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CHERISH SUNSHINE INTERNATIONAL LIMITED

承輝國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;**
- (3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT; AND**
- (4) APPLICATION FOR WHITEWASH WAIVER**

Financial adviser to the Company



Independent Financial Adviser



Placing Agent



PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution by Shareholders at the SGM of an increase in its authorised share capital from HK\$50,000,000 divided into 400,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.63 per Rights Share to raise (i) approximately HK\$119.6 million before expenses (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM) by issuing 189,907,953 Rights Shares; or (ii) approximately HK\$126.9 million before expenses (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds) by issuing 201,366,286 Rights Shares. 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 on the Stock Exchange 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 (i) approximately HK\$117.1 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or (ii) approximately HK\$124.4 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds).

The Irrevocable Undertaking

As at the date of this announcement, the Underwriter is interested in an aggregate of 69,658,600 Shares (representing approximately 23.77% of the entire issued share capital of the Company as at the date of this announcement).

Pursuant to the Irrevocable Undertaking, the Underwriter has undertaken to the Company that (i) it will subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 69,658,600 Shares beneficially held by the Underwriter; (ii) it will not dispose of, or agree to dispose of, any of the 69,658,600 Shares currently owned by it, respectively, and such Shares will remain beneficially owned by it, respectively, up to and including the Record Date; and (iii) it will lodge or procure the subscription of the 43,536,625 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it, 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 that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this announcement, by offering the Unsubscribed Rights Shares to independent placees who are not existing Shareholders for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. After the trading hours of the Stock Exchange on 18 October 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 will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

THE UNDERWRITING AGREEMENT

After the trading hours of the Stock Exchange on 18 October 2022, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue, pursuant to which the Underwriter 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 at the date of this announcement, the Company does not have any controlling shareholders. 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. The Underwriter, Eastmount Global Limited, is wholly-owned by the trustee of a family trust under which Ms. Wu Siyuan, being an executive Director, is a discretionary beneficiary. Save as disclosed above, none of the Directors and their associates is interested in any Shares under the SFO.

Further, the Underwriter, Eastmount Global Limited, 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. The Underwriter shall abstain from voting in relation to the resolution(s) in relation to the Underwriting Agreement at the SGM.

Ms. Wu Siyuan, the Chairman, the Chief Executive and an executive Director, is a discretionary beneficiary of the family trust, of which the trustee wholly owns the Underwriter, and as such, may have conflict of interests in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. She has abstained from voting at the meeting of the Board convened to consider such matters. As at the date of the announcement, Ms. Wu Siyuan does not hold any Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter and parties acting in concert with it are, in aggregate, interested in 69,658,600 Shares, representing approximately 23.77% of the issued share capital of the Company. The Underwriter has provided the Irrevocable Undertaking to take up and pay for an aggregate of 43,536,625 Rights Shares to be provisionally allotted to it under the Rights Issue.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Eastmount Global Limited, as the Underwriter, will be required to take up a maximum of 157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds). 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, the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds, the Underwriter and parties acting in concert with it will, in aggregate, be interested in a maximum of 271,024,886 Shares, representing approximately 51.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In the case where none of the Convertible Bonds

are converted, and assuming that there is no change in the issued share capital of the Company other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the allotment and issue of the Rights Shares, the Underwriter will be required to take up a maximum of 146,371,328 Rights Shares, and hence the Underwriter and parties acting in concert with it will, in aggregate be interested in a maximum of 259,566,553 Shares, representing approximately 52.6% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter 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 it and parties acting in concert with it, unless the Whitewash Waiver is granted.

An application will be made by the Underwriter 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. The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code), and any Shareholders who are involved in, or interested in (other than by being a Shareholder) 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, the approval by the Shareholders at the SGM in respect of the Increase in Authorised Share Capital 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 LISTING RULES IBC, THE TAKEOVERS CODE IBC AND THE INDEPENDENT FINANCIAL ADVISER

The Listing Rules IBC, comprising Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor.

The Takeovers Code IBC, comprising Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, being all non-executive Directors, and Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor.

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor. The appointment of the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

The Circular containing, among other things, (i) further details of the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Listing Rules IBC in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement; (iii) a letter of recommendations from the Takeovers Code IBC in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in regard to the aforesaid; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the SGM, should be despatched to the Shareholders (including the Non-Qualifying Shareholders) within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code. 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 Friday, 18 November 2022, which is beyond the aforesaid deadline and is also more than 15 business days from the date of this announcement. An application will be made by the Company to seek the consent from 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 Increase in Authorised Share Capital having been approved by the Shareholders at the SGM and becoming effective, and 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 INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution by Shareholders at the SGM of an increase in its authorised share capital from HK\$50,000,000 divided into 400,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary Shares.

In order to accommodate growth of the Group and to provide the Company with greater flexibility to raise funds by the Rights Issue, the Board proposed the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.63 per Rights Share. The principal terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.63 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)
Number of Shares in issue as at the date of this announcement	:	293,083,725 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	189,907,953 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or 201,366,286 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)

Aggregate nominal value of the Rights Shares	:	<p>Approximately HK\$18,990,795.3 (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or</p> <p>Approximately HK\$20,136,628.6 (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)</p>
Gross proceeds from the Rights Issue (before expenses)	:	<p>Approximately HK\$119.6 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or</p> <p>Approximately HK\$126.9 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)</p>
Net proceeds from the Rights Issue	:	<p>Approximately HK\$117.1 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or</p>

Approximately HK\$124.4 million (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)

As at the date of this announcement, there are (i) 15,884,000 outstanding share options under the Share Option Scheme which have not been vested; (ii) Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Share; and (iii) 10,769,000 new Shares which will be allotted and issued to satisfy the Awarded Shares under the Share Award Plan after the passing of the relevant resolutions at the Share Award SGM.

The earliest vesting date of the outstanding share options will be 2 September 2023, which is expected to be after the Record Date. Under the current timetable of the Rights Issue, it is expected that the total number of Rights Shares will not be affected by the vesting and/or the exercise of the outstanding share options. Upon passing of the relevant resolutions at the Share Award SGM, the Trustee of the Share Award Plan will be the registered holder of 10,769,000 Shares. The Trustee has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.

Assuming full conversion of the Convertible Bonds, the maximum number of new Shares that would fall to be allotted and issued under the terms and conditions of the Convertible Bonds on or before the Record Date would be 18,333,333 Shares, which would result in the issue and allotment of 11,458,333 additional Rights Shares. Given the conversion price of the Convertible Bonds (i.e. HK\$1.5) is substantially higher than the prevailing market prices of the Shares, the Directors expected that no Convertible Bonds would be converted into Shares on or before the Record Date.

Save for the share options and the Convertible Bonds, 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 no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM, the 189,907,953 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 64.8% of the total number of existing issued Shares as at the date of this announcement, (ii) 62.5% of the total number of issued Shares as enlarged by the

issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and (iii) 38.5% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

Assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds, the 201,366,286 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 68.7% of the total number of existing issued Shares as at the date of this announcement, (ii) 62.5% of the total number of issued Shares as enlarged by the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds and (iii) 38.5% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.63 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 13.70% to the closing price of HK\$0.730 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.11% 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\$0.760 per Share;
- (iii) a discount of approximately 17.65% 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\$0.765 per Share;
- (iv) a discount of approximately 11.27% 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\$0.710 per Share; and

- (v) a discount of approximately 10.76% to the audited consolidated net asset value per Share attributable to the Shareholders of the Company of approximately HK\$0.706 per Share as at 31 March 2022, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$206,913,000 as at 31 March 2022 as shown in the Company's annual report by the existing number of Shares in issue (i.e. 293,083,725 Shares).

The Rights Issue would result in a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.64%, based on the cumulative theoretical diluted price of HK\$1.492 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$1.598 per Share.

The Subscription Price was determined by the Company with reference to (i) the recent prices of the Shares; (ii) the financial conditions and positions of the Group; (iii) the marketability of the new shares under prevailing market conditions; and (iv) 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 Listing Rules IBC and the Takeovers Code IBC 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, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. (Hong Kong time) on Tuesday, 13 December 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 Wednesday, 14 December 2022 to Tuesday, 20 December 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 five (5) Rights Shares (in nil-paid form) for every eight (8) 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 on the Stock Exchange 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 Friday, 27 January 2023 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 Friday, 27 January 2023 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

As at the date of this announcement, the Underwriter is interested in an aggregate of 69,658,600 Shares (representing approximately 23.77% of the entire issued share capital of the Company as at the date of this announcement).

Pursuant to the Irrevocable Undertaking given by the Underwriter under the Underwriting Agreement, the Underwriter has undertaken to the Company that (i) it will subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 69,658,600 Shares beneficially held by the Underwriter; (ii) it will not dispose of, or agree to dispose of, any of the 69,658,600 Shares currently owned by it, and such Shares will remain beneficially owned by it, up to and including the Record Date; and (iii) it will lodge or procure the subscription of the 43,536,625 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it, 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 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, which are registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy, Financial Reporting Council transaction levy or any other applicable fees and charges in Hong Kong.

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

The Underwriter, Eastmount Global Limited, is a substantial Shareholder of the Company interested in 69,658,600 Shares, representing approximately 23.77% 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 who are not existing Shareholders for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. 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 the relevant No Action Shareholders and Non-Qualifying 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 Thursday, 19 January 2023, 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 relevant No Action Shareholders and Non-Qualifying Shareholders as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and 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 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; and
- (ii) for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) and Non-Qualifying 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 18 October 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 : 18 October 2022 (after trading hours of the Stock Exchange)

Placing agent : Eddid Securities and Futures Limited was appointed as the placing agent to place, or procure the placing of, up to 146,371,328 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or up to 157,829,661 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds), on a best effort basis, to the Placee(s).

Eddid Securities and Futures Limited and its ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and they have confirmed that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them. The Placing Agent has also undertaken that before it engages sub-placing agent(s) to place the Unsubscribed Rights Shares, it will confirm with the Company and such sub-placing agent(s) that these sub-placing agent(s) and their ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them.

- Placing commission payable to the Placing Agent : The sum of (a) a fee of HK\$100,000 or 0.5% of the portion of the Placing Amount that is equal to or less than HK\$20,000,000, whichever is higher; and (b) if the total Placing Amount is over HK\$20,000,000, a fee of 1.5% of the portion of the Placing Amount that exceeds HK\$20,000,000.
- 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 the Unsubscribed Rights Shares and market conditions at the time of placement.
- Placees : The Unsubscribed Rights Shares shall only be offered by the Placing Agent and/or the sub-placing agent(s) 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 the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and their respective concert parties 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 the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Unsubscribed Rights Shares by not later than the Latest Time for Termination (or such other time or date as may be agreed between the Placing Agent and the Company). If the Placing condition is not fulfilled by the aforementioned date, the Placing will lapse and all rights, obligations and liabilities of the parties to the Placing Agreement in relation to the Placing shall cease and determine and neither of the parties to the Placing Agreement shall have any claim against the others in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement.

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) 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 (other than members of the Listing Rules IBC and the Takeovers Code IBC whose opinion will be set forth in the Circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors (other than members of the Listing Rules IBC and the Takeovers Code IBC whose opinion will be set forth in the Circular after considering the advice from the Independent Financial Adviser) consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and their respective concert parties confirmed that they will not be involved in the solicitation, identification, screening and selection of Placces for the Unsubscribed Rights Shares.

THE UNDERWRITING AGREEMENT

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

- Date : 18 October 2022 (after trading hours of the Stock Exchange)
- Underwriter : The Underwriter is a substantial shareholder of the Company as at the date of this announcement. It is not in the ordinary course of business of the Underwriter to underwrite securities.
- Number of Rights Shares to be underwritten by the Underwriter : 146,371,328 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM); or
157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds)
- Underwriting Commission : The Underwriter will not receive any underwriting commission

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, the Underwriter 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 the Underwriter with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions. It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter's role as an underwriter in respect of the Rights Issue, together with the Irrevocable Undertaking, signify strong support from the substantial Shareholder to the Group and its confidence in the development of the Group. The Directors (excluding members of the Listing Rules IBC and the Takeovers Code IBC 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 Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Shareholders at the SGM of the ordinary resolution to approve the Increase in Authorised Share Capital;
- (ii) 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;
- (iii) 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;

- (iv) 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;
- (v) 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;
- (vi) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vii) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (viii) 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 automatically and no party will have any claim against any other party (save for any antecedent breaches and claims thereof).

As at the date of this announcement, none of the above conditions precedent have been fulfilled.

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:
 - a. 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
 - b. 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.

Conditions of the Rights Issue

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms.

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	Fund raising activities	Net proceeds	Intended use of net proceeds	Actual use of the net proceeds
8 September 2021 (date of agreement) and 29 October 2021 (date of completion)	Subscription of new Shares under general mandate	Approximately HK\$17,576,500	General working capital	Net proceeds has been fully used as intended
3 December 2021 (date of agreement) and 19 April 2022 (date of completion)	Placing of convertible bonds under specific mandate	Approximately HK\$26,500,000	(i) Approximately HK\$25,000,000 for the expansion of the existing procurement and tendering business of the Group to customers in trading industry; and (ii) Approximately HK\$1,500,000 as general working capital	Net proceeds has been fully used as intended

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

The Group mainly derives its revenues from the following business segments:

- a) Provision of procurement services segment is engaged in provision of procurement services to governmental institutions and private enterprises in the PRC. That includes the development and sales of software to customers, governmental or business sector, that demand formal bidding and tendering process in their supply chain management; and provision of funding facilitation together with the procurement services to the private sector clients;
- b) Trading business segment is engaged in trading of different kinds of products;
- c) Rental segment is engaged in leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC; and
- d) Energy management contracting business segment is engaged in provision of energy management contracting services in the PRC.

The Group plans to utilise its net proceeds from the Rights Issue in the following areas:

- a) approximately 5% of the net proceeds is to be invested into the research and development of the procurement service software. Because of further changed global economic environment, the central government of PRC has escalated its campaign to promote the replacement of foreign-branded IT related software and hardware with domestic alternatives. The Group therefore has to increase its inputs into research and development, such as recruiting more IT staff and/or replacing some of its equipment, so that its procurement related software could be upgraded with more functions and be able to cater for new needs arising out of such campaign, and hence maintaining and increasing the competitiveness of the Group. In addition, the Group plans to increase its software functionality to suit more needs from its business customers (B2B model). For example, this year the Group has successfully engaged one of the largest state-owned electricity grid companies to become one of its largest customers. The Group planned to increase its software development efforts to serve this large customer better;
- b) approximately 50% of the net proceeds is to be applied in the procurement services business. As stated in the annual report of the year ended 31 March 2022, the management of the Group firmly believes that the new energy industry is the field with a lot of business potential and opportunities in the

next decade. This new growth cycle embarked on the central government's public announcement made by President Xi Jinping in September 2020 that China was committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. Since then the central government of the PRC has implemented various initiatives and policies and has provided incentives to promote the use of new energy in enterprises nationwide. Because the engineering, procurement and construction ("EPC") model has become the most common practice model within the new energy industry, such as solar or wind power farm development projects, it offers the Group many supply chain procurement bidding and trading business opportunities. In order to enter and penetrate into this fast-growing market, the Group would like to raise fund and apply it into this niche business line by including the procurement funding facilitation as part of its efficient online and offline procurement services package offered to the clients. The Group's software provides an online platform where the customer of the Group, i.e. the user of the Group's IT solutions services, is able to select the ideal bidder and enter the contract with the bidder through the software that have been embedded with enhanced security settings and advanced features which enable safe and reliable electronic signature. New energy development projects are capital intensive and the EPC contractors for those projects, who are the potential clients of the IT solution services of the Group, usually have to provide upfront cash liquidity support for those projects before being reimbursed by the investors of those projects. These cash challenges faced by the EPC contractors, i.e. the Group's potential clients, provide the Group with a chance to entice and incentivise them to utilize the Group's IT solution services, if the Group can help them alleviate their cash pressure by procuring the goods first before selling the goods back to them within the agreed timeframe. Thereby, from the perspective of the users who have secured their goods via the Group and its software could experience benefits in twofold. On one hand, having been able to source goods from ideal suppliers with favourable prices by utilising the IT solutions, the users could potentially enjoy lower procurement costs and a greater profit margin. On the other hand, having had the Group making the payments for the purchases first, the users could retain more working capital for their own business purposes before purchasing the goods from the Group in accordance to the timeline stated in the contract. From the perspective of the Group, instead of providing a traditional one-tier unitary IT services, the Group is offering a service package which can satisfy more needs of its clients hence creating a unique and more competitive edge over others. The management has carried out risk assessment on this new business plan and has found that the potential clients in the new energy development projects businesses are mainly large-sized companies, usually state-owned, with good credit rating and strong economic strength, which the management of the Group consider as high-quality customers with large business volume and low business risks;

- c) approximately 10% of the net proceeds is to be applied to the Group's trading business to capture growth opportunities in this segment. The Group has been engaged in the trading of various goods in the past, such as aluminum ingots, and the kind of goods that the Group would trade depending on the market trends and needs and opportunities arising;
- d) approximately 20% of the net proceeds is to be invested in the office properties in Hong Kong. The Group appreciates Hong Kong's status as the international operational and financial centre and plans to increase its presence and operation in Hong Kong. To that end, the Group plans to acquire larger office space for self usage and to rent out any spare space if possible;
- e) approximately 15% of the net proceeds is to serve as supplement to the working capital of the Group for general purpose.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. The Board noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. As for placing of convertible bonds, the Board has completed a placing of convertible bonds this year but the amount of proceeds was below the initial target due to insufficient market interest. As for placing of new Shares, drawing on its experience in placing of new Shares in 2021, the Board is of the view that, unlike the Rights Issue which offers existing Shareholders to participate to avoid dilution of interest and to freely trade the rights entitlements, placing would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the exercise and the amount of funds raised by this means is limited compared with the needs of the Company, and therefore, was not considered by the Board to be the suitable fund-raising method for the Company on this occasion. As for an open offer, while it is similar to a rights issue which allows qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights attaching thereto.

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 (excluding the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion will be set forth in the Circular after considering the advice from the Independent Financial Adviser) 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 the Underwriter, a substantial shareholder of the Company. The Underwriter is an investment holding company incorporated in Hong Kong with limited liability, and is not engaged in underwriting of issue of securities in its ordinary course of business. The Underwriter is wholly-owned by Fu Ze Ventures Limited, which is wholly-owned by Eshay Investments Limited. Eshay Investments Limited is wholly-owned by Frandor Limited, which is in turn wholly-owned by Trident Trust Company (Singapore) Pte Limited, the trustee of a discretionary trust of which Ms. Liu Luoxiu is the settlor and certain family members of Ms. Liu Luoxiu, including Ms. Wu Siyuan (who is the ex-wife of one of the descendants of Ms. Liu Luoxiu), the Chairman, an executive Director and the chief executive of the Company, are discretionary beneficiaries. Ms. Liu Luoxiu is an experienced investor and merchant in China, and over the years, her investment spanned across different sectors, including real estate, import and export trading, as well as new energy industry. In the event that the Underwriter becomes the controlling shareholder of the Company as a result of the taking up of the Untaken Rights Shares under the Underwriting Agreement, it is the intention of the Underwriter to continue the existing businesses of the Group. The Underwriter 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.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

As at the date of this announcement, there are 15,884,000 outstanding share options granted by the Company with the earliest vesting date of 2 September 2023 which is expected to be after the Record Date. The Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding share options under the Share Option Scheme. The Company will notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

As at the date of this announcement, there are outstanding Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Share. As disclosed in the circular of the Company dated 13 January 2022, an adjustment of the conversion price is only required when the Subscription Price is less than 70% of the average of the closing price of the Shares for the 10 consecutive dealing days ending on the dealing day immediately preceding a dealing day on which the “current market price” is determined (the “Current Market Price”). Under the terms and conditions of the Convertible Bonds, since the Subscription Price is not less than 70% of the Current Market Price on the dealing day immediately precedes the date of this announcement, the Rights Issue will not lead to adjustments to the conversion price and/or the number of Shares to be issued upon conversion of the Convertible Bonds.

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

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; (ii) immediately following the issue of new Shares to trustee of Share Award Plan assuming the relevant resolutions are passed at the Share Award SGM; and (iii) immediately following completion of the Rights Issue in different scenarios, in each case assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM:

	(i) As at the date of this announcement		(ii) Immediately following the issue of new Shares to trustee of Share Award Plan assuming the relevant resolutions are passed at the Share Award SGM		(iii) Immediately following completion of the Rights Issue, and assuming					
					(a) Full acceptance of the Rights Shares by all Qualifying Shareholders and nil acceptance by the Trustee whose Unsubscribed Rights Shares are accepted by other Qualifying Shareholders		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter and parties acting in concert or presumed acting in concert with it (Note 1)	69,658,600	23.77	69,658,600	22.93	113,195,225	22.93	113,195,225	22.93	259,566,553	52.57
Trustee of Share Award Plan (Note 2)	—	—	10,769,000	3.54	10,769,000	2.18	10,769,000	2.18	10,769,000	2.18
Placees	—	—	—	—	—	—	146,371,328	29.64	—	—
Other public shareholders	223,425,125	76.23	223,425,125	73.53	369,796,453	74.89	223,425,125	45.25	223,425,125	45.25
Total	293,083,725	100.00	303,852,725	100.00	493,760,678	100.00	493,760,678	100.00	493,760,678	100.00

Notes:

- Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the scenarios set out in the table, all such Shares are/will be held by the Underwriter.
- The Trustee of the Share Award Scheme has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately following the issue of new Shares to trustee of Share Award Plan assuming the relevant resolutions are passed at the Share Award SGM and the conversion of Convertible Bonds in full; and (iii) immediately following completion of the Rights Issue in different scenarios, in each case assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds:

	(i) As at the date of this announcement		(iii) Immediately following completion of the Rights Issue, and assuming							
			(ii) Immediately following the issue of new Shares to trustee of Share Award Plan assuming the relevant resolutions are passed at the Share Award SGM and the conversion of the Convertible Bonds in full		(a) Full acceptance of the Rights Shares by all Qualifying Shareholders and nil acceptance by the Trustee whose Unsubscribed Rights Shares are accepted by other Qualifying Shareholders		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter and parties acting in concert or presumed acting in concert with it (Note 1)	69,658,600	23.77	69,658,600	21.62	113,195,225	21.62	113,195,225	21.62	271,024,886	51.77
Trustee of Share Award Plan (Note 2)	—	—	10,769,000	3.34	10,769,000	2.06	10,769,000	2.06	10,769,000	2.06
Placees	—	—	—	—	—	—	157,829,661	30.15	—	—
Sea Best Group Limited (Note 3)	—	—	15,000,000	4.66	24,375,000	4.66	15,000,000	2.87	15,000,000	2.87
Mr. Wu Feng (Note 3)	—	—	3,333,333	1.03	5,416,666	1.03	3,333,333	0.64	3,333,333	0.64
Other public Shareholders	223,425,125	76.23	223,425,125	69.35	369,796,453	70.63	223,425,125	42.67	223,425,125	42.67
Total	<u>293,083,725</u>	<u>100.00</u>	<u>322,186,058</u>	<u>100.00</u>	<u>523,552,344</u>	<u>100.00</u>	<u>523,552,344</u>	<u>100.00</u>	<u>523,552,344</u>	<u>100.00</u>

Notes:

1. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the scenarios set out in the table, all such Shares are/will be held by the Underwriter.
2. The Trustee of the Share Award Scheme has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.
3. Sea Best Group Limited and Mr. Wu Feng are the holders of the Convertible Bonds and are Independent Third Parties.

EXPECTED TIMETABLE

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

Event	Date and time (Hong Kong time)
Expected despatch date of the Circular, proxy form and the notice of the SGM	Friday, 18 November 2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:00 p.m. on Thursday, 1 December 2022
Closure of register of members of the Company (both days inclusive)	Friday, 2 December 2022 to Thursday, 8 December 2022
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Tuesday, 6 December 2022
Record date for attendance and voting at the SGM	Thursday, 8 December 2022
Expected time and date of the SGM	11:00 a.m. on Thursday, 8 December 2022
Announcement of the poll results of the SGM	Thursday, 8 December 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Friday, 9 December 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Monday, 12 December 2022
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue	4:00 p.m. on Tuesday, 13 December 2022
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Wednesday, 14 December 2022 to Tuesday, 20 December 2022
Record date for the Rights Issue	Tuesday, 20 December 2022

Event	Date and time (Hong Kong time)
Despatch of the Prospectus Documents	Thursday, 22 December 2022
First day of dealings in nil-paid Rights Shares (in board lots of 8,000 Shares)	Wednesday, 28 December 2022
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 30 December 2022
Last day of dealings in nil-paid Rights Shares	Thursday, 5 January 2023
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, 10 January 2023
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 10 January 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Thursday, 12 January 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Friday, 13 January 2023
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Thursday, 19 January 2023
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 19 January 2023
Announcement of results of the Rights Issue	Thursday, 26 January 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	on or before Friday, 27 January 2023

Event	Date and time (Hong Kong time)
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	on or before Friday, 27 January 2023
Commencement of dealings in fully-paid Rights Shares (in board lots of 8,000 Shares)	9:00 a.m. on Monday, 30 January 2023
Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any)	Thursday, 2 February 2023

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 at the date of this announcement, the Company does not have any controlling shareholders. 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. The Underwriter, Eastmount Global Limited, is wholly-owned by the trustee of a family trust under which Ms. Wu Siyuan, being an executive Director, is a discretionary beneficiary. The Underwriter 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. Save for the interest of Ms. Wu Siyuan in the Shares held by the Underwriter through her role as

a discretionary beneficiary of the discretionary trust by virtue of Part XV of the SFO as disclosed above, as at the date of this announcement, none of the Directors holds any Shares.

Further, the Underwriter, Eastmount Global Limited, 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. The Underwriter shall abstain from voting in relation to the resolution(s) in relation to the Underwriting Agreement at the SGM pursuant to Rule 14A.36 of the Listing Rules.

Ms. Wu Siyuan, the Chairman, the Chief Executive and an executive Director, is a discretionary beneficiary of the family trust, of which the trustee wholly owns the Underwriter, and as such, may have conflict of interests in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. She has abstained from voting at the meeting of the Board convened to consider such matters. As at the date of this announcement, Ms. Wu Siyuan does not hold any Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter and parties acting in concert with it are, in aggregate, interested in 69,658,600 Shares, representing approximately 23.77% of the issued share capital of the Company. The Underwriter has provided the Irrevocable Undertaking to take up and pay for an aggregate of 43,536,625 Rights Shares to be provisionally allotted to it under the Rights Issue.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Eastmount Global Limited, as the Underwriter, will be required to take up a maximum of 157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds). 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, the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the conversion in full of the Convertible Bonds, the Underwriter and parties acting in concert with it will, in aggregate, be interested in a

maximum of 271,024,886 Shares, representing approximately 51.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In the case where none of the Convertible Bonds are converted, and assuming that there is no change in the issued share capital of the Company other than the issue of 10,769,000 new Shares to satisfy the Awarded Shares after the Share Award SGM and the allotment and issue of the Rights Shares, the Underwriter will be required to take up a maximum of 146,371,328 Rights Shares, and hence the Underwriter and parties acting in concert with it will, in aggregate be interested in a maximum of 259,566,553 Shares, representing approximately 52.6% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter 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 it and parties acting in concert with it, unless the Whitewash Waiver is granted.

An application will be made by the Underwriter 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. The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code), and any Shareholders who are involved in, or interested in (other than by being a Shareholder) 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, the approval by the Shareholders at the SGM in respect of the Increase in Authorised Share Capital 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 Placing Agreement, the Underwriting 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 Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver do not comply with other applicable rules and regulations.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

As at the date of this announcement, the Underwriter, Ms. Wu Siyuan and Ms. Liu Luoxiu and any parties acting in concert with any one of them:

- (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 or the Underwriter, 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 the Underwriter in respect of the interests in the Shares held by it;
- (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 the Underwriter 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) the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them in connection with the Rights Issue and the Underwriting Agreement;

(ii) save for the Subscription Price, there is no other consideration, compensation, or benefit in whatever form paid or to be paid by the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them to the Group in relation to the Rights Issue;

(iii) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them on the other hand; and

(iv) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b)(1) the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them; or (2) the Company, its subsidiaries or associated companies.

During the six-month period preceding the date of this announcement and up to the date of this announcement, none of the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one them has acquired any voting rights in the Company.

SGM

The register of members of the Company will be closed from Friday, 2 December 2022 to Thursday, 8 December 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 Increase in Authorised Share Capital, 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, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates (as defined in the Takeovers Code), the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code), and any Shareholders (i) who are involved in, or interested in (other than by being a Shareholder); or (ii) 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. As at the date of this announcement, save for the Underwriter, Ms. Wu Siyuan, and Ms. Liu Luoxiu and parties acting in concert with any one of them, no other Shareholder 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 LISTING RULES IBC, THE TAKEOVERS CODE IBC AND THE INDEPENDENT FINANCIAL ADVISER

The Listing Rules IBC, comprising Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor.

The Takeovers Code IBC, comprising Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, being all non-executive Directors, and Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor.

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor. The appointment of the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

The Circular containing, among other things, (i) further details of the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Listing Rules IBC in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement; (iii) a letter of recommendations from the Takeovers Code IBC in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in regard to the aforesaid; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the SGM, should be despatched to the Shareholders (including the Non-Qualifying Shareholders) within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code. 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 Friday, 18 November 2022, which is beyond the aforesaid deadline and is also more than 15 business days from the date of this announcement. An application will be made by the Company to seek the consent from 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 Increase in Authorised Share Capital having been approved by the Shareholders at the SGM and becoming effective, and 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.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 12 December 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 28 December 2022 to Thursday, 5 January 2023.

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, and if they are in any doubt about their position, they should consult their professional advisers.

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

“Awarded Shares”	the 10,769,000 Shares offered to the 44 grantees pursuant to the Share Award Plan as announced by the Company on 2 September 2022 which will be satisfied by the issue of new Shares under specific mandate to be held on trust by the trustee of the Share Award Plan for the benefit of the grantees, subject to the passing of the relevant resolutions at the Share Award SGM
“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 Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Company”	Cherish Sunshine International Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 1094)
“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
“Convertible Bonds”	convertible bonds in the principal amount of HK\$27,500,000 issued by the Company on 19 April 2022
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	an increase in the authorised share capital of the Company from HK\$50,000,000 divided into 400,000,000 ordinary Shares and 100,000,000 preference shares of par value HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary Shares and 100,000,000 preference shares of par value HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary Shares
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company, for the purpose of advising (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, and as to the voting action therefor

“Independent Shareholder(s)”	the Shareholders other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them; (iii) Shareholders who are involved in or interested in (other than by being Shareholder) the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver; and (iv) Shareholders who 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 the Underwriter 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
“Last Trading Day”	18 October 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, 10 January 2023, 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 Thursday, 19 January 2023, 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
“Listing Rules IBC”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, which has been established in accordance with the Listing Rules to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor
“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 the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them 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 157,829,661 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 Agent”	Eddid Securities and Futures Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 18 October 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Amount”	the total aggregate amount of money (total monetary value) derived from multiplying (a) the price at which the Unsubscribed Rights Shares are subscribed for by the Placees procured by the Placing Agent by (b) the actual number of Unsubscribed Rights Shares actually subscribed for by the Placees procured by the Placing Agent

“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”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC 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”	Thursday, 22 December 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”	Tuesday, 20 December 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”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong

“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of five (5) Rights Shares for every eight (8) 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, 17 January 2023, 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 Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver
“Share Award Plan”	the share award plan of the Company adopted on 29 April 2022
“Share Award SGM”	the special general meeting of the Company to be convened and held at Room 21A, Aikang Building, Zhangjiagang City, Suzhou, Jiangsu Province, the PRC on Tuesday, 25 October 2022 at 11 a.m. to consider and, if thought fit, approve, among other things, resolutions in relation to the proposed allotment and issue of a total of not more than 10,769,000 new Shares to satisfy the Awarded Shares which will be held on trust by the trustee of the Share Award Plan for the grantees, or any adjournment thereof

“Share Option Scheme”	the share option scheme of the Company adopted on 3 August 2022
“Share(s)”	ordinary share(s) of HK\$0.1 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
“Subscription Price”	the subscription price of HK\$0.63 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Takeovers Code IBC”	the independent committee of the Board, comprising all non-executive Directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, and all independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, which has been established in accordance with the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor
“Trustee”	the trustee of the Share Award Plan
“Underwriter”	Eastmount Global Limited, a substantial shareholder of the Company
“Underwriting Agreement”	the underwriting agreement dated 18 October 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 the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the taking up of the Rights Shares by the Underwriter as the underwriter pursuant to the Underwriting Agreement
“%”	per cent.

By order of the Board
Cherish Sunshine International Limited
Wu Siyuan
Chairman and Chief Executive

Hong Kong, 18 October 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Wu Siyuan (Chairman and Chief Executive) and Ms. He Qian; three non-executive Directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua; and three independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua.

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.