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WELIFE TECHNOLOGY LIMITED

維力生活科技有限公司

(formerly known as Palace Banquet Holdings Limited 首豐控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1703)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Financial adviser

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On 9 January 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$44,000,000.

Based on the initial Conversion Price of HK\$0.80 per Conversion Share, a total of 55,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 4.78% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 4.56% of the total number of Shares in issue as enlarged by the allotment and issue of the 55,000,000 Conversion Shares upon full conversion of the Convertible Bonds.

The gross proceeds from the CB Subscription are estimated to be HK\$44 million. The net proceeds from the CB Subscription (after deducting related expenses) are estimated to be approximately HK\$43.8 million and the Company intends to use such net proceeds for business development and the working capital requirement of the Group.

No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Upon exercise of the conversion rights attached to the Convertible Bonds, the Conversion Shares will be allotted and issued under the General Mandate.

Shareholders and potential investors of the Company should note that completion of the CB Subscription is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions for the CB Subscription” in this announcement. Accordingly, the CB Subscription may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 9 January 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$44,000,000. Details of the salient terms of the CB Subscription Agreement are set out below:

Date

9 January 2023 (after trading hours)

Parties

- (1) The Company, as the issuer
- (2) The Subscriber, as the subscriber

Subject matter

Pursuant to the CB Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$44,000,000.

Conditions for the CB Subscription

Completion of the CB Subscription Agreement is conditional upon the satisfaction of the following conditions precedent:

- (i) The Subscriber is satisfied with the results of the due diligence conducted by the Subscriber or its agent on the assets, liabilities, operations, affairs, financial, legal and commercial aspects of the Company;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to the completion of the CB Subscription);

- (iii) the Company having received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder (including but not limited to the required consent and approval from the shareholders and directors of the Company);
- (iv) from the date of the CB Subscription Agreement to the Completion Date, each representation and undertaking given by the Company to the Subscriber being true, complete, accurate and not misleading;
- (v) from the date of the CB Subscription Agreement to the Completion Date, there being no event of default or no event which has material adverse effect on the Company;
- (vi) the Subscriber having received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder; and
- (vii) the Company having delivered a confirmation to the Subscriber that all the conditions precedent (save for condition (i) and (vi)) to the CB Subscription Agreement have been fulfilled.

If any of the conditions precedent above have not been fulfilled on or before 30 April 2023 (or such later date as may be agreed between the Subscriber and the Company in writing), the CB Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Subscriber shall have any claim against or liability or obligation to each other under the CB Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

Completion

The CB Subscription shall be completed in three Business Days after all the conditions precedent of the CB Subscription Agreement have been satisfied or waived (as the case may be).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Issuer	:	The Company
Principal Amount	:	HK\$44,000,000 in aggregate
Issue Price	:	100% of the principal amount
Interest	:	The Convertible Bonds shall bear interest at the rate of 3% per annum from the date of issue (inclusive of such date), payable on the Maturity Date or the date on which the Convertible Bonds are converted into Shares, payable on such date
Maturity Date	:	3 years after the issue of the Convertible Bonds

Conversion Right: : The Bondholder shall have the right to convert all or any part of the Convertible Bonds at any time from the date of issue of the Convertible Bonds up to the Maturity Date (both days inclusive).

If the issue of Conversion Shares following the exercise by a Bondholder relating to any of the Convertible Bonds held by such Bondholder would result in the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion, the Bondholder shall not be allowed to convert the Convertible Bonds.

Conversion Price : Initially HK\$0.80 per Conversion Share, subject to adjustments

The Conversion Price of HK\$0.80 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares and represents:

- (i) a premium of approximately 6.67% over the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 4.99% over the average closing price of HK\$0.762 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

Adjustment to the Conversion Price : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 90% of the then market price of the Shares; (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price; and (vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares, in accordance with the provisions of the instrument of the Convertible Bonds.

Conversion Shares : Based on the initial Conversion Price of HK\$0.80 per Conversion Share, a total of 55,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 4.78% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 4.56% of the total number of Shares in issue as enlarged by the allotment and issue of the 55,000,000 Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

Redemption on Maturity: Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

Application for listing : No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Voting : The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

Transferability : The Convertible Bonds are freely transferable.

General Mandate to issue the Conversion Shares

At the annual general meeting of the Company held on 30 August 2022, the General Mandate was granted to the Directors, pursuant to which the Directors were authorised to allot and issue such Shares of not exceeding 20% of the aggregate number of issued Shares as at the date of the annual general meeting, being a maximum of 230,000,000 Shares. As at the date of this announcement, no Shares have been issued by the Company under the General Mandate.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the initial Conversion Price, upon the full conversion of the Convertible Bonds, a total of approximately 55,000,000 Conversion Shares will be issued, which represent approximately 23.9% of the new Shares which may be allotted and issued under the General Mandate. Accordingly, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares (upon the conversion of the Convertible Bonds) are not subject to the approval of the Shareholders.

Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising activity in the past twelve months before the date of this announcement.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the date of this announcement, the Subscriber and its ultimate beneficial owner, namely, Mr. CAI Wensheng (蔡文勝) (“**Mr. Cai**”), are Independent Third Parties.

Mr. Cai is a founder, executive director and the chairman of Meitu, Inc (Stock Code: 1357). Mr. Cai is an entrepreneur and renowned investor in the Internet and technology industry in the PRC. Mr. Cai has been an influential figure in the Internet start-up community in the PRC. Mr. Cai has invested in various technology start-ups in the PRC.

REASONS FOR THE CB SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in Chinese restaurant operation mainly in Hong Kong.

The Board has considered it beneficial to strengthen the capital base of the Group through the Subscription in preparation for the Group's long-term development and further strengthening of financial position of the Group. The issue of the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders and the Conversion Price is at a premium to the market price as set out above, which was arrived at after arm's length negotiations between the Company and the Subscriber. The Directors also consider that the issue of Convertible Bonds will provide an opportunity for the Company, if the conversion rights attached to the Convertible Bonds are exercised, to enlarge and strengthen its capital base and also broaden its Shareholders base by the introduction of new investor.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement (including the terms of the Convertible Bonds and the Conversion Price) are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Subject to the completion of the CB Subscription, the aggregate gross proceeds from the CB Subscription will be HK\$44 million and the net proceeds from the CB Subscription (after deduction of estimated professional fees and other related expenses) are estimated to be approximately HK\$43.8 million. The Company intends to use the net proceeds from the CB Subscription for business development and the general working capital of the Group.

The Company intends to use such net proceeds from the Subscription as to:

- (i) approximately HK\$20 million for the acquisition of restaurant(s) in the PRC;
- (ii) approximately HK\$10 million for the establishment of strategic alliance with its peers in the restaurants industry in the PRC;
- (iii) approximately HK\$5 million for the establishment of a restaurant in Hong Kong;

- (iv) approximately HK\$5 million for the improvement of the Group's information technology systems; and
- (v) approximately HK\$3.8 million for the general working capital of the Group.

The net price per Conversion Share, which is calculated by dividing the aggregate net proceeds by the total number of the Conversion Shares based on the initial Conversion Price, is approximately HK\$0.7964.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the Convertible Bonds in full (assuming that the Conversion Price is HK\$0.80 per Conversion Share and there is no further issue or repurchase of Shares before the exercise of such conversion rights), are illustrated in the below table:

	As at the date of this announcement		Immediately after completion of the CB Subscription (assuming the Convertible Bonds are converted in full)	
	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>
Wonderful Cosmos Limited (Note 1)	586,500,000	51.00	586,500,000	48.67
Mr. Tang Tsz Tung and his spouse (Note 2)	7,410,000	0.64	7,410,000	0.61
<i>Public Shareholders:</i>				
The Subscriber	–	–	55,000,000	4.56
Other public Shareholders	<u>556,090,000</u>	<u>48.36</u>	<u>556,090,000</u>	<u>46.16</u>
Total	<u>1,150,000,000</u>	<u>100.00</u>	<u>1,205,000,000</u>	<u>100.00</u>

Notes:

- Wonderful Cosmos Limited is 100% owned by Mr. Tam Kar Wai, an executive Director
- Mr. Tang Tsz Tung is an independent non-executive Director

WARNING

Shareholders and potential investors of the Company should note that completion of the CB Subscription is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions for the CB Subscription” in this announcement. Accordingly, the CB Subscription may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	board of the Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“CB Subscription”	the subscription by the Subscriber of the Convertible Bonds pursuant of the terms of the CB Subscription Agreement
“CB Subscription Agreement”	the conditional subscription agreement dated 9 January 2023 and entered into between the Company and the Subscriber in respect of the subscription of the Convertible Bonds in the principal amount of HK\$44,000,000
“Company”	Welif Technology Limited (formerly known as Palace Banquet Holdings Limited), a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1703)
“Conversion Price”	the conversion price of the Convertible Bonds, being HK\$0.80 per Conversion Share initially (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds)
“Conversion Shares”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$44,000,000 to be issued by the Company to the Subscriber pursuant to the CB Subscription Agreement
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 August 2022 to allot, issue and deal with up to 20% of the total issued Shares as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	9 January 2023, being the last full trading day for the Shares on the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Maturity Date”	3 years from the date of issue of the Convertible Bonds
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Subscriber” Longling Capital Ltd, a company incorporated in British Virgin Islands with limited liability and wholly owned by Mr. Cai

“%” per-cent

By Order of the Board
Welif Technology Limited
Hu Zhi Xiong
Chairman

Hong Kong, 10 January 2023

As at the date of this announcement, the non-executive Director is Mr. Hu Zhi Xiong, the executive Directors are Mr. Tam Kar Wai and Mr. Cheng Man Cheong; and the independent non-executive Directors are Mr. Wong Tat Keung, Mr. Wong Wai Ming and Mr. Tang Tsz Tung.