or top up their odd lots to a full board lot may directly or through their brokers contact Kingsway Financial Services Group Limited at 7/F, Tower One Lippo Centre, 89 Queensway, Hong Kong (telephone number: (852) 2283 7752) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) within such period. Holders of the Shares who would like to match odd lots are recommended to make an appointment in advance by dialing the telephone number of Kingsway Financial Services Group Limited set out above.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

(i) to (iii) shall collectively be referred to as “**Untaken Rights**”.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for under each application;
- (ii) no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the

Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for. Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually.

Shareholders whose Shares are held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 15 November 2021.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 4,000 Shares in one board lot.

RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS

Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholder(s) (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 20 December 2021.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Monday, 20 December 2021 by ordinary post to the applicants' registered address, at their own risks.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, the size of the Rights Issue will be reduced accordingly.

Each of the Controlling Shareholders (together, the Concert Group) has given the Irrevocable Undertakings to undertake to maintain its current beneficial shareholding in 456,957,549 Shares (excluding the 4,436,100 Shares held through Full Guang) up to and including the Record Date and to lodge acceptance for all the 45,695,754 Rights Shares provisionally allotted to it with full payment by the Final Acceptance Date. In addition, the Rights Issue is conditional upon the conditions set out in the section headed “Conditions of the Rights Issue” in this announcement. As the proposed Rights Issue is subject to conditions, it may or may not proceed.

Subject to the commitment of the Concert Group under the Irrevocable Undertakings as well as the satisfaction of the conditions, a minimum amount of approximately HK\$161.31 million in respect of 45,695,754 Rights Shares undertaken by the Concert Group will be raised under the Rights Issue.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment, non-occurrence or waiver (as appropriate) of each of the following conditions:

- (a) the meeting(s) of the Board properly and validly convened to approve and implement the Rights Issue;
- (b) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, no later than the Posting Date, each of the Prospectus Documents is duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies Ordinance and the GEM Listing Rules;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholder(s), if any, to the extent legally permitted and for information purposes only, on or before the Posting Date;
- (d) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked;
- (e) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the

commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused; and

- (f) compliance with and performance of all undertakings and obligations of each Controlling Shareholder (together, the Concert Group) under the Irrevocable Undertakings in all material respects.

Save for condition (f) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the conditions referred to above are not fulfilled, or occurs and/or not waived (where applicable) at or before 4:00 p.m. on Monday, 13 December 2021, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, the Concert Group collectively (together with their respective associates) are interested in 461,393,649 Shares (representing approximately 71.15% of the Company's issued share capital as at the date of this announcement), of which 4,436,100 Shares (representing approximately 0.68% of the Company's issued share capital) are held through Full Guang, a company jointly owned by the Concert Group.

Pursuant to the Irrevocable Undertakings, each of the Controlling Shareholders (together, the Concert Group) has irrevocably undertaken to the Company (i) to accept or to procure their respective associates to accept their respective assured entitlements to the Rights Shares under the Rights Issue in full (with the exception of the 4,436,100 Shares held through Full Guang, which is in turn jointly owned by the Concert Group); and (ii) the 456,957,549 Shares held by them in aggregate either directly or indirectly (excluding the 4,436,100 Shares held through Full Guang), representing approximately 70.47% of the Company's issued share capital as at the date of this announcement, will remain so held by them from the date of the Irrevocable Undertakings to the Record Date. Each of the Controlling Shareholders (together, the Concert Group) has also undertaken that they will not, and procure their respective associates that they will not, without first having obtained prior written consent of the Company:

- (i) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Share (with the exception of the 4,436,100 shares held through Full Guang)) or any interest therein between the date of the Irrevocable Undertakings and the Record Date; or

- (ii) transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire (except the acceptance of and procuring the acceptance of their respective assured entitlements to the Rights Shares under the Rights Issue pursuant to the Irrevocable Undertakings) any Share (with the exception of the 4,436,100 Shares held through Full Guang) or any interest therein between the Record Date and the Final Acceptance Date.

The Company would like to clarify that Full Guang is not part of the Irrevocable Undertakings because, as a separate investment entity with a business investment portfolio on its own, Full Guang will consider its own operational and financial conditions and the general market conditions before making a decision on the Rights Issue. The Directors have confirmed that there is nothing in relation to Full Guang that otherwise ought to be brought to the attention of the Shareholders and the Stock Exchange.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholders (as defined in the GEM Listing Rules) of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form

will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 November 2021 to Monday, 22 November 2021 (both days inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme.

The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditor of the Company (as the case may be).

EXPECTED TIMETABLE

- Publication of the Rights Issue
announcement Monday, 8 November 2021

- Last day of dealings in Shares
on a cum-rights basis..... Thursday, 11 November 2021

- First day of dealings in Shares
on an ex-rights basis..... Friday, 12 November 2021

- Latest date and time for lodging
transfer of shares to be entitled
for the Rights Issue 4:30 p.m. on Monday, 15 November 2021

- Closure of register of members
to determine the entitlements to Tuesday, 16 November 2021 to
the Rights Issue (both dates inclusive) Monday, 22 November 2021

Record date for the Rights Issue	Monday, 22 November 2021
Register of members re-opens	Tuesday, 23 November 2021
Prospectus Documents to be posted	Friday, 26 November 2021
First day of dealings in nil-paid Rights Shares	Tuesday, 30 November 2021
Latest time for splitting PALs	4:30 p.m. on Thursday, 2 December 2021
Last day of dealings in nil-paid Rights Shares	Tuesday, 7 December 2021
Latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Friday, 10 December 2021
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Monday, 13 December 2021
Announcement of the allotment results of the Rights Issue.....	Friday, 17 December 2021
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Monday, 20 December 2021
Share certificates of fully-paid Rights Shares to be posted	Monday, 20 December 2021
First day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 21 December 2021

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or extreme conditions caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 10 December 2021. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 10 December 2021. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on or before 4:00 p.m. on Friday, 10 December 2021, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than the Concert Group who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertakings:

- (a) assuming there are no Vested Share Options being exercised and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than the Concert Group who will take up the Rights Shares in accordance with the Irrevocable Undertakings)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Concert Group (other than Full Guang) (Note 1)	456,957,549	70.47	502,653,303	70.47	502,653,303	72.41
Full Guang (Note 2)	4,436,100	0.68	4,879,710	0.68	4,436,100	0.64
Ms. LI Pik Yung (Note 3)	85,088	0.01	93,596	0.01	85,088	0.01
Public Shareholders	186,978,707.38	28.83	205,676,579.38	28.83	186,978,707.38	26.94
Total	648,457,444.38	100.00	713,303,188.38	100.00	694,153,198.38	100.00

Notes:

- The Concert Group consists of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Leung, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. NG Ngan Ho and Mr. SZE Nang Sze, who together, are the Controlling Shareholders.
- The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- Ms. LI Pik Yung is an executive Director. As at the date of this announcement, Ms. LI Pik Yung owns 85,088 Shares.

- (b) assuming all the Vested Share Options being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	As at the date of this announcement		Upon full exercise of the Vested Share Options on or before the Record Date		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than the Concert Group who will take up the Rights Shares in accordance with the Irrevocable Undertakings)	
	Number of Shares		Number of Shares		Number of Shares		Number of Shares	
		%		%		%		%
The Concert Group (Note 1)	456,957,549	70.47	456,957,549	70.46	502,653,303	70.46	502,653,303	72.40
Full Guang (Note 2)	4,436,100	0.68	4,436,100	0.68	4,879,710	0.68	4,436,100	0.64
Ms. LI Pik Yung (Note 3)	85,088	0.01	85,088	0.01	93,596	0.01	85,088	0.01
Public Shareholders	186,978,707.38	28.83	186,978,707.38	28.83	205,676,580.38	28.83	186,978,707.38	26.93
Holder of Vested Share Options	—	—	115,268	0.02	126,794	0.02	115,268	0.02
Total	648,457,444.38	100.00	648,572,712.38	100.0	713,429,983.38	100.00	694,268,466.38	100.00

Notes:

1. The Concert Group consists of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Leung, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. NG Ngan Ho and Mr. SZE Nang Sze, who together, are the Controlling Shareholders.
2. The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
3. Ms. LI Pik Yung is an executive Director. As at the date of this announcement, Ms. LI Pik Yung owns 85,088 Shares.

Figures shown as totals may not be an arithmetic aggregation of the figures preceding them as certain figures included in the above tables have been subject to rounding adjustments and may be subject to further rounding adjustments.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group's principal business includes the production and sales of electric storage products as well as the provision of related contract processing services in the PRC. In addition, the Group is also engaged in the provision of engineering, procurement and construction services (the “**EPC Services**”) for solar energy projects. Such businesses require relatively more upfront funding for capital expenditures and purchase of raw materials and other components. The Group's cash and cash equivalents amounted to approximately HK\$147.4 million as at 30 September 2021. Most of the Group's current cash and cash equivalents were generated from the Group's bank borrowings, which amounted to approximately HK\$148.1 million as at 30 September 2021.

Due to support from PRC government for the new energy industry by introducing policies such as (i) “The 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Outline of the Long-term Goals for 2035” (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》); (ii) “Notice on Issuing the 14th Five-Year Circular Economy Development Plan” (《關於印發「十四五」循環經濟發展規劃的通知》); (iii) “About the Guiding Opinions on Accelerating the Development of New Energy Storage” (《關於加快推動新型儲能發展的指導意見》); and (iv) “About the Notice to Further Improve the Time-of-use Electricity Price Mechanism” (《關於進一步完善分時電價機制的通知》); which encourage users to develop and install energy storage facilities; use of clean energy; develop more stable energy supply; and develop photovoltaic power generation facilities, the Directors consider that there will be substantial room for business growth in the (i) electric storage industry; and (ii) the EPC Services for solar energy projects. The Directors believe that in order to capture the business growth opportunities, the Group requires more funds to strengthen the capital for supporting the development of electric storage business and EPC Services business. The Directors intend to apply part of the net proceeds from the Rights Issue for additional capital for electric storage business and EPC Services business. Additional capital for electric storage business and EPC Services business could also improve the Group's liquidity such that the trade receivables to be generated during the ordinary course of business will not hinder the operation and development of these businesses. As such, the Directors believe that cash resources available to the Group is the key factor to the Group's ability to capture business opportunity for future development of the Group, which could potentially contribute the increases in both revenue and profit of the Group.

In addition, in view of the rapid development of the solar energy industry, the Directors intend to apply part of the net proceeds from the Rights Issue for the investment in a new business segment in connection with the production of ethylene vinyl acetate (“**EVA**”). EVA is a component for solar modules, and solar modules are

required for installation of photovoltaic power generation facilities. Part of the net proceeds from the Rights Issue will be used for setting up the production line of EVA (“**EVA Production Line**”). The Directors consider that the setting up of EVA Production Line is advantageous to the sustainable growth of the Group in the future.

The Directors are of the view that the Rights Issue will enable the Group to strengthen its capital base and improve its financial position. Furthermore, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding in the Company and participate in the growth and development of the Group. Accordingly, the Directors are of the view that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. The Board considers it is prudent to finance the Group’s growth by equity financing, which will not increase the Group’s finance costs and financial burden. The Board has considered other fund raising alternatives such as debt financing. However, debt financing will result in interest burden and subject the Group to additional repayment obligations which will ultimately reduce the Group’s net profit.

In view of the above and taking into account the intended use of proceeds as set out below, the Board considers that raising funds by way of the Rights Issue is beneficial to the Company and its Shareholders as a whole.

Assuming all the Rights Shares have been taken up, the gross proceeds from the Rights Issue will be approximately HK\$228.91 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$228.11 million. The Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately 46.20%, or HK\$105.29 million for additional capital for electric storage business and EPC Services business;
- (ii) approximately 43.80%, or HK\$100.00 million for investment in the EVA Production Line; and
- (iii) approximately 10.00%, or HK\$22.81 million for general working capital.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses. The use of net proceeds may be adjusted based upon the development of the Group’s business and its needs but in any event no less than HK\$100.00 million will be applied for investment in the EVA Production Line.

Assuming nil acceptance by the Qualifying Shareholders other than the Concert Group who will take up the Rights Shares in accordance with the Irrevocable Undertakings, the minimum net proceeds from the Rights Issue will be approximately HK\$160.51 million. In such case, the Company will apply all of the net proceeds for (i) additional capital for electric storage business and EPC Services business; and (ii) investment in the EVA Production Line.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the 12 months immediately prior to the date of this announcement.

GEM LISTING RULES IMPLICATIONS

The Rights Issue is not subject to Shareholders' approval under the GEM Listing Rules and will be carried out in compliance with Rule 10.31(1) of the GEM Listing Rules.

GENERAL

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on Friday, 26 November 2021 and the Prospectus with the Overseas Letter will be despatched to the Excluded Shareholder(s) (if any) to the extent legally permitted and for information only.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day on which banks are generally open for business in Hong Kong (excluding Saturday and Sunday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)

“Company”	Xinyi Electric Storage Holdings Limited (Stock Code: 08328), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM of the Stock Exchange
“Concert Group”	the Controlling Shareholders and parties acting in concert (as defined in the Takeovers Code) with it
“Controlling Shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their entitlements under the Rights Issue
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Final Acceptance Date”	Friday, 10 December 2021, being the last day for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares or such other time or date as the Company may determine
“Full Guang”	Full Guang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and jointly owned by the Concert Group
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertakings”	the irrevocable undertakings provided by each Controlling Shareholder (together, the Concert Group) in favour of the Company entered into on 8 November 2021 (after trading hours)
“Last Trading Day”	8 November 2021, being the last full trading day for the Shares before the release of this announcement
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	26 November 2021, or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue

“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on 22 November 2021 or such later date as announced by the Company
“Registrar”	the Hong Kong Branch Share Registrar and Transfer Office of the Company, being Computershare Hong Kong Investor Services Limited
“Rights Issue”	the issue by way of rights of one (1) Rights Share for every ten (10) Shares in issue on the Record Date at the Subscription Price
“Rights Share(s)”	up to 64,857,271 new Shares proposed to be allotted and issued in respect of the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options)
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Options”	a right to subscribe for Shares pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme approved by the Shareholders on 31 May 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	the subscription price of HK\$3.53 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vested Share Options”	outstanding and vested Share Options granted to subscribe for 115,268 Shares pursuant to the Share Option Scheme that are exercisable on or before the Record Date
“%”	per cent or percentage

By order of the Board
Xinyi Electric Storage Holdings Limited
Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P.
Chairman and non-executive Director

Hong Kong, 8 November 2021

As of the date of this announcement, the executive Directors are Mr. NG Ngan Ho and Ms. LI Pik Yung, the non-executive Directors are Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. (Chairman) and Mr. LEE Shing Kan, and the independent non-executive Directors are Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S, J.P..

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.xyglass.com.hk.