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**China VAST Industrial Urban Development Company Limited**

**中國宏泰產業市鎮發展有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6166)**

**PROPOSED AMENDMENT TO THE TERMS OF GUARANTEED  
CONVERTIBLE NOTES AND GUARANTEED NOTES  
AND  
DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

On 11 December 2021, the Company and the Initial Investor, among others, entered into a conditional Amendment Deed to extend the maturity date in respect of the outstanding Convertible Notes in the principal amount of US\$50 million and the outstanding Notes in the principal amount of US\$16 million to 31 December 2022 and to amend certain terms of the Convertible Notes and the Notes.

The Company has applied for the approval of the Hong Kong Stock Exchange for the Amendment of the Convertible Notes under the Amendment Deed pursuant to Rule 28.05 of the Listing Rules, and will seek Shareholders' approval at the EGM for the grant of specific mandate to the Directors for the allotment and issue of the Conversion Shares which may be issued upon the exercise of the conversion rights under the Convertible Notes.

A circular containing, among others, details of the Amendment Deed and the proposed Amendment of the Convertible Notes and a notice convening the EGM is expected to be despatched to the Shareholders on or before 14 December 2021.

**Since the Amendment is subject to the fulfillment of the conditions as set out in the Amendment Deed, the Amendment may or may not become effective. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcements of the Company dated 27 December 2017, 9 January 2018, 8 January 2021, 18 January 2021 and 4 October 2021 in relation to, inter alia, the issue of the Convertible Notes and the Notes, the extension of the maturity date thereunder and amendment to the terms thereof (collectively, the "Announcements"). Terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

## **PROPOSED AMENDMENT TO THE TERMS OF THE CONVERTIBLE NOTES AND THE NOTES**

On 11 December 2021, the Company, Profit East, Shing Cheong, China Vast International, Sheng Shi International, King Billion, Ms. Zhao, Mr. Wang and the Initial Investor entered into a conditional deed of amendment (the “**Amendment Deed**”).

Pursuant to the Amendment Deed, the Company, the Initial Investor and other parties thereto agreed to extend the maturity date in respect of the outstanding Convertible Notes in the principal amount of US\$50 million and the outstanding Notes in the principal amount of US\$16 million to 31 December 2022 and to amend the terms and conditions of the Note Subscription Agreement, the Convertible Notes, the Notes and the other relevant transaction documents (collectively, the “**Transaction Documents**”) as follows:

### **Convertible Notes (in respect of the outstanding principal amount of US\$50 million)**

Maturity Date:	31 December 2022
Conversion Price:	HK\$2.82 per Conversion Share, subject to adjustment in accordance with the terms of the Convertible Notes
Guarantee:	The obligations of the Company in respect of the Convertible Notes are guaranteed by Shing Cheong, China Vast International, Sheng Shi International and King Billion (collectively, the “ <b>Subsidiary Guarantors</b> ”) jointly and severally in full, by the controlling shareholders of the Company (i.e. Profit East and Ms. Zhao) and Mr. Wang jointly and severally as to 70.1%, and by China Jinmao Holdings Group Limited (“ <b>China Jinmao</b> ”) severally as to 29.9%.

### **Notes (in respect of the outstanding principal amount of US\$16 million)**

Maturity Date:	31 December 2022
Coupon rate:	8% per annum on the outstanding principal amount of US\$16 million of the Notes, payable semi-annually in arrears
Redemption:	Unless previously redeemed, converted or cancelled, the Company will redeem the Notes on the Maturity Date at an aggregate price of (a) an amount that would yield to that investor a return of 10% per annum; (b) the total principal amount outstanding of the Notes then held by that investor; (c) all amounts of accrued but unpaid interest on the Notes then outstanding and held by that investor; and (d) fees, expense and any other amounts due and payable under the Transaction Documents.

Guarantee: The obligations of the Company in respect of the Notes are guaranteed by the Subsidiary Guarantors jointly and severally in full, by the controlling shareholders of the Company (i.e. Profit East and Ms. Zhao) and Mr. Wang jointly and severally as to 70.1%, and by China Jinmao severally as to 29.9%.

Save for the above, all other material terms and conditions of the Note Subscription Agreement, the Convertible Notes and the Notes as disclosed in the Announcements will remain unchanged, and will continue in full force and effect.

### **Conditions precedent**

The proposed amendment to the terms of the Convertible Notes and the Notes (the “**Amendment**”) shall be subject to the fulfillment of the following conditions by 31 December 2021:

- (1) the Hong Kong Stock Exchange having granted its approval for the Amendment of the Convertible Notes pursuant to Rule 28.05 of the Listing Rules;
- (2) the passing by the Shareholders of all necessary resolution(s) at the extraordinary general meeting of the Company (“**EGM**”) to approve the proposed Amendment of the Convertible Notes and the grant of the specific mandate for allotment and issue of the Shares upon conversion of the Convertible Notes;
- (3) the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the Shares which shall fall to be issued by the Company upon full conversion of the Convertible Notes;
- (4) the Initial Investor having received the relevant Transaction Documents (such as the Note instrument and the deeds poll in respect of the Convertible Notes) and corporate documentation (such as copies of the board resolutions of each of the Company and corporate Guarantors approving the transactions contemplated by the Amendment Deed);
- (5) the Initial Investor having completed its internal approval procedures in respect of the transactions contemplated by the Amendment Deed; and
- (6) a guarantor accession deed having been executed and delivered by China Jinmao.

### **Conversion Price**

The Conversion Price of HK\$2.82 per Conversion Share represents:

- (a) a premium of approximately 74.07% over the closing price of HK\$1.62 per Share as quoted on the Hong Kong Stock Exchange on 10 December 2021, being the last trading day before the entering into of the Amendment Deed;
- (b) a premium of approximately 69.88% over the average closing price of HK\$1.66 per Share as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to the date of the Amendment Deed; and

- (c) a premium of approximately 69.88% over the average closing price of HK\$1.66 per Share as quoted on the Hong Kong Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Amendment Deed.

The Conversion Price of HK\$2.82 was arrived at after arm's length negotiations having taking into account the recent market prices per Share and the conversion price of the convertible bonds in the principal amount of US\$123,275,892 issued by the Company in July 2021 (being HK\$2.82 after the adjustment in October 2021 as a result of distribution of final dividend of HK\$0.18 per Share for the year ended 31 December 2020).

Pursuant to the terms of the Convertible Notes, the Conversion Price shall from time to time be adjusted, among other things, in the following circumstances:

- (i) if and whenever there shall be an alteration to the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) if and whenever the Company shall issue (other than pursuant to scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account fund or capital redemption reserve fund);
- (iii) if and whenever the Company shall make (whether on a reduction of capital or otherwise) any capital distribution to all Shareholders (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account fund or otherwise) or shall grant to such Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) if and whenever the Company shall offer to all Shareholders new Shares for subscription by way of rights, or shall grant to all Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90% of the market price on the date of the offer or grant is announced (whether or not such offer or grant is subject to the approval of the Shareholders or other persons);
- (v) if and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exercisable for or carrying rights of subscription for new Shares, and the total effective consideration per new Share initially receivable for such securities is less than the market price on the date the issue of such securities is announced (whether or not such issue is subject to the approval of the Shareholders or other persons);
- (vi) if and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in (v) above are modified so that the total effective consideration per new Share initially receivable for such securities shall be less than the market price on the date the proposal to modify such rights of conversion or exchange or subscription is announced;
- (vii) if and whenever the Company shall issue wholly for cash any Share at a price which is less than 90% of the market price on the date such issue is announced;
- (viii) if and whenever the Company issues wholly for cash any Share at a price which is less than the Conversion Price;

- (ix) if and whenever the Company offers to all Shareholders the new Shares for subscription by way of rights, or grant to all Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is less than the Conversion Price;
- (x) if and whenever the Company or any of its subsidiaries issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total effective consideration per new Share initially receivable for such securities is less than the Conversion Price; and
- (xi) if and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in (x) above are modified so that the total effective consideration per new Share initially receivable for such securities is less than the Conversion Price.

Taking into consideration of the recent market prices per Share, the Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### Conversion Shares

Based on the outstanding principal amount of the Convertible Notes of US\$50 million (representing approximately HK\$390 million) and the Conversion Price of HK\$2.82 (subject to adjustment), upon full conversion of the Convertible Notes, 138,297,873 Conversion Shares (with an aggregate nominal value of HK\$1,382,978.73) shall be issued, representing approximately 8.38% of the existing issued share capital of the Company and approximately 7.73% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue, and will be allotted and issued under the specific mandate to be sought at the EGM upon exercise of the conversion rights under the Convertible Notes.

### SHAREHOLDING STRUCTURE

The following shareholding table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Notes (assuming that there is no other change in the issued share capital of the Company since the date of this announcement):

Shareholders	As at the date of this announcement		Upon full conversion of the Convertible Notes	
	Number of Shares	Approximate%	Number of Shares	Approximate%
Profit East Limited and Ms. Zhao Ying <sup>(1)</sup>	727,845,654	44.08	727,845,654	40.67
China Jinmao	493,720,010	29.90	493,720,010	27.59
Initial Investor <sup>(2)</sup>	10,293,000	0.62	148,590,873	8.30
Other public Shareholders	419,378,827	25.40	419,378,827	23.44
Total:	<u>1,651,237,491</u>	<u>100.00</u>	<u>1,789,535,364</u>	<u>100.00</u>

*Notes:*

1. Represents 723,092,654 Shares directly held by Profit East Limited and 4,753,000 Shares directly held by Tai Shing International Investment Company Limited which is indirectly wholly owned by Ms. Zhao Ying.
2. The conversion of Convertible Notes is based on the assumption that (i) there is no adjustment to the Conversion Price of HK\$2.82; and (ii) there is no redemption of the Convertible Notes pursuant to the terms and condition of the Convertible Notes.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Initial Investor is an indirect wholly-owned subsidiary of China Construction Bank Corporation, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 939) and A shares are listed on The Shanghai Stock Exchange (stock code: 601939), and the Initial Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR THE AMENDMENT**

As at the date of this announcement, the outstanding principal amount of the Convertible Notes is US\$50 million and the outstanding principal amount of the Notes is US\$46 million. The Company intends to redeem the Notes in the outstanding principal amount of US\$30 million by the end of this year and extend US\$16 million of the Notes pursuant to the Amendment. Without the Amendment, the Convertible Notes in the principal amount of US\$50 million and the Notes in the principal amount of US\$16 million will have matured on 31 December 2021 upon which the Company would be required to deploy its cash reserves to redeem the Convertible Notes and the outstanding principal amount of US\$16 million of the Notes. The Amendment in effect allows the Company to refinance its debts under the Convertible Notes and partially refinance its debts under the Notes. It will provide flexibility to the Company's working capital management.

In considering the extension of the Convertible Notes and the Notes and the Amendment, the Company has considered its business plan and capital needs in the coming year. The Company has been actively seeking and exploring ways such as equity fund raising and other debt financing to raise funds to support its capital needs for future business development and to repay its existing debts, and has contacted a number of financial institutions. However, the terms offered by these financial institutions were less favourable and more stringent. Moreover, new equity fund raising and new debt financing would probably require longer period to complete and involve higher costs as that would involve preparation of new documentations, due diligence exercise conducted by new investors and financiers, negotiation of a new sets of terms, among other things. In addition, the Conversion Price is at a 74% premium to the current market price per Share while the issue price for new equity financing would normally be very close to the market price or at a discount to the market price. Having considered the above, the current market conditions, the current business plan and future capital needs of the Group, the Board considers that the Amendment is a better option to refinance the existing debts under the Convertible Notes and the Notes and to support its future business development.

The Amendment was arrived at after arm's length negotiations between the Company as the issuer, the Initial Investor as the holder of the Convertible Notes and the Notes and other parties thereto as guarantors with reference to, among others, the financial position of the Group, the current market conditions and the working capital requirements of the Group.

Based on the foregoing, the Directors consider that the terms and conditions of the Amendment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## USE OF PROCEEDS

The net proceeds of approximately US\$157.4 million from the issue of the Convertible Notes and the Notes have been utilized in full as general working capital of the Company as disclosed in the announcement of the Company dated 27 December 2017. No further proceeds will be received by the Company as a result of the Amendment.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company and its subsidiaries have not conducted any equity fund raising activities in the past twelve months.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds and intended use</b>	<b>Actual use of proceeds</b>
8 January 2021	Extension of the maturity date of the Convertible Notes in the principal amount of US\$50,000,000 issued to the Initial Investor on 9 January 2018	The net proceeds of approximately US\$49.2 million were intended to be applied as general working capital of the Company.	The net proceeds have been utilized in full as general working capital of the Company.
28 June 2021	Issue of convertible bonds in the principal amount of US\$123,275,892 to China Jinmao, which was completed on 16 July 2021	The net proceeds of approximately US\$122.3 million were intended to be applied for the purpose of financing its repayment of existing outstanding indebtedness, refinancing its existing indebtedness, meeting the current capital commitments of its investment projects, distribution of dividends and general working capital.	As of the date of this announcement, approximately US\$38.1 million of the net proceeds have been utilized for distribution of dividends and approximately US\$0.5 million as general working capital. The remaining net proceeds will be used for the purposes as disclosed in the announcement dated 28 June 2021.

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the terms of the Transaction Documents, Profit East and Ms. Zhao shall, until all obligations under the Transaction Documents have been performed and discharged in full, (a) maintain an aggregate beneficial ownership (directly or indirectly) of not less than 34% of the entire issued capital of the Company; and (b) continue to be the single largest direct or indirect shareholder of the Company. A breach of any such covenant may constitute an event of default. In accordance with the requirements under Rule 13.21 of the Listing Rules, the Company will make disclosures in its subsequent interim and annual reports for so long as circumstances giving rise to the aforesaid specific performance obligation of the controlling shareholders continue to exist.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Hong Kong Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied for the approval of the Hong Kong Stock Exchange for the Amendment of the Convertible Notes under Rule 28.05 of the Listing Rules.

The Convertible Notes and the Notes are severally guaranteed by the controlling shareholders, executive Director and substantial shareholder of the Company, which constitute financial assistance provided by connected persons of the Company. As (i) such guarantee is not secured by the assets of the Group, and (ii) the Directors consider that such guarantee is on normal commercial terms or better to the Group, the guarantee provided by the controlling shareholders, executive Director and substantial shareholder of the Company pursuant to the Amendment is fully exempt from reporting, announcement, circular, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Company will seek Shareholders' approval at the EGM for the grant of specific mandate to the Directors for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes and will submit the relevant listing application to the Stock Exchange.

A circular containing, among others, details of the Amendment Deed and the proposed Amendment of the Convertible Notes and a notice convening the EGM is expected to be despatched to the Shareholders on or before 14 December 2021.

**Since the Amendment is subject to the fulfillment of the conditions as set out in the Amendment Deed, the Amendment may or may not become effective. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**China VAST Industrial Urban Development Company Limited**  
**Song Liuyi**  
*Chairman*

Hong Kong, 12 December 2021

*As at the date of this announcement, the non-executive director of the Company is Mr. SONG Liuyi; the executive directors of the Company are Mr. WANG Jianjun, Mr. ZHAO Lei, Mr. YANG Yun, Mr. WANG Yagang and Ms. WANG Wei; and the independent non-executive directors of the Company are Dr. WONG Wing Kuen, Albert, Ms. HSIEH Yafang and Professor WANG Yijiang.*