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Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

Financial Adviser to the Company



Placing Agent of the Rights Issue



PROPOSED RIGHTS ISSUE

The Company proposes to issue 209,711,740 Rights Shares by way of the Rights Issue, on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share to raise approximately HK\$71.3 million before expenses (assuming no new issue or repurchase of Shares on or before the Record Date). The Rights Issue will not be extended to the Non-Qualifying Shareholders. Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses will be approximately HK\$66.5 million (assuming no new issue or repurchase of Shares on or before the Record Date). As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares. The Group intends to apply the net proceeds for the construction of a new plant in Luanchuan County, Henan Province of the PRC for its gold processing business.

The Irrevocable Undertaking

Mr. Liu is interested in an aggregate of 38,268,694 Shares (representing approximately 27.4% of the entire issued share capital of the Company as at the date of this announcement), of which 30,118,694 Shares (representing approximately 21.6% of the entire issued share capital of the Company as at the date of this announcement) is held by him and 8,150,000 Shares (representing approximately 5.8% of the entire issued share capital of the Company as at the date of this announcement) is held by Stone Steps, a company wholly and beneficially owned by him.

Pursuant to the Irrevocable Undertaking, Mr. Liu has undertaken to the Company that (i) he will subscribe for and/or procure subscriptions for 57,403,041 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 38,268,694 Shares beneficially held by Mr. Liu and Stone Steps; (ii) he will not and will procure Stone Steps not to dispose of, or agree to dispose of, any of the 30,118,694 Shares and 8,150,000 Shares currently owned by him and Stone Steps, respectively, and such Shares will remain beneficially owned by him and Stone Steps, respectively, up to and including the Record Date; and (iii) he will and will procure Stone Steps lodge or procure the subscription of the 45,178,041 Rights Shares and 12,225,000 Rights Shares, respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him and Stone Steps, respectively, under the Rights Issue, with the Registrar.

The Compensatory Arrangements and the Placing Agreement

The Company will make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders for the benefit of the relevant No Action Shareholders and the Non-Qualifying Shareholders to whom they were offered under the Rights Issue. After the trading hours of the Stock Exchange on 15 March 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price determination will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

THE UNDERWRITING AGREEMENT

After the trading hours of the Stock Exchange on 15 March 2022, the Company entered into the Underwriting Agreement with Mr. Liu in respect of the Rights Issue, pursuant to which Mr. Liu has agreed to subscribe for the Untaken Rights Shares, being all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date, pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

LISTING RULES IMPLICATIONS

The Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%. In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue will be subject to the approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM. As such, the Directors (excluding the independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. As at the date of this announcement, none of the Directors or their associates hold any Shares.

Mr. Liu, the Underwriter, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Liu and Stone Steps, a company wholly and beneficially owned by him and interested in the Shares, shall also abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement at the SGM.

Mr. Ding Lei, the Chairman, the Chief Executive Officer and an executive Director of the Company, is the nephew of Mr. Liu, and as such, may have conflict of interests in respect of the Rights Issue, the Underwriting Agreement, Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. He has abstained from voting at the meeting of the Board convened to consider such matters. As at the date of the announcement, Mr. Ding does not hold any Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Liu and parties acting in concert with him (including Stone Steps) are, in aggregate, interested in 38,268,694 Shares, representing approximately 27.4% of the issued share capital of the Company. Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the Underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Liu would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him, unless the Whitewash Waiver is granted.

An application will be made by Mr. Liu to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Mr. Liu, his associates and parties acting in concert with him (each as defined in the Takeovers Code), and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver, and as to the voting action therefor. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made by the Company following the appointment of the Independent Financial Adviser.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

The Circular containing, among other things, (i) further details of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM, should be despatched to the Shareholders (including the Non-Qualifying Shareholders) within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier. Having taken into account the estimated time required for the Company to compile the information required for the Circular, the Company plans to despatch the Circular on or before Thursday, 14 April 2022, which is beyond the aforesaid deadline. An application will be made by the Company to seek the consent from the Stock Exchange and the Executive for the extension of the deadline for the despatch of the Circular. Further announcement(s) will be made in this regard, as and when necessary, in compliance with the Takeovers Code and the Listing Rules.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the SGM, the Prospectus Documents or the Prospectus, whichever is appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share, to raise gross proceeds of approximately HK\$71.3 million before expenses by issuing 209,711,740 Rights Shares. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$66.5 million. The principal terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.34 per Rights Share
Net price per Rights Share	:	Approximately HK\$0.316 per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)

Number of Shares in issue : as at the date of this announcement	: 139,807,827 Shares
Number of Rights Shares : to be issued pursuant to the Rights Issue	: 209,711,740 Rights Shares (assuming there is no new issue or repurchase of Shares on or before the Record Date)
Gross proceeds from the Rights Issue (before expenses)	: Approximately HK\$71.3 million (assuming no new issue or repurchase of Shares on or before the Record Date)
Net proceeds from the Rights Issue	: Approximately HK\$66.5 million (assuming no new issue or repurchase of Shares on or before the Record Date)

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Assuming there is no new issue or repurchase of Shares on or before the Record Date, the 209,711,740 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 150.0% of the total number of existing issued Shares and (ii) 60.0% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.34 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 2.86% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.49% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.356 per Share;
- (iii) a discount of approximately 3.68% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.353 per Share;

- (iv) a discount of approximately 1.16% to the theoretical ex-rights price based on the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.344 per Share; and
- (v) a discount of approximately 8.60% to the net asset value of the Company of approximately HK\$0.372 per Share, which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$52,066,000 as at 30 September 2021 as shown in the Company's interim report by the existing number of Shares in issue (i.e. 139,807,827 Shares).

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.77%, based on the theoretical diluted price of HK\$0.346 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.356 per Share.

The Subscription Price was determined by the Company with reference to, among other things, (i) the recent market prices of the Shares under the prevailing market conditions; and (ii) the financial condition and the funding needs of the Group. After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in this announcement, the Directors (other than the members of the Independent Board Committee whose opinion will be set forth in the Circular after considering the advice from the Independent Financial Adviser) considers 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.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on 13 May 2022.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Closure of register of members

The register of members of the Company will be closed from 16 May 2022 to 20 May 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotments shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders 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 lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders (if any)

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

The Company will comply with Rule 13.36 of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice to be provided by the legal advisers to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Places under the Placing.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before 21 June 2022 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before 21 June 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

The Irrevocable Undertaking

Mr. Liu is interested in an aggregate of 38,268,694 Shares (representing approximately 27.4% of the entire issued share capital of the Company as at the date of this announcement), of which 30,118,694 Shares (representing approximately 21.6% of the entire issued share capital of the Company as at the date of this announcement) is held by him and 8,150,000 Shares (representing approximately 5.8% of the entire issued share capital of the Company as at the date of this announcement) is held by Stone Steps, a company wholly and beneficially owned by him.

Pursuant to the Irrevocable Undertaking given by Mr. Liu under the Underwriting Agreement, Mr. Liu has undertaken to the Company that (i) he will subscribe for and/or procure subscriptions for 57,403,041 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 38,268,694 Shares beneficially held by Mr. Liu and Stone Steps; (ii) he will not and will procure Stone Steps not to dispose of, or agree to dispose of, any of the 30,118,694 Shares and 8,150,000 Shares currently owned by him and Stone Steps, respectively, and such Shares will remain beneficially owned by him and Stone Steps, respectively, up to and including the Record Date; and (iii) he will and will procure Stone Steps lodge or procure the subscription of the 45,178,041 Rights Shares and 12,225,000 Rights Shares, respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him and Stone Steps, respectively, under the Rights Issue, with the Registrar.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Other than on the Stock Exchange, no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the 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 their nil-paid and fully-paid forms with their board lot size being the same (i.e. 5,000) as their underlying Shares 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 settlement 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.

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

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Mr. Liu, the Underwriter, is a substantial shareholder of the Company interested directly and indirectly through Stone Steps, a company wholly and beneficially owned by him, in an aggregate of 38,268,694 Shares, representing approximately 27.4% of the entire issued share capital of the Company as at the date of this announcement. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on 14 June 2022, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

THE PLACING AGREEMENT

On 15 March 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

- Date : 15 March 2022 (after trading hours of the Stock Exchange)
- Placing agent : I Win Securities was appointed as the placing agent to place, or procure the placing of, a maximum of 152,308,699 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).
- I Win Securities has confirmed that it is independent of and not acting in concert with Mr. Liu and parties acting in concert with him.
- Placing commission payable to the Placing Agent : The sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from the successful placement of Unsubscribed Rights Shares.
- Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.
- The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.
- Placees : The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with Mr. Liu and his concert parties (including Stone Steps) and/or any of the Company's connected persons.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon by not later than 14 June (or such later date as may be agreed between the Placing Agent and the Company) the Listing Division of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Unsubscribed Shares.

Completion date of the Placing : The third Business Day following the satisfaction of the placing condition set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree.

The terms of the Placing Agreement (including the placing commission of the sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from the successful placement of Unsubscribed Rights Shares) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) will be fully underwritten by Mr. Liu in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date : 15 March 2022 (after trading hours of the Stock Exchange)

Underwriter : Mr. Liu is a substantial shareholder of the Company as at the date of this announcement. It is not in the ordinary course of business of Mr. Liu to underwrite securities.

Number of Rights Shares to be underwritten by the Underwriter : 152,308,699 Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date)

Underwriting Commission : 1% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e. 152,308,699 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, Mr. Liu has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement).

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and Mr. Liu with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in rights issue exercises undertaken by Hong Kong listed issuers in the past six months. In cases where the underwriter was a substantial/controlling shareholder, the Company noted that it appears to be a common practice that no underwriting commission would be charged. However, the Company considers that the rate of underwriting commission shall be a commercial decision based on the circumstances of each case including a listed issuer's historical financial performance and future prospects, trading liquidity and risks associated with the underwriting, etc. In determining the underwriting commission under the Underwriting Agreement, the Company and Mr. Liu have taken into account the above factors and the intention of Mr. Liu to facilitate the Company's fundraising efforts for its business development and concluded that a rate of 1% is appropriate. In addition to Mr. Liu, the Company also approached two other securities firms in respect of underwriting the Rights Issue, of which one declined the role for reason of the Financial Resources Rule requirements; and the other declined due to its concern on its ability to sell the underwritten Shares to its clients. The Directors (excluding members of the Independent Board Committee whose opinion will be set forth in the Circular after reviewing and considering the advice from the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment (or waiver, if applicable, by the Underwriter) of the following conditions:

- (i) the passing by the Independent Shareholders at the SGM of (1) ordinary resolutions to approve the Underwriting Agreement, the Placing Agreement, the Rights Issue and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the SGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares by no later than the first day of their dealings;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, not later than the Prospectus Posting Date;

- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vi) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (vii) the compliance with and performance of all the undertakings and obligations of the Underwriter under the Irrevocable Undertaking.

None of the above conditions precedent is capable of being waived.

If any of the conditions precedent are not satisfied by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party will have any claim against any other party (save for any antecedent breaches and claims thereof).

Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following fundraising activity involving issue of equity securities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
17 March 2021	Placing of new Shares under general mandate	Approximately HK\$28.4 million	(i) general working capital of the Group; and/or (ii) development or enhancement of the Group's existing businesses or any other possible investments in the future, when such opportunities arise	(i) approximately HK\$19.4 million in respect of working capital and general corporate purposes; and (ii) approximately HK\$9.0 million in respect of development or enhancement of the Group's existing businesses

Save as disclosed above, the Company has not conducted other fundraising exercise involving issue of equity securities during the 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

Background of the Company

The Group is principally engaged in gold processing and trading business, outsourced business process management and money lending services. The Group's outsourced business process management business, which involves the operation of gambling equipment at casinos in Macau, has experienced a downturn due to the ongoing novel coronavirus COVID-19 pandemic (the "COVID-19 Pandemic"). Its revenue declined by more than 50% from approximately HK\$84.4 million for the year ended 31 March 2020 to approximately HK\$33.6 million for the year ended 31 March 2021. The money lending services business, on the other hand, has remained stable and recorded revenue of approximately HK\$6.5 million for the year ended 31 March 2021, representing a growth of about 30% as compared with that for the year ended 31 March 2020. The Group's gold processing and trading business, amid the challenging business environment brought by the COVID-19 Pandemic, has been able to achieve satisfactory growth and recorded revenue of approximately HK\$135.1 million and HK\$85.5 million for the year ended 31 March 2021 and the six months ended 30 September 2021 respectively.

Business model of the existing gold processing and trading business

The Group's existing gold processing and trading business involves the processing of gold-laden carbon, a side product in the gold smelting process, which typically contains over 99% activated carbon and less than 1% of gold and other precious metals such as silver, and sales of gold and other precious metals generated thereof. The existing processing plant is located in Yunnan Province of the PRC, with an annual processing capacity of 990 tonnes of gold-laden carbon (the “**Existing Plant**”). The Group purchases gold-laden carbon from its suppliers and processes the gold-laden carbon by way of a series of mechanical and chemical reactions and steps to extract gold and other precious metals, and turns the extracted gold into bullion (i.e. non-standard gold) which is highly marketable among the gold industry. The Group recognizes revenue upon sale of the extracted gold (i.e. bullion) and other precious metals (e.g. silver) to its customers according to the price quoted on the Shanghai Gold Exchange.

The key customers of the existing gold processing and trading business of the Group is (i) 雲南滇金投資有限公司 (“**Yunnan Dianjin**”), a subsidiary of 雲南黃金礦業集團股份有限公司 (a PRC state-owned enterprise) which is principally engaged in precious metal processing and trading; and (ii) 洛陽幣旺商貿有限公司 (“**Luoyang Biwang**”), which is principally engaged in sales of gold, silver, copper and other mineral products. These customers are business acquaintances of Mr. Ding Lei, an executive Director, whom he became acquainted of in events and/or conferences of the gold mining industry in China.

The Company has entered into legally-binding framework sale and purchase agreements with its customers to set out the terms for the Group to sell the bullion to the customers. The current agreement with Yunnan Dianjin is for a term of 10 months commencing from 28 February 2022 up to 31 December 2022, whereas the current agreement with Luoyang Biwang is for a term of one year commencing from 1 January 2022 up to 31 December 2022. Yunnan Dianjin and Luoyang Biwang undertook to purchase not less than 300 kg and 500 kg per year, respectively, of bullion produced by the Group within the contracted period. The customers would pay for the bullion based on the market price of gold quoted on Shanghai Gold Exchange multiplying a rate of 99.9% or 99.95% or 100% according to the fineness of the bullion as examined by the recognised laboratories. Apart from the pricing basis and committed quantity of bullion to purchase, the aforesaid agreements also set out the terms in respect of fineness assessment, consideration payment schedule, good delivery schedule, confidentiality and dispute resolution.

The key supplier of the existing gold processing and trading business is 墨江縣礦業有限責任公司 (“**Mojiang Mining**”) a company wholly and beneficially owned by Bay Area Gold Group located in Yunnan Province, the PRC and principally engaged in mining and processing of gold ores and sale of gold products. The Company was introduced to Mojiang Mining by Mr. Ding Lei through his former work relationships with Bay Area Gold Group (including being the assistant general manager of the mining business department of Bay Area Gold Group, a senior management/director/supervisor of certain subsidiaries of Bay Area Gold Group, namely Jinxing Mining, Luanchuan Luanling Gold Mines Co., Ltd.* (欒川縣欒靈金礦有限公司), Chifeng Yongfeng Mining Co., Ltd.* (赤峰永豐礦業有限責任公司), Shenzhen Munsun Asset Management Company Limited* (深圳市麥盛資產管理有限公司) and Shenzhen Baosheng Minging Industrial Co., Ltd. * (深圳保勝礦業控股有限責任公司), further details of which are disclosed in the Company’s annual report for the year ended 31 March 2021). At the relevant time, Mr. Ding Lei was aware that Bay Area Gold Group had two mines in Yunnan Province, the PRC, and the efficiency of their processing plants had been diminishing as a result of technical obsolescence. He understood that Bay Area Gold Group had been hesitant about upgrading or replacing the processing facilities in view of the time and cost that might involve. Mr. Ding Lei believe that given his extensive experience in gold mining operation, with the appropriate assistance on the technical front, the Group could establish a processing plant with efficiency higher than Bay Area Gold Group’s existing processing plants.

The Company entered into a legally-binding framework sale and purchase agreement with Mojiang Mining (the “**Mojiang Agreement**”) on 17 August 2020 to set out the terms for sale of gold-laden carbon to the Company. According to the Mojiang Agreement, Mojiang Mining undertook to supply not less than 1,000 tonnes of gold-laden carbon to the Company per year for three years commencing from the date of agreement. The Company would pay for the gold-laden carbon based on the market price of gold quoted in Shanghai Gold Exchange multiplying by the appropriate recovery rate specified in the Mojiang Agreement based on the ore grade of the gold-laden carbon as examined by the recognised laboratories. The Mojiang Agreement also sets out the terms in respect of ore grade examination, consideration payment schedule, good delivery schedule, confidentiality and dispute resolution.

The New Plant and the Framework Agreement

The Directors believe that the outsourced business process management business will continue to operate under tremendous pressure because the number of visitors to Macau casinos is not able to return to pre-COVID-19 Pandemic level as long as various social distancing measures and travel restrictions in Macau, Hong Kong and China remain in place. Given the recent outbreak of the fifth wave involving new variants of the concerned virus, uplift of the aforesaid measures may not be forthcoming in the near term. The Directors, in the circumstances, have been trying to identify business opportunities to support the growth of the Group's other businesses. Having considered that the gold processing and trading business performed satisfactorily in the last two years and the Directors expect that both the demand for and price of gold will persist, the Group wishes to expand the gold processing and trading business. In this respect, the Group entered into the Framework Agreement, which is legally-binding, with Jinxing Mining, a company wholly and beneficially owned by Bay Area Gold Group, on the date of this announcement in respect of the establishment of a new processing plant (the "**New Plant**") with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC. Henan Province is one of the top 10 provinces in China with the most measured gold resources. Luanchuan County is situated at the polymetallic metallogenic belt of Western Henan, which is one of the 16 important polymetallic metallogenic belts in China rich in resources including molybdenum, copper, zinc, gold, silver and iron etc.

The Framework Agreement

The principal terms of the Framework Agreement are set out below:

- Date : 15 March 2022
- Parties : 河南興鸞環保科技有限責任公司 (Henan Xingluan Environment Technology Company Limited*, "**Henan Xingluan**"), a wholly and beneficially owned subsidiary of the Company, and Jinxing Mining (collectively, the "**Parties**").
- Conditions : The Framework Agreement is, among others, conditional upon the satisfaction or waiver, as the case may be, of the following conditions:
- (i) The Parties having obtained a legal opinion on the legality of the cooperation and transactions contemplated under the Framework Agreement pursuant to the applicable laws and regulations of the PRC;
 - (ii) The representations and warranties made by Jinxing Mining under this agreement are true, accurate and complete in all respects and not misleading and there is no omission;

- (iii) Jinxing Mining has and continues to have all the necessary licenses or qualifications required under the applicable laws and regulations of the PRC for the establishment of the New Plant, and there is no fact or circumstance known to Jinxing Mining which would result in such licenses or qualifications being revoked, terminated, altered or expired without renewal. There is no situation where Jinxing Mining has been fined or disciplined by the relevant government authorities for failing to obtain the necessary licenses or qualifications;
- (iv) Jinxing Mining is legally established and validly existing in accordance with the laws and regulations of its place of registration. Jinxing Mining's registered capital has been paid in full and on time in accordance with the provisions of its articles of association, and there is no failure to pay, delayed payment, false registration or withdrawal of registered capital. The business scope stated in Jinxing Mining's articles of association is in compliance with the requirements of Chinese laws, and Jinxing Mining conducts business activities in accordance with the business scope stipulated in its articles of association and applicable laws in material aspects. All articles of association of Jinxing Mining have been legally and validly registered (if required), and are valid and enforceable;
- (v) Jinxing Mining has performed and complied with all commitments, obligations and agreements that it should perform and abide by in accordance with the Framework Agreement;
- (vi) The cooperation under the Framework Agreement is not restricted or otherwise prohibited by any government agency. Jinxing Mining has obtained all necessary consent and authorisation for the establishment of the New Plant, and has obtained the necessary licenses, approvals and made the necessary filings with the relevant government authorities, and such authorisation, approval or consent continues to have full effect;
- (vii) Henan Xingluan having completed the fundraising plan and raises sufficient funds to proceed with the establishment of the New Plant; and
- (viii) Henan Xingluan having completed and is satisfied with the legal, financial, tax and commercial due diligence in respect of establishment of the New Plant, which shall not be materially different to the information provided by Jinxing Mining.

Long stop date : Save and except (iii), (iv) and (vi), Henan Xingluan may waive the above conditions. If the conditions are not completed or waived on or before 30 September 2022, or such other date as agreed by the Parties, the Framework Agreement and all the rights and obligations of the Parties thereunder will cease and determine.

Major rights and obligations : *Henan Xingluan*

- (i) It will be responsible for the construction and operation of the New Plant involving, among other things, acquiring all necessary materials, plant and machinery and other fixed assets, employing staff and workers and handling all matters in the daily operation;
- (ii) It will purchase gold ore from Jinxing Mining in priority on the same terms and conditions as those offered by third parties, and only when the supply from Jinxing Mining falls short of its requirement, it may purchase from other suppliers; and
- (iii) The New Plant will be wholly owned by Henan Xingluan, who will be responsible for sales of the gold products produced by the New Plant; and all proceeds of such sales will be recognized as its revenue.

Jinxing Mining

- (i) It will be responsible for making the necessary applications and obtaining regulatory approvals from the relevant PRC government authorities in respect of the establishment and operation of the New Plant, handling the demolition and resettlement works relating to the construction site and construction of the tailings and ancillary facilities, and it will be reimbursed by the Group for the amount actually incurred by it in carrying out the abovementioned tasks. The Group does not intend to make any loans or prepayments to Jinxing Mining. When the New Plant commences operations, Jinxing Mining will supply ores in priority to the New Plant;
- (ii) It authorises Henan Xingluan to use such licenses and qualifications for the operation of the New Plant; and that there are no facts or circumstances which would cause such licenses or qualifications to be revoked, terminated, altered or expired without renewal;

- (iii) It will supply gold ore to Henan Xingluan in priority on the same terms and conditions as those to be offered by third parties;
- (iv) It guarantees that during the cooperation with Henan Xingluan contemplated under the Framework Agreement, it will maintain all the rights, qualifications and administrative permits required to establish the New Plant, and all these necessary licenses and qualifications required under applicable laws and regulations remain valid; and
- (v) In the event that the mining license held by Jinxing Mining becomes invalid for any reason, Jinxing Mining warrants that it will make the necessary application(s) to the relevant authority(ies) within 30 days to rectify the situation and obtain a valid mining license within 90 days.

If Jinxing Mining loses or fails to apply for a new mining license, it shall constitute as a breach of contract on the part of Jinxing Mining under the Framework Agreement and Henan Xingluan has the right to terminate the Framework Agreement and Jinxing Mining shall be held responsible for all the loss and damaged suffered by Henan Xingluan arising from such breach. In the event that the Framework Agreement is terminated, the Group will need to source gold ore from other mines or suppliers, which, based on the understanding of the Group, are available in the areas near the New Plant.

Pricing Policy : The pricing of the gold ore purchased by Henan Xingluan from Jinxing Mining will be in accordance with the prevailing market price for such gold ore.

Rationale for the Framework Agreement

For the purpose of establishing the New Plant, it is necessary for the Group to cooperate with a party which possesses the required qualifications to apply for construction of a new processing plant. According to the notice published by the State Bureau of Mine Safety Supervision on 10 September 2021 (the “**Notice**”), (i) construction of new independent processing plant or tailings are not permissible; and (ii) any construction of processing plants without a legal ore supply will be eliminated. The Notice, in essence, follows the policy direction of “integration of mining and processing” (採選一體化) which requires that any construction of new processing plant shall be considered together with and supported by appropriate tailings and ore supply. For these reasons, the Group has decided to enter into the Framework Agreement with Jinxing Mining which holds the mining license of the Jinxing Mine and is qualified to apply for construction of new tailings and processing plant and able to provide a legal and stable ore supply.

The Framework Agreement represents a cooperation arrangement between the Group and Jinxing Mining with their respective commercial interests in mind. For the avoidance of doubt, it does not involve formation of a joint venture. From the perspective of Henan Xingluan, the Framework Agreement enables the Group to expand its gold processing business with the New Plant and provides the New Plant with a secured source of ore supply from Jinxing Mining. From the perspective of Jinxing Mining, instead of financing and constructing a new processing plant on its own to replace its existing obsolete one, the Framework Agreement provides that Jinxing Mining will utilise its qualifications to apply for the establishment of the New Plant, which in return offers Jinxing Mining a secured sales of gold ore to Henan Xingluan. In view of the above, the Directors consider that the entering into of the Framework Agreement is mutually beneficial to the Group and Jinxing Mining and also in the interests of the Company and the Shareholders.

Business model of the New Plant

Henan Xingluan will purchase gold ore from Jinxing Mining in priority on the same terms and conditions as those offered by third parties, and only when the supply from Jinxing Mining falls short of its requirement, from other suppliers and process the gold ore by way of a series of crushing and grinding, gravity separation/flotation, leaching and sieving, and turn it into gold powder. The Group will sell the gold powder to gold smelters and recognize revenue upon such sale.

The business models of the New Plant and the Existing Plant are largely the same. Both plants process the materials that the Group purchases externally through a series of mechanical and chemical reactions and steps into gold products for sales. The Existing Plant processes gold-laden carbon into bullion; whereas the New Plant processes gold ore into gold powder. The properties of ores in Yunan Province and ores in Henan Province call for different handling and processing. As the ores in Yunan Province are relatively low grade, it would be mixed with activated carbon before the gold extraction process to enhance efficiency. The ores in Henan Province, on the other hand, are higher in grade and therefore suitable to go to processing directly. The gold products produced by both plants are for sale to smelters or refineries.

Suppliers

Pursuant to the Framework Agreement, Henan Xingluan will purchase gold ore from Jinxing Mining and the Bay Area Gold Group in priority, and only when the supply from Jinxing Mining and the Bay Area Gold Group falls short of its requirement, it will purchase from other suppliers.

The Company noted from the announcements of Bay Area Gold Group in 2021 and 2022 that Bay Area Gold Group and certain of its subsidiaries, including Jinxing Mining, are involved in various legal and arbitration proceedings and winding-up petitions in the PRC and Hong Kong (the “**Proceedings**”), as the case may be. Some of the Proceedings (including the proceedings between Jinxing Mining and Great Wall Guoxing Financial Leasing Co., Ltd. (the “**Applicant**”)) are still on-going. Based on the information currently available to the Group, the mining license of Jinxing Mining has been charged to the Applicant, and a seizure order was imposed thereon by the Urumqi Court (the “**Seizure Order**”) under an application made by the Applicant due to Jinxing Mining’s failure to perform its repayment obligation (which is an event of default) under the relevant finance leasing agreement. As advised by the PRC legal advisers to the Company, the Seizure Order is a property preservation measure which restricts Jinxing Mining from selling the mining license or using the mining license as a security to provide guarantee to any parties, but does not amount to an enforcement of security. The Applicant would not possess the mining license as a result of the Seizure Order while the mining license remains to be owned by Jinxing Mining notwithstanding the existence of the Seizure Order. According to the public information retrieved by the PRC legal advisers, the court has not yet taken enforcement measures

against the mining license of Jinxing Mining. As further advised by the PRC legal advisers, based on the public information currently available, Jinxing Mining is not subject to any winding-up or liquidation proceedings (including bankruptcy revival (破產重整) or bankruptcy liquidation (破產清算)). The PRC legal advisers are of the view that pending legal documentation to recognise its identity as a creditor of Jinxing Mining, the Applicant is not eligible to wind up Jinxing Mining for the time being. The PRC legal advisers are also of the view that, at present, the mainland courts remain cautious towards corporate bankruptcy, and it is difficult for the court to determine that the enterprise meets the bankruptcy conditions stipulated by law only by a single lawsuit. Even if the relevant creditor obtains a favorable judgment, the possibility for Jinxing Mining being declared bankrupt is minimal. In addition, based on the information available to the Company, the Seizure Order poses no impact on the operation of the Jinxing Mine and Jinxing Mining had total assets in excess of total liabilities as at 31 December 2021. In view of the above, the Directors believe that the insolvency risk of Jinxing Mining is not high.

The Company has sought advice from its PRC legal advisers regarding the impact of the Proceedings on the Framework Agreement and the cooperation contemplated thereunder. The PRC legal advisers are of the view that, taking into account the Proceedings, Jinxing Mining (i) remains a legally established and validly existing limited liability company in the PRC; (ii) continues to comply with the requirements of relevant local and national laws, regulations and normative documents; and (iii) holds the necessary qualifications and licenses to engage in the mining of mineral resources and the mining license held by Jinxing Mining is legal and valid; and Jinxing Mining's application to the relevant PRC government for the approvals in respect of the establishment and operation of the New Plant will not be affected. Although Jinxing Mining is a subsidiary of Bay Area Gold Group, Jinxing Mining is a separate legal entity and its operation, ownership of assets and ability to perform its obligations under the existing contracts would not be affected by the liquidation (if any) of its holding companies. In view of the above, the Company considers that the Proceedings do not have a significant adverse impact on the Framework Agreement and the Company's co-operation with Jinxing Mining contemplated thereunder. If Jinxing Mining loses its mining rights as a result of enforcement actions taken by the Applicant or otherwise prior to the obtaining of all approvals for the establishment of the New Plant, the condition precedent (iv) under the Framework Agreement, which requires the obtaining of all necessary consent and authorisation for the establishment of the New Plant by Jinxing Mining, would not be fulfilled and the Framework Agreement would lapse. In such event, the maximum loss to be suffered by the Group would be approximately RMB2.7 million, representing the costs relating to environmental assessment and safety and approvals from the relevant authorities, preliminary design and feasibility review of the New Plant.

If Jinxing Mining loses the mining right subsequent to the obtaining of all necessary approvals for the establishment of the New Plant, the PRC legal advisers is of the view that the co-operation under the Framework Agreement and the operation of the New Plant would not be affected provided that the operation and the management of the New Plant is in compliant with all applicable laws, regulations, normative documents, policies and requirements at that time, and the New Plant is able to source gold ore for its production from other legal source.

As disclosed in the annual report of Bay Area Gold Group for the year ended 31 December 2020, it is principally engaged in mining and processing of gold ores and sale of gold products in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services. It currently owns five operating gold mines located in the central, western and northern regions of the PRC, namely Jinxing Mine and Luanling Mine in Henan Province, Mojiang Mine and Hengyi Mine in Yunnan Province, and Yongfeng Mine in Inner Mongolia, with total gold resources of approximately 7.1 million ounces. Mr. Liu is interested in approximately 28.11% of the total issued shares of Bay Area Gold Group as at the date of this announcement. Save as disclosed in this announcement, Bay Area Gold Group does not have any other relationship with the Company and its connected persons (including Mr. Ding Lei). Save for the Framework Agreement and the Mojiang Agreement, there is no other agreement entered into between the Group and Bay Area Gold Group. Save for Mr. Liu who is interested in approximately 28.11% of the shareholding of Bay Area Gold Group, as at the date of this announcement, none of Bay Area Gold Group or its substantial and/or controlling shareholders as set out in its interim report for the six months ended 30 June 2021 is a Shareholder.

Jinxing Mining, a company wholly and beneficially owned by Bay Area Gold Group, owns and operates the Jinxing Mine, the current mining license of which is valid from 4 December 2020 to 4 January 2023. As set out in the annual report for the year ended 31 December 2020 of Bay Area Gold Group, Jinxing Mine is the largest mine of Bay Area Gold Group in terms of total gold resources and 2019 production. Jinxing Mine is located in Luanchuan County, Henan Province. It is an underground mine with gold resources of 74.4 tonnes (2,391 Koz) with average grade of 4.6g/t (under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) or its equivalent). Save as disclosed in this announcement, Jinxing Mining does not have any other relationship with the Company and its connected persons. As at the date of this announcement, Jinxing Mining is not a Shareholder.

Potential customers

As at the date of this announcement, the Group has not entered into any agreement in relation the sale of the gold products to be produced by the New Plant. The Company intends to approach some entities engaged in smelting and processing of precious metals when the construction of the New Plant reaches an advance stage with a view to entering into long term contracts with them.

The expected timeline for the construction and development of the New Plant

The construction and development of the New Plant will involve, among others, the following works:

- (i) Preparation work and approvals from relevant authorities:
 - (a) Obtaining of environmental assessment and approval from the relevant authorities is expected to be completed by the end of March 2022. The aggregate expense required is expected to be approximately RMB0.3 million;

- (b) Preliminary design and review of the New Plant is expected to commence in March 2022 and completed by June 2022. The aggregate expense required is expected to be approximately RMB2.3 million; and
 - (c) Preliminary safety assessment, safety infrastructure design and filing with the relevant authorities are expected to be undertaken in July and August 2022. The aggregate expense required is expected to be approximately RMB0.1 million.
- (ii) Machinery, equipment and infrastructure:
- (a) Tender process in respect of the machinery and equipment for the New Plant is expected to be undertaken between September and November 2022; followed by the purchase, manufacture and delivery of the machinery and equipment between December 2022 and March 2023. The aggregate capital required is expected to be approximately RMB38.7 million;
 - (b) Packaging, transportation and installation of the machinery and equipment is expected to be undertaken between October 2022 and March 2023. The aggregate capital required is expected to be approximately RMB2.3 million;
 - (c) Tailings, drainage and electrical infrastructures are expected to be installed from September 2022 to August 2023. The aggregate capital required is expected to be approximately RMB13.6 million; and
 - (d) The aggregate amount of retention money for the above works is expected to be approximately RMB2.9 million, which will be payable on or around the first anniversary of completion of the relevant works.
- (iii) Construction:
- (a) Construction work of the New Plant is expected to commence from September 2022 and continue up until January 2023. The aggregate capital required is expected to be approximately RMB13.4 million;
 - (b) Construction of the tailings dam for the New Plant is expected to be undertaken from September 2022 until August 2023. The aggregate capital required is expected to be approximately RMB27.7 million;
 - (c) Other ancillary construction work is expected to be performed between October 2022 to July 2023. The aggregate capital required is expected to be approximately RMB10.4 million;
 - (d) The Company has budgeted approximately RMB7.3 million as buffer for unforeseen or miscellaneous expenses that may arise in connection with the construction of the New Plant; and

- (e) The aggregate amount of retention money for the above works is expected to be approximately RMB14.3 million, of which 50% will be payable upon completion of the relevant works and the remaining 50% will be payable on or around the first anniversary of completion of the relevant works.

The construction of the New Plant is expected to be completed by September 2023. The Company will engage a number of contractors to undertake the above construction work as and when appropriate. As at the date of the announcement, the Company has not entered into agreement with any contractors.

The Company will comply with the relevant requirements under the Listing Rules in respect of the acquisitions of machinery and equipment for and the construction of the New Plant as and when appropriate.

The Company's plan to finance the construction of the New Plant

The total capital outlay in respect of the New Plant is expected to be approximately RMB133.3 million (equivalent to approximately HK\$162.6 million). Based on the Company's budget for the New Plant, it intends to satisfy the aforesaid amount as follows:

- (a) approximately RMB28.1 million (equivalent to approximately HK\$34.3 million), representing acquisition and installation costs of certain plant, machinery and equipment relating to the processing facilities, will be acquired by finance lease arrangements;
- (b) approximately RMB18.2 million (equivalent to approximately HK\$22.2 million), representing acquisition and installation costs of certain equipment and machinery relating to the tailings, will be financed by bank loans;
- (c) approximately RMB17.2 million (equivalent to approximately HK\$21.0 million), representing the retention money in connection with certain machinery, equipment and construction work payable only upon or after commencement of operations of the New Plant, will be funded by cash flow to be generated by the New Plant; and
- (d) approximately RMB69.8 million (equivalent to approximately HK\$85.1 million), primarily representing the costs of preparation work and construction work, will be financed as to RMB54.5 million (equivalent to approximately HK\$66.5 million) by the net proceeds from the Rights Issue and as to RMB15.3 million (equivalent to approximately HK\$18.6 million) by internal resources of the Group.

As at the date of this announcement, the Group has not entered into any agreement in relation the bank loans to be obtained for financing certain equipment and machinery relating to the tailings as mentioned above. However, the Group has approached Bank of China (Luanchuan Branch) which gave a positive indication to the Group's intention to obtain project financing for the construction of the New Plant. In view of the abovementioned, the scale and size of the New Plant and the amount of capital that will have been put into by the Group in the New Plant prior to the acquisition and installation of the equipment and machinery relating to the tailings, the Group is confident to obtain bank loans of no less than RMB18.2 million.

The Board considers that the Rights Issue is the most suitable channel for the Company to raise funds to expand its existing business operations and provide sufficient capital to the Group for its business development as the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

In view of the above, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE UNDERWRITER

The Rights Issue will be underwritten by Mr. Liu, a substantial shareholder of the Company. In the event that Mr. Liu becomes the controlling shareholder of the Company as a result of the taking up of the Unsubscribed Shares under the Underwriting Agreement, it is the intention of Mr. Liu to continue the existing businesses of the Group and nominate himself as an executive Director. His appointment will be subject to approval of the Board and will not take effect earlier than the date of completion of the Rights Issue. Mr. Liu has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Mr. Liu, aged 51, obtained a master's degree in Science from the University of South Florida in May 2001 and a bachelor's degree in International Accounting from Jiangxi University of Finance and Economics in July 1994. He has previously served as the Deputy General Manager of the Investment Banking Department of Ping An Bank Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 000001) from August 2008 to April 2012. Mr. Liu also served as the General Manager and Deputy General Manager of the Investment Banking Department of the Shenzhen branch of the Industrial and Commercial Bank of China Limited (listed on the Stock Exchange with stock code: 1398 and the Shanghai Stock Exchange with stock code: 601398) from December 2004 to August 2008 and from December 2003 to December 2004, respectively.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) following completion of the Rights Issue in different scenarios, in each case assuming no new issue or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares. The scenarios assume:

- (a) full acceptance of the Rights shares by all Qualifying Shareholders;
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and
- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and 100% of the Untaken Rights Shares are taken up by the Underwriter.

	(ii) Immediately following completion of the Rights Issue, and assuming							
	(i) As at the		(a) Full acceptance of the		(b) Nil acceptance of the		(c) Nil acceptance of the	
	date of this announcement		Rights Shares by		Rights Shares by the		Rights Shares by the	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Liu	30,118,694	21.6%	75,296,735	21.6%	75,296,735	21.6%	227,605,434	65.1%
Stone Steps (Note 1)	8,150,000	5.8%	20,375,000	5.8%	20,375,000	5.8%	20,375,000	5.8%
Mr. Liu and parties acting in concert or presumed acting in concert with him	38,268,694	27.4%	95,671,735	27.4%	95,671,735	27.4%	247,980,434	70.9%
Placees	–	0.0%	–	0.0%	152,308,699	43.6%	–	0.0%
Other public Shareholders	101,539,133	72.6%	253,847,832	72.6%	101,539,133	29.0%	101,539,133	29.1%
Total	139,807,827	100.0%	349,519,567	100.0%	349,519,567	100.0%	349,519,567	100.0%

Notes:

1. Stone Steps is wholly and beneficially owned by Mr. Liu who is a substantial shareholder of the Company.
2. Certain figures and percentage included in the above tables have been subject to rounding adjustments.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below.

Event	Time and date (Hong Kong time)
Expected despatch date of the Circular, proxy form and the notice of the SGM	Thursday, 14 April 2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 29 April 2022
Closure of register of members of the Company (both days inclusive)	Tuesday, 3 May 2022 to Tuesday, 10 May 2022
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Sunday, 8 May 2022
Record date for attendance and voting at the SGM	Tuesday, 10 May 2022
Expected time and date of the SGM	10:00 a.m. on Tuesday, 10 May 2022
Announcement of the poll results of the SGM	Tuesday, 10 May 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Wednesday, 11 May 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Thursday, 12 May 2022
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 13 May 2022
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Monday, 16 May 2022 to Friday, 20 May 2022

Event	Time and date (Hong Kong time)
Record date for the Rights Issue	Friday, 20 May 2022
Despatch of the Prospectus Documents	Monday, 23 May 2022
First day of dealings in nil-paid Rights Shares	Wednesday, 25 May 2022
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Friday, 27 May 2022
Last day of dealings in nil-paid Rights Shares	Wednesday, 1 June 2022
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Tuesday, 7 June 2022
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 7 June 2022
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Thursday, 9 June 2022
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Friday, 10 June 2022
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Tuesday, 14 June 2022
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 14 June 2022
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements)	Monday, 20 June 2022
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	on or before Tuesday, 21 June 2022
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	on or before Tuesday, 21 June 2022

Event**Time and date
(Hong Kong time)**

Commencement of dealings in fully-paid Rights Shares 9:00 a.m.
on Wednesday, 22 June 2022

Payment of Net Gain to relevant No Action Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any) Tuesday, 5 July 2022

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced by way of an announcement by the Company as and when appropriate.

LISTING RULES IMPLICATIONS

The Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%. In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM. As such, the Directors (excluding independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. As at the date of this announcement, none of the Directors or their associates hold any Shares.

Mr. Liu, the Underwriter, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Liu and Stone Steps, a company wholly and beneficially owned by him and interested in the Shares, shall also abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement at the SGM.

Mr. Ding Lei, the Chairman, the Chief Executive Officer and an executive Director, is the nephew of Mr. Liu, and as such, may have conflict of interests in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. He has abstained from voting at the meeting of the Board convened to consider such matters. As at the date of this announcement, Mr. Ding does not hold any Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Liu and parties acting in concert with him (including Stone Steps) are interested in an aggregate of 38,268,694 Shares, representing approximately 27.4% of the issued share capital of the Company. Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him (including Stone Steps) will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Liu would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him (including Stone Steps), unless the Whitewash Waiver is granted.

An application will be made by Mr. Liu to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Mr. Liu, his associates and parties acting in concert with him (including Stone Steps), and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

As at the date of this announcement, the Company does not believe that the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver do not comply with other applicable rules and regulations.

DEALINGS OF THE SHARES BY MR. LIU AND PARTIES ACTING IN CONCERT WITH HIM

As at the date of this announcement, Mr. Liu and any parties acting in concert with him (including Stone Steps):

- (i) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Shares as set out in the section headed “Effects on the Shareholding Structure of the Company” in this announcement;
- (ii) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver;
- (iii) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iv) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertaking therein given by him in respect of the interests in the Shares held by him and Stone Steps;
- (v) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by Mr. Liu as set out in the sub-section headed “Conditions of the Rights Issue” under the section headed “The Underwriting Agreement” of this announcement; and
- (vi) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the date of this announcement,

- (i) apart from the underwriting commission payable by the Company to Mr. Liu pursuant to the terms of the Underwriting Agreement, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to Mr. Liu and parties acting in concert with him (including Stone Steps) in connection with the Rights Issue and the Underwriting Agreement;
- (ii) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there is no other understanding, arrangement or special deal between the Group on the one hand, and Mr. Liu and parties acting in concert with him (including Stone Steps) on the other hand; and
- (iii) there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) Mr. Liu and parties acting in concert with him (including Stone Steps); or the Company, its subsidiaries or associated companies.

During the six-month period preceding the date of this announcement, neither Mr. Liu nor any parties acting in concert with him (including Stone Steps) has dealt in any relevant securities of the Company.

SGM

The register of members of the Company will be closed from Tuesday, 3 May 2022 to Tuesday, 10 May 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

In accordance with the Listing Rules and the Takeovers Code, Mr. Liu, his associates and any parties acting in concert with him (including Stone Steps), and Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed in this announcement, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor. With the approval of the Independent Board Committee, the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made by the Company following the appointment of the Independent Financial Adviser.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

The Circular containing, among other things, (i) further details of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regards of the above; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM, should be despatched to the Shareholders (including the Non-Qualifying Shareholders) within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier. Having taken into account the estimated time required for the Company to compile the information required for the Circular, the Company plans to despatch the Circular on or before Thursday, 14 April 2022, which is beyond the aforesaid deadline. An application will be made by the Company to seek the consent from the Stock Exchange and the Executive for the extension of the deadline for the despatch of the Circular. Further announcement(s) will be made in this regard, as and when necessary, in compliance with the Takeovers Code and the Listing Rules.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the SGM, the Prospectus Documents or the Prospectus, whichever appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 May 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 25 May 2022 to Wednesday, 1 June 2022. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board
“Circular”	the circular to be despatched by the Company to the Shareholders relating to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver

“Company”	Success Dragon International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 1182)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Framework Agreement”	the framework agreement dated 15 March 2022 entered into between Henan Xingluan and Jinxing Mining in relation to the establishment of the New Plant
“I Win Securities” or “Placing Agent”	I Win Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement.
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, which has been established to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, and as to the voting action therefor
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee, for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver

“Independent Shareholder(s)”	the Shareholders other than Mr. Liu, its associates and parties acting in concert with him (including Stone Steps) and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Liu in favour of the Company under the Underwriting Agreement and described in the paragraph headed “The Irrevocable Undertaking” under the section headed “Proposed Rights Issue” in this announcement
“Jinxing Mining”	栾川縣金興礦業有限責任公司 (Luanchuan Jinxing Mining Limited Liability Company*) a wholly and beneficially owned subsidiary of Bay Area Gold Group Limited, a company whose shares are listed on the Stock Exchange (“ Bay Area Gold Group ”, stock code: 1194)
“Latest Placing Time”	4:00 p.m. on Tuesday, 14 June 2022, or such later date and time as the Company and the Placing Agent may agree in writing, being the latest date and time for the Placing Agent to effect the Compensatory Arrangements
“Last Trading Day”	14 March 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 7 June 2022, or such other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 14 June 2022, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Mr. Liu”	Mr. Liu Shiwei, a substantial shareholder of the Company

“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders for the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with Mr. Liu and parties acting in concert with him (including Stone Steps) and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 152,308,699 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agreement”	the placing agreement dated 15 March 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	the third Business Day following the satisfaction of the placing conditions set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree
“PRC”, or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau and Taiwan

“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Monday, 23 May 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 20 May 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Secretaries Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“Settlement Date”	Tuesday, 14 June 2022, being the fifth Business Day following the Latest Time for Acceptance (or such other time or date as the Underwriter and the Company may agree in writing) as the day for settlement of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver

“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stone Steps”	Stone Steps Investments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Liu
“Subscription Price”	the subscription price of HK\$0.34 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Mr. Liu
“Underwriting Agreement”	the underwriting agreement dated 15 March 2022 entered into between the Company and the Underwriter in relation to the Rights Issue
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this announcement
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Mr. Liu to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Mr. Liu and parties acting in concert with him (including Stone Steps) as a result of the taking up of the Rights Shares by Mr. Liu as the underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Unless otherwise indicated, conversion of RMB into HK\$ or vice versa in this announcement is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By order of the Board
Success Dragon International Holdings Limited
DING Lei
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 15 March 2022

As at the date of this announcement, the Executive Directors are Mr. DING Lei and Ms. DENG Ganghui; the Independent Non-Executive Directors are Mr. DENG Yougao, Ms. WONG Chi Yan and Mr. CHONG Lok Man.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *For identification purposes only.*