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## **HUAZHANG TECHNOLOGY HOLDING LIMITED**

**華章科技控股有限公司**

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

**(Stock Code: 1673)**

- (1) PROPOSED OPEN OFFER ON THE BASIS OF  
ONE (1) OFFER SHARE FOR EVERY TWO (2) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(2) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT; AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

**Independent Financial Adviser**



**Placing Agent**



### **PROPOSED OPEN OFFER**

The Board proposes to offer by way of the Open Offer to the Shareholders a total of 532,044,689 Open Offer Shares at a price of HK\$0.20 per Open Offer Share. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$104.5 million. The Underwriter, a substantial shareholder beneficially holding 153,846,153 Shares, representing approximately 14.46% of the number of Shares in issue as at the date of this announcement, has agreed to underwrite the Untaken Offer Shares on the terms and conditions set out in the Underwriting Agreement.

The Open Offer is not available to the Non-Qualifying Shareholder. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar (i.e. Tricor Investor Services Limited) at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Monday, 8 January 2024.

## **IRREVOCABLE UNDERTAKINGS**

### **Underwriter's undertaking**

Pursuant to the Irrevocable Undertakings, the Underwriter and Mr. Fang have irrevocably undertaken to the Company (i) to apply and pay for all Open Offer Shares which will be in the assured allotment of Open Offer Shares in respect of the 153,846,153 Shares and 7,440,000 Shares beneficially owned by it and him respectively; (ii) that it/he will remain to be the beneficial owner of the 153,846,153 Shares and 7,440,000 Shares respectively at the close of business on the Record Date; and (iii) to procure that the application for the Open Offer Shares will be lodged with the Registrar or the Company, in accordance with the terms of the Prospectus Documents, provided that the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not having been revoked or withdrawn.

### **Optionholders' Undertakings**

On 1 December 2023, each of Mr. Chen Hongwei, Mr. Shi Chenghu, Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang has given his/her irrevocable undertaking to the Company and the Underwriter to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date.

## **LISTING RULES IMPLICATIONS**

### **Open Offer**

As the Open Offer Shares are not issued pursuant to the general mandate of the Company, in accordance with Rule 7.24A(1) of the Listing Rules, among other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the 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 Open Offer. As such, Mr. Fang, Mr. Chen Hongwei and Mr. Shi Chenghu and their associates shall abstain from voting in favour of the resolutions to approve the Open Offer at the EGM.

## **Connected transactions in relation to the Underwriting Agreement**

As at the date of this announcement, the Underwriter (which is wholly owned by Mr. Fang) owns 153,846,153 Shares, representing approximately 14.46% of the number of Shares in issue. The Underwriter is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes 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 and its associates will abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement and the transactions contemplated thereunder at the EGM.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR THE WHITEWASH WAIVER**

As at the date of this announcement, the Underwriter and Mr. Fang are the beneficial owners of a total of 153,846,153 Shares and 7,440,000 Shares, representing approximately 14.46% and 0.70% of the entire issued share capital of the Company respectively. Assuming (i) there is no change in the number of issued Shares from the date of this announcement up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than the Underwriter and Mr. Fang have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangement, the interests in the Company held by the Underwriter and Mr. Fang upon the close of the Open Offer will increase from the current level of approximately 15.16% to approximately 43.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares. The Underwriter and Mr. Fang will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code.

An application will be made by the Underwriter and Mr. Fang to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder. Save for the Underwriter and Mr. Fang and the parties acting in concert with them including those by virtue of the class (6) presumption under the definition of "acting in concert" under the Takeovers Code (i.e. Mr. Chen Hongwei and Mr. Shi Chenghu) and those who are involved in and/or interested in the Open Offer and the Whitewash Waiver, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

## **EXTRAORDINARY GENERAL MEETING AND INDEPENDENT SHAREHOLDERS' APPROVAL**

The EGM will be convened and held to consider and, if appropriate, approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver and the transactions contemplated thereunder.

The Underwriter and parties acting in concert with it and those who are involved in and/or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver will abstain from voting at the EGM in respect of the resolutions for the Open Offer, the Underwriting Agreement and the Whitewash Waiver. In accordance with the Listing Rules and the Takeovers Code, the resolution(s) (i) in relation to the Whitewash Waiver will be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM; and (ii) in relation of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder will be approved by more than 50% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated therein, and the Whitewash Waiver, and as to the voting action therefor.

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent committee should comprise all non-executive Directors who have no direct or indirect interest in the Whitewash Waiver other than as a Shareholder. Since Mr. Shi Chenghu, a non-executive Director, is presumed to be acting in concert with Mr. Fang under class (6) of the definition of "acting in concert" under the Takeovers Code, he is not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders and will not be part of the Independent Board Committee. Save for the Share Options granted to him/her and the Optionholders' Undertakings given by him/her, each of Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang has no involvement and no direct or indirect interests in the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and is therefore eligible to be a member of the Independent Board Committee.

Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

## **DESPATCH OF CIRCULAR**

The Circular containing, among other things, (i) information regarding the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) the notice of the EGM is required to be despatched to the Shareholders within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Friday, 22 December 2023), whichever is earlier.

## **PROPOSED OPEN OFFER**

The Board proposes to offer by way of the Open Offer to the Shareholders a total of 532,044,689 Open Offer Shares at a price of HK\$0.20 per Open Offer Share. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$104.5 million. The Underwriter, a substantial shareholder beneficially holding 153,846,153 Shares, representing approximately 14.46% of the number of Shares in issue as at the date of this announcement, has agreed to underwrite the Untaken Offer Shares on the terms and conditions set out in the Underwriting Agreement.

### **Issue statistics**

Basis of the Open Offer:	One (1) Open Offer Share for every two (2) existing Shares held by the Shareholders on the Record Date
Open Offer Price:	HK\$0.20 per Open Offer Share
Number of Shares in issue as at the date of this announcement:	1,064,089,378 Shares
Number of Open Offer Shares:	532,044,689 Open Offer Shares (assuming no change in the number of issued Shares from the date of this announcement up to and including the Record Date)
Underwriter:	Dao He Investment Limited

As at the date of this announcement, the Company has 33,080,000 outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 33,080,000 new Shares.

Save for the above, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the date of this announcement.

On 1 December 2023, each of the Optionholders has given his/her irrevocable undertaking to the Company and the Underwriter to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date (see the paragraphs headed “Irrevocable Undertakings — Optionholders’ Undertakings” below). Accordingly, it is not expected that there will be any change in the number of issued Shares from the date of this announcement up to and including the Record Date. On this basis, the aggregate number of the Open Offer Shares that will be allotted and issued represents (i) not more than 50% of the number of Shares in issue as at the date of this announcement; and (ii) approximately 33.33% of the number of Shares in issue as enlarged by the allotment and issue of the Open Offer Shares.

### **Open Offer Price**

The offer price of HK\$0.20 per Open Offer Share, payable in full by a Qualifying Shareholder upon application for the assured allotment of Open Offer Shares under the Open Offer, represents:

- (i) a discount of approximately 49.37% over the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement and the Placing Agreement;
- (ii) a discount of approximately 49.49% over the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.396;
- (iii) a discount of approximately 49.43% over the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.3955;
- (iv) a discount of approximately 16.46% to the theoretical ex-entitlement price of approximately HK\$0.33 per Share based on the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 16.50% represented by the theoretical diluted price of approximately HK\$0.331 to the benchmarked price of approximately HK\$0.396 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the date of the Underwriting Agreement and the Placing Agreement of HK\$0.395 per Share and the average closing price of the Shares in the five trading days immediately prior to the date of this announcement of HK\$0.396 per Share); and



(vi) a discount of approximately 44.44% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.36 per Share calculated based on the consolidated net assets of the Group attributable to the Shareholders of approximately RMB351.60 million (equivalent to approximately HK\$383.03 million based on the exchange rate of RMB1.00 to HK\$1.0894) as at 30 June 2023 as extracted from the annual report of the Company for the year ended 30 June 2023 and 1,064,089,378 Shares then in issue.

The terms of the Open Offer, including the Open Offer Price, were determined by the Board with reference to (i) the prevailing market condition; (ii) the prevailing market prices of the Shares; and (iii) the capital required for the Group's business development as detailed in the section headed "Reasons for the Open Offer and the use of proceeds" below. The Open Offer Shares will be offered to all Shareholders and each Qualifying Shareholder will be entitled to apply for the Open Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (other than members of the Independent Board Committee whose view will be set out in the Circular after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Open Offer, including the Open Offer Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

The Open Offer is conditional upon (i) the obtaining of the Independent Shareholders' approval at the EGM; (ii) the Whitewash Waiver having been granted to the Underwriter (and such waiver not having been revoked or withdrawn); and (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to the paragraphs headed "Underwriting arrangement for the Open Offer — Conditions of the Underwriting Agreement" below.

### **Basis of assured allotment**

Under the Open Offer, the basis of the assured allotment will be one (1) Open Offer Share for every two (2) existing Shares held by the Shareholders as at the close of business on the Record Date.

### **Fractional assured allotment of the Open Offer Shares**

Open Offer Shares in assured allotment will be rounded down to the nearest whole number. No fractional Open Offer Shares will be issued under the Open Offer. All fractions of Open Offer Shares will be aggregated and first placed by the Placing Agent under the Unsubscribed Arrangements (see details set out in the paragraphs headed "Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements" below) to Independent Third Parties.

## **Status of the Open Offer Shares**

The Open Offer Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and will rank pari passu in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Open Offer Shares.

## **Qualifying Shareholders and Non-Qualifying Shareholders**

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder. As at the date of this announcement, the Company has no Overseas Shareholders.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar (i.e. Tricor Investor Services Limited) at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Monday, 8 January 2024.

The Company expects to send the Prospectus Documents to Qualifying Shareholders on or before Friday, 26 January 2024. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus only, to Non-Qualifying Shareholders for information purposes. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Open Offer.

Application for all or any part of a Qualifying Shareholder's assured allotment of Open Offer Shares should be made by completing the Application Form and lodging the same with a remittance for the Open Offer Shares being applied for with the Registrar at or before the Latest Time for Application (i.e. 4:00 p.m. on Friday, 9 February 2024).

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

The Board will make enquiries regarding the feasibility of extending the Open Offer to Overseas Shareholders. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Open Offer Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer Shares will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

**Overseas Shareholders should note that they may or may not be entitled to participate in the Open Offer, subject to the results of enquiries made by the Company. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.**



## **Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements**

Pursuant to Rule 7.26A(2) of the Listing Rules, as the Underwriter, being a substantial shareholder, will act as the underwriter of the Open Offer, the Company must make arrangements as stipulated in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares by offering such Unsubscribed Shares to independent placees for the benefit of the relevant No Action Shareholders.

Any Unsubscribed Shares (which comprise (i) the fractional Open Offer Shares aggregated as mentioned above; (ii) the Open Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (iii) Open Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders) will be first placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares at the Placing Price. Any unplaced Unsubscribed Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Principal terms of the Placing Agreement are summarised below:

Placing Agent:	Yuen Meta (International) Securities Limited
Placing commission:	1.00% of the gross proceeds from the subscription of the Unsubscribed Shares successfully placed by the Placing Agent as at the date of Open Offer Completion, and HK\$110,000 arrangement fee, whichever is higher
Placing Price:	Not less than HK\$0.20 per Unsubscribed Share
Placing Period:	The Placing Period will commence on the second Business Day after the day on which the latest time for acceptance for the Open Offer Shares falls (i.e. 9 February 2024 under the current timetable), and end on the Placing End Date (i.e. 22 February 2024 under the current timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
Placees:	The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties

For the avoidance of doubt, no placee will become a substantial shareholder

The Placing Agent will, on a best efforts basis during the Placing Period, seek to procure subscribers who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) of the Unsubscribed Shares.

The Placing Agent confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares. 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 prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Company's Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Because the Company has put in place the above Unsubscribed Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

### **Share certificates for the Open Offer Shares**

Subject to fulfilment of the conditions of the Open Offer and to its proceeding, share certificates for the fully-paid Open Offer Shares are expected to be posted by Tuesday, 27 February 2024 to those entitled thereto by ordinary post at their own risks. If the Open Offer is terminated, refund cheques are expected to be despatched on or before Tuesday, 27 February 2024 by ordinary post at the respective Shareholders' own risk.

### **Application for listing of the Open Offer Shares**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Open Offer Shares on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Open Offer Shares will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

## IRREVOCABLE UNDERTAKINGS

### Underwriter's undertaking

Pursuant to the Irrevocable Undertakings, the Underwriter and Mr. Fang have irrevocably undertaken to the Company (i) to apply and pay for all Open Offer Shares which will be in the assured allotment of Open Offer Shares in respect of the 153,846,153 Shares and 7,440,000 Shares beneficially owned by it and him respectively; (ii) that it/he will remain to be the beneficial owner of the 153,846,153 Shares and 7,440,000 Shares respectively at the close of business on the Record Date; and (iii) to procure that the application for the Open Offer Shares will be lodged with the Registrar or the Company, in accordance with the terms of the Prospectus Documents, provided that the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not having been revoked or withdrawn.

### Optionholders' Undertakings

As at the date of this announcement, the Company has 33,080,000 outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 33,080,000 new Shares. Details of the Share Options outstanding and the Optionholders are set out below:

Name	Date of grant	Exercise period	Exercise price HK\$	Number of Share Options held as at the date of this announcement
Mr. Chen Hongwei, an executive Director	31 May 2022	31 May 2022 to 30 May 2032	0.51	500,000
Mr. Shi Chenghu, a non-executive Director	31 May 2022	31 May 2022 to 30 May 2032	0.51	1,000,000
Mr. Heng, Keith Kai Neng, an independent non-executive Director	31 May 2022	31 May 2022 to 30 May 2032	0.51	300,000
Mr. Yao Yang Yang, an independent non-executive Director	31 May 2022	31 May 2022 to 30 May 2032	0.51	300,000
Ms. Zhang Dong Fang, an independent non- executive Director	31 May 2022	31 May 2022 to 30 May 2032	0.51	300,000
Other Share Options holders	31 May 2022	31 May 2022 to 30 May 2032	0.51	30,680,000

On 1 December 2023, each of Mr. Chen Hongwei, Mr. Shi Chenghu, Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang has given his/her irrevocable undertaking to the Company and the Underwriter to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date.

As at the date of this announcement, save for Mr. Chen Hongwei who holds 182,000 Shares and Mr. Shi Chenghu who holds 89,452,000 Shares, all independent non-executive Directors do not hold any Shares.

## **THE UNDERWRITING ARRANGEMENT FOR THE OPEN OFFER**

### **Principal terms of the Underwriting Agreement**

Date: 1 December 2023

Parties: (i) The Company; and  
(ii) The Underwriter, being the underwriter to the Open Offer

The Underwriter is a substantial shareholder of the Company which beneficially holds 153,846,153 Shares, representing approximately 14.46% of the entire issued share capital of the Company as at the date of this announcement. As such, the Underwriter complies with Rule 7.19(1)(b) of the Listing Rules. The Underwriter is an investment holding company and is not engaged in the business of underwriting securities.

Number of Open Offer Shares underwritten: All such Unsubscribed Shares that have not been 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 End Date

Commission: Nil

The Underwriter's obligation to make a general offer under the Takeovers Code may be triggered as a result of the acceptance by the Underwriter and/or the parties acting in concert with it of the Unsubscribed Shares allotted to them under the Open Offer when there is an undersubscription of the Open Offer. The Underwriter will apply to the Executive for the Whitewash Waiver. As disclosed in the paragraph headed "Proposed Open Offer — Conditions of the Open Offer" above, it is a condition of the Open Offer to have the Executive having granted the Whitewash Waiver to the Underwriter (and such grant not having been withdrawn or revoked).

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement is conditional upon the fulfilment or waiver, where permitted, of the following conditions:

- (i) the passing at the EGM of necessary resolution(s) by the Independent Shareholders to approve the Open Offer and the Whitewash Waiver and the transactions contemplated thereunder at which the voting will be taken on a poll and in accordance with the Listing Rules and the Takeovers Code;

- (ii) the granting of the Whitewash Waiver to the Underwriter by the Executive and the fulfilment of all conditions (if any) attached to it, and such Whitewash Waiver not having been revoked or withdrawn;
- (iii) the filing and registration of the Prospectus Documents (with all documents required to be attached thereto according to Section 38D of the Companies (WUMP) Ordinance) (all having been duly authorized for registration by the Stock Exchange and signed by or on behalf of all Directors) by the Registrar of Companies in Hong Kong in compliance with the Companies (WUMP) Ordinance no later than the Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Non-Qualifying Shareholders on or before the Posting Date;
- (v) the compliance with and performance of all undertakings and obligations of the Underwriter pursuant to the terms and conditions of the Underwriting Agreement;
- (vi) the compliance with and performance of all undertakings and obligations of the Company pursuant to the terms and conditions of the Underwriting Agreement;
- (vii) 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 Open Offer Shares by no later than the first day of their dealings as stated in the Prospectus;
- (viii) the Shares remain listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to;
- (ix) the delivery by the Company to the Underwriter of the Irrevocable Undertakings duly executed by the Underwriter and Mr. Fang on the date of the Underwriting Agreement and fulfilment of their respective obligations under the Irrevocable Undertakings by the Latest Time for Termination;
- (x) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof by the Latest Time for Termination; and
- (xi) the warranties of the Company remaining true, accurate and not misleading in all material respects.

None of the conditions precedent above is capable of being waived by any party to the Underwriting Agreement. If the conditions precedent above are not satisfied by the Latest Time for Termination (or such later date or dates as the Underwriter and the Company may agree in writing), the Underwriting Agreement will terminate and all liabilities of the parties to the Underwriting Agreement will cease and neither party will have any claim against the other.

## Termination of the Underwriting Agreement

The Underwriter will be entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Open Offer Settlement Date, to terminate the Underwriting Agreement if:

- (i) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; 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, 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, in the sole and reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the sole and reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the sole and reasonable opinion of the Underwriter will 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 similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) 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 Prospectus Documents or other announcements or circulars in connection with the Open Offer; or



- (v) the Circular, Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and reasonable opinion of the Underwriter are material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the relevant Open Offer Shares offered to it.

The Underwriter will be entitled by a notice in writing to rescind the Underwriting Agreement if prior to 4:00 p.m. on the Open Offer Settlement Date, there is any material breach of any of the representations, warranties or undertakings as set out in the Underwriting Agreement comes to the knowledge of the Underwriter. Any such notice will be served prior to 4:00 p.m. on the Open Offer Settlement Date.

If prior to 4:00 p.m. on the Open Offer Settlement Date, any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement (save and except for certain clauses which will remain in full force and effect as set out in the Underwriting Agreement) will terminate forthwith and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

**If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

#### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**THE OPEN OFFER IS SUBJECT TO CERTAIN CONDITIONS INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE OPEN OFFER AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM. IF THE APPROVAL OF THE OPEN OFFER AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM IS NOT OBTAINED, THE OPEN OFFER WILL NOT PROCEED.**

**ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING SHARES IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES. ANY PERSON 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 OPEN OFFER IS SUBJECT ARE FULFILLED WILL ACCORDINGLY BEAR THE RISK THAT THE OPEN OFFER MAY NOT PROCEED.**

#### **FUND RAISING EXERCISE IN THE PRECEDING TWELVE-MONTH PERIOD**

The Company has not conducted any fund raising activity in the past twelve months immediately prior to the date of this announcement.

## POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As at the date of this announcement, the Company has 33,080,000 outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 33,080,000 new Shares at the exercise price of HK\$0.51 per Share. The 33,080,000 outstanding Share Options are exercisable during the period from 31 May 2022 to 30 May 2032. As a result of the Open Offer, there may be adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The Company will appoint its auditor to certify in writing the adjustments to the Share Options and that such adjustments are in accordance with the terms and conditions of the Share Option Scheme. Further announcement will be made by the Company in relation thereto as and when appropriate.

## EXPECTED TIMETABLE FOR THE OPEN OFFER

The expected timetable for the Open Offer is set out below:

<b>Event</b>	<b>Date (Hong Kong time)</b>
Despatch date of the Circular, proxy form and notice of the EGM.....	Friday, 22 December 2023
Latest time for registration of Shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Monday, 8 January 2024
Closure of register of members of the Company to determine the qualification for attendance and voting at the EGM.....	From Tuesday, 9 January 2024 to Monday, 15 January 2024 (both dates inclusive)
Latest time for lodging proxy forms for the EGM.....	11:00 a.m. on Saturday, 13 January 2024
Record date for attendance and voting at the EGM .....	Monday, 15 January 2024
Time and date of the EGM .....	11:00 a.m. on Monday, 15 January 2024
Announcement of the poll results of the EGM .....	Monday, 15 January 2024

Re-opening of the register of members of the Company .....	Tuesday, 16 January 2024
Last day of dealings in the Shares on a cum-entitlements basis .....	Tuesday, 16 January 2024
First day of dealings in the Shares on an ex-entitlements basis .....	Wednesday, 17 January 2024
Latest time for lodging transfers of the Shares in order for the transferees to qualify for the Open Offer .....	4:30 p.m. on Thursday, 18 January 2024
Closure of register of members to determine the entitlements to the Open Offer .....	From Friday, 19 January 2024 to Thursday, 25 January 2024 (both dates inclusive)
Record Date for the Open Offer .....	Thursday, 25 January 2024
Re-opening of the register of members of the Company .....	Friday, 26 January 2024
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only) .....	Friday, 26 January 2024
Latest Time for Application and payment for the Open Offer Shares .....	4:00 p.m. on Friday, 9 February 2024
Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangements .....	Tuesday, 20 February 2024
Commencement of placing of the Unsubscribed Shares by the Placing Agent, on best effort basis .....	Wednesday, 21 February 2024
Placing End Date for placing the Unsubscribed Shares .....	4:00 p.m. on Thursday, 22 February 2024
Latest Time for Termination by the Underwriter .....	4:00 p.m. on Thursday, 22 February 2024
Open Offer Settlement Date and the Open Offer becomes unconditional .....	4:00 p.m. on Friday, 23 February 2024

Announcement of the results of the Open Offer (including the results of placing of the Unsubscribed Shares).....	Monday, 26 February 2024
Despatch of certificates for the fully-paid Open Offer Shares.....	Tuesday, 27 February 2024
Despatch of refund cheques if the Open Offer is terminated .....	Tuesday, 27 February 2024
First day of dealings in the fully-paid Open Offer Shares.....	9:00 a.m. on Wednesday, 28 February 2024

**The expected timetable set out above is indicative only and is subject to change, and any change will be announced by the Company by separate announcement(s) as and when appropriate.**

**Effect of bad weather on the Latest Time for Application**

The Latest Time for Application will not take place if a tropical cyclone signal no.8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 9 February 2024, being the date of the Latest Time for Application; instead the Latest Time for Application will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 9 February 2024, being the date of the Latest Time for Application; instead the Latest Time for Application will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Application does not take place on Friday, 9 February 2024, the dates mentioned in the section headed “Expected Timetable for the Open Offer” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

## EFFECT OF THE OPEN OFFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

	(i) As at the date of this announcement		(ii) Immediately upon the Open Offer Completion assuming full acceptance by all Qualifying Shareholders under the Open Offer		(iii) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Underwriter and Mr. Fang) under the Open Offer; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements		(iv) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Underwriter and Mr. Fang) under the Open Offer; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by the Underwriter	
The Underwriter <sup>(1)</sup>	153,846,153	14.46	230,769,229	14.46	230,769,229	14.46	682,170,842	42.74
Mr. Fang	7,440,000	0.70	11,160,000	0.70	11,160,000	0.70	11,160,000	0.70
<b>Sub-total</b>	<b>161,286,153</b>	<b>15.16</b>	<b>241,929,229</b>	<b>15.16</b>	<b>241,929,229</b>	<b>15.16</b>	<b>693,330,842</b>	<b>43.44</b>
<i>Directors</i> <sup>(2)</sup>								
Mr. Chen Hongwei <sup>(3)</sup>	182,000	0.02	273,000	0.02	182,000	0.01	182,000	0.01
Mr. Shi Chenghu <sup>(4)</sup>	89,452,000	8.41	134,178,000	8.41	89,452,000	5.60	89,452,000	5.60
<b>Sub-total (the Underwriter and parties acting in concert with it and Directors)</b>	<b>250,920,153</b>	<b>23.59</b>	<b>376,380,229</b>	<b>23.59</b>	<b>331,563,229</b>	<b>20.77</b>	<b>782,964,842</b>	<b>49.05</b>
Independent placees	—	—	—	—	451,401,613	28.28	—	—
Other public Shareholders	813,169,225	76.41	1,219,753,838	76.41	813,169,225	50.95	813,169,225	50.95
<b>Total</b>	<b>1,064,089,378</b>	<b>100.00</b>	<b>1,596,134,067</b>	<b>100.00</b>	<b>1,596,134,067</b>	<b>100.00</b>	<b>1,596,134,067</b>	<b>100.00</b>

### Notes:

- The Underwriter is an investment holding company beneficially and wholly owned by Mr. Fang. Under the Takeovers Code, Mr. Fang is a party acting in concert with the Underwriter by virtue of his shareholding in the Underwriter. As at the date of this announcement, the Underwriter owns 153,846,153 Shares and Mr. Fang owns 7,440,000 Shares. Under the SFO, Mr. Fang is deemed to be interested in all the Shares registered in the name of the Underwriter.
- Save as disclosed in this table, no other Director holds Shares as at the date of this announcement.
- Under the Takeovers Code, as Mr. Chen Hongwei is a director of the Company which is subject to an offer that involves a whitewash application, he is presumed to be acting in concert with Mr. Fang under class (6) of the definition of “acting in concert”.
- Under the Takeovers Code, as Mr. Shi Chenghu is a director of the Company which is subject to an offer that involves a whitewash application, he is presumed to be acting in concert with Mr. Fang under class (6) of the definition of “acting in concert”.

As illustrated above, if no Qualifying Shareholders take up the Open Offer Shares and no Unsubscribed Shares can be placed to independent placees, upon the Open Offer Completion, (i) the shareholding of the existing public Shareholders would be reduced from approximately 76.41% as at the date of this announcement to approximately 50.95% of the enlarged issued share capital of the Company, and (ii) the shareholding of the Underwriter and Mr. Fang would be increased from approximately 15.16% as at the date of this announcement to approximately 43.44%.

The Underwriter has undertaken to the Company under the Underwriting Agreement that if the subscription for the Unsubscribed Shares by the Underwriter pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules, the Underwriter will, subject to compliance with the Takeovers Code, take all appropriate steps including but not limited to the engagement of a placing agent to procure subscribers (who are Independent Third Parties) to subscribe for the Shares which would otherwise be required to be taken up by the Underwriter under the Underwriting Agreement in order to restore the minimum public float requirement of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

**If a Qualifying Shareholder does not subscribe for his/her/its assured allotment in full under the Open Offer, his/her/its proportionate shareholding in the Company will be diluted.**

#### **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR THE WHITEWASH WAIVER**

As at the date of this announcement, the Underwriter and Mr. Fang are the beneficial owners of a total of 153,846,153 Shares and 7,440,000 Shares, representing approximately 14.46% and 0.70% of the entire issued share capital of the Company respectively. Assuming (i) there is no change in the number of issued Shares from the date of this announcement up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than the Underwriter and Mr. Fang have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangement, the interests in the Company held by the Underwriter and Mr. Fang upon the close of the Open Offer will increase from the current level of approximately 15.16% to approximately 43.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares. The Underwriter and Mr. Fang will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code.

An application will be made by the Underwriter and Mr. Fang to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder. Save for the Underwriter and Mr. Fang and the parties acting in concert with them including those by virtue of the class (6) presumption under the definition of “acting in concert” under the Takeovers Code (i.e. Mr. Chen Hongwei and Mr. Shi Chenghu) and those who are involved



in and/or interested in the Open Offer and the Whitewash Waiver, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

As at the date of this announcement, the Company believes that the Open Offer would not give rise to any concern 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 and the Underwriter note that the Executive may not grant the Whitewash Waiver if the Open Offer does not comply with other applicable rules and regulations.

## **DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

As at the date of this announcement, neither the Underwriter, Mr. Fang nor any parties acting in concert (including those by virtue of the class (6) presumption under the definition of “acting in concert” under the Takeovers Code (i.e. Mr. Chen Hongwei and Mr. Shi Chenghu)) with any of them:

- (a) save for the Shares as set out in the section headed “Effect on the Shareholding Structure of the Company” above, owns, controls or has direction over any Shares and right over Shares, outstanding Share 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;
- (b) has received any irrevocable commitment to vote for or against the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Irrevocable Undertakings given by the Underwriter and Mr. Fang, details of which as set out in the section headed “Irrevocable Undertakings” above, there are no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;
- (e) save that the Open Offer is conditional upon obtaining of the Whitewash Waiver by the Underwriter and Mr. Fang as set out in the Conditions of the Open Offer abovementioned, has 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 Open Offer and/or the Whitewash Waiver;
- (f) has dealt in any securities of the Company in the 6-month period preceding the date of this announcement; or

- (g) has entered into any derivative in respect of the securities in the Company which are outstanding.

As at the date of this announcement:

- (a) apart from the Open Offer Shares to be subscribed and underwritten by the Underwriter, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to the Underwriter, Mr. Fang and any parties acting in concert with any of them in connection with the Open Offer;
- (b) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriter, Mr. Fang and any parties acting in concert with any of them on the other hand; and
- (c) there is no understanding, arrangement or agreement or special deal between (i) any Shareholders; and (ii) the Underwriter, Mr. Fang and any parties acting in concert with any of them, or the Company, its subsidiaries or associated companies.

## **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

The Group is principally engaged in the research and development, manufacture and sale of industrial products and environmental products, the provision of project contracting services and the provision of supporting services in the PRC.

For management purposes, the Group is organised into business units based on their products and services and has four operating segments: (i) industrial products refers to the manufacturing and sale of industrial automation systems or headboxes; (ii) environmental products refers the manufacturing and sale of sludge treatment products, wastewater treatment products and refuse derived fuel products; (iii) project contracting services refers to the provision of design, procurement, installation and project management services of production line in paper production factories; and (iv) supporting services refers to the after-sale services, machine running services, warehouse and logistic services, supply chain services and renovation services.

### **Use of proceeds**

The gross proceeds from the Open Offer are expected to be approximately HK\$106.0 million. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$104.5 million. The net price per Open Offer Share is expected to be approximately HK\$0.196. The Company intends to apply the net proceeds from the Open Offer as follows:

- (i) approximately HK\$68.62 million for the repayment of bank loans;
- (ii) approximately HK\$31.38 million for the expansion of the Company's industrial automation and other related businesses; and the supporting services; and
- (iii) approximately HK\$4.50 million as general working capital of the Company.

As at the date of this announcement, the bank borrowings of the Group are approximately RMB62.99 million, (equivalent to approximately HK\$68.62 million based on the exchange rate of RMB1.00 to HK\$1.0894), which were repayable within one year. The Company does not have any shareholder's loan. As at 31 October 2023, the Group's cash and cash equivalents were approximately RMB67.9 million, which will be used for the Company's daily operation. The Company intends to repay the following five bank loans from Rural Commercial Bank (農村商業銀行), Agricultural Bank of China (中國農業銀行) and Bank of China (中國銀行), all are Independent Third Parties:

<b>Date of loan</b>	<b>Repayment due date</b>	<b>Amount of loan (RMB)</b>
21 April 2023	20 April 2024	9,990,000
23 May 2023	22 May 2024	10,000,000
23 May 2023	23 May 2024	24,000,000
22 September 2023	21 September 2024	9,000,000
7 October 2023	6 October 2024	<u>10,000,000</u>
		<u><u>62,990,000</u></u>

The interest rates on the above bank borrowings ranged between 3.25% to 4.90% per annum. For the four months ended 31 October 2023, the Group incurred finance costs of approximately RMB0.85 million. As at 30 June 2023, the Group's trade and other payables were approximately RMB390.3 million, all of which were payable within one year, whilst the Group's trade and other receivables were approximately RMB175.3 million. For the year ended 30 June 2022 and 2023, the net cash outflow from operating activities were approximately RMB52.0 million. and approximately RMB125.0 million, respectively.

The Group has been committed to providing its industrial automation products and services for the paper making industry and other industries since the listing of the Company in 2013. The sale of industrial products had contributed over 50.00% of the total revenue generated by the Group for the year ended 30 June 2023. The Company intends to continue to focus on this line of business. The paper making industry, however, has experienced much changes and challenges in the recent years, during which, its growth rate slowed down as the market demand fell, and various kinds of development restrictions were imposed. As a result, the capital investments were reduced.

Leveraging on the experience, know-how, technology achievement as well as business network established by the Group, the Company has successfully diversified the industry risk and reduced the reliance on the paper making industry by exploring demands for its industrial automation products and services in other industries, such as, non-woven fabric industry. The technologies and solutions for the paper making industry can be applied to the non-woven fabric industry as well as other industries which require automation systems. In the year ended 30 June 2023, the Group had leveraged its technology and experience in the paper making industry to explore new areas, and secured general contracting projects with the use of the Group's industrial automation products for manufacturing non-woven fabrics and tobacco production equipment. In order to further enhance the Group's competitiveness, the Board has considered to allocate approximately 30.00% of the net proceeds to the marketing and execution of the Group's expansion plan in investing in or acquiring potential

business relating to industrial automation products with a focus on industries other than the paper making industry in the PRC. As at the date of this announcement, the Company has yet to identify any potential business.

### **Alternative fund raising methods**

The Company has considered alternative fund raising methods which included debt financing, placing of new Shares and rights issue. The Board is of the view that debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board also considers that debt financing is not an appropriate option to obtain additional funds. The Board is also of the view that placing of new shares (i) would only be available to certain places who may not necessarily be existing Shareholders and would dilute the shareholding of existing Shareholders; and (ii) may only raise funds in a relatively smaller size.

As for a rights issue, considering it involves the trading of nil-paid rights, the Board is of the view that the Company will have to incur extra administrative work and cost for the trading arrangements of the nil-paid rights in rights issue.

In view of the above, the Directors do not consider that debt financing or equity fund raising methods by way of placing of new shares or rights issue would be in the overall interests of the Company and its Shareholders. The Directors consider the Open Offer to be an appropriate method to raise the necessary funding which will provide all Qualifying Shareholders the right to participate in the new share issue by the Company in proportion to their shareholding in the Company should they wish to do so. It is prudent to finance the Group's long-term business development by long-term financing, in the form of Open Offer which will not increase the Group's finance costs.

The Board believes that it would be in the interest of the Company to raise equity funding via the Open Offer to facilitate long-term development of the Group and to save financial costs to be incurred for the Company's funding needs. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

Having considered the above, the Directors (excluding the members of the Independent Board Committee whose view will be contained in the Circular after having reviewed the advice from the Independent Financial Adviser) consider that the terms of the Open Offer are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **Open Offer**

As the Open Offer Shares are not issued pursuant to the general mandate of the Company, in accordance with Rule 7.24A(1) of the Listing Rules, among other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the 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 Open Offer. As such, Mr. Fang, Mr. Chen Hongwei and Mr. Shi Chenghu and their associates shall abstain from voting in favour of the resolutions to approve the Open Offer at the EGM.

### **Connected transactions in relation to the Underwriting Agreement**

As at the date of this announcement, the Underwriter (which is wholly owned by Mr. Fang) owns 153,846,153 Shares, representing approximately 14.46% of the number of Shares in issue. The Underwriter is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes 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 and its associates will abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement and the transactions contemplated thereunder at the EGM.

## **EXTRAORDINARY GENERAL MEETING AND INDEPENDENT SHAREHOLDERS' APPROVAL**

The EGM will be convened and held to consider and, if appropriate, approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver and the transactions contemplated thereunder.

The Underwriter and parties acting in concert with it and those who are involved in and/or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver will abstain from voting at the EGM in respect of the resolutions for the Open Offer, the Underwriting Agreement and the Whitewash Waiver. In accordance with the Listing Rules and the Takeovers Code, the resolution(s) (i) in relation to the Whitewash Waiver will be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM; and (ii) in relation of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder will be approved by more than 50% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 9 January 2024 to Monday, 15 January 2024 (both days inclusive) to determine the qualification for attendance and voting at the EGM. No transfer of Shares will be registered during this period.

The register of members of the Company will be closed from Friday, 19 January 2024 to Thursday, 25 January 2024 (both dates inclusive) to determine entitlements to the Open Offer. No transfer of Shares will be registered during this period.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated therein, and the Whitewash Waiver, and as to the voting action therefor.

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent committee should comprise all non-executive Directors who have no direct or indirect interest in the Whitewash Waiver other than as a Shareholder. Since Mr. Shi Chenghu, a non-executive Director, is presumed to be acting in concert with Mr. Fang under class (6) of the definition of “acting in concert” under the Takeovers Code, he is not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders and will not be part of the Independent Board Committee. Save for the Share Options granted to him/her and the Optionholders’ Undertakings given by him/her, each of Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang has no involvement and no direct or indirect interests in the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and is therefore eligible to be a member of the Independent Board Committee.

Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

## **DESPATCH OF CIRCULAR**

The Circular containing, among other things, (i) information regarding the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) the notice of the EGM is required to be despatched to the Shareholders within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Friday, 22 December 2023), whichever is earlier.



## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE OPEN OFFER IS CONDITIONAL UPON, AMONG OTHERS, CONDITIONS PRECEDENT AS SET OUT IN SECTION HEADED “CONDITIONS OF THE OPEN OFFER” ABOVE. ACCORDINGLY, THE OPEN OFFER MAY OR MAY NOT PROCEED.**

**ANY DEALINGS IN THE SHARES FROM THE DATE OF THIS ANNOUNCEMENT UP TO THE DATE ON WHICH ALL THE CONDITIONS OF THE OPEN OFFER ARE FULFILLED WILL BEAR THE RISK THAT THE OPEN OFFER MAY NOT BECOME UNCONDITIONAL OR MAY NOT PROCEED.**

**SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE IN CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.**

## **DEFINITIONS**

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Application Form”	the application form to be used in connection with the Open Offer in such form as the Company may approve
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday, a public holiday or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in respect of, among other things, the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time

“Company”	Huazhang Technology Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1673)
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang, established to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Financial Adviser”	Lego Corporate Finance Limited (力高企業融資有限公司), being the independent financial adviser to advise the Independent Board Committee in relation to the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Underwriter, its ultimate beneficial owners and parties acting in concert with any of them; and (ii) those who are involved or have interests in the Open Offer, the Underwriting Agreement and the Whitewash Waiver and required under the Listing Rules and/or Takeovers Code (as the case may be) to abstain from voting at the EGM
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons

“Irrevocable Undertakings”	the irrevocable undertakings given by the Underwriter and Mr. Fang under the Underwriting Agreement to procure, among others, that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which it is the beneficial owner
“Last Trading Day”	30 November 2023, being the last trading day of the Shares on the Stock Exchange immediately before the publication of this announcement
“Latest Time for Application”	4:00 p.m. on Friday, 9 February 2024 or such other time or date as may be agreed between the Company and the Underwriter in writing, being the last time for application of and payment for the Open Offer Shares
“Latest Time for Termination”	4:00 p.m. on Thursday, 22 February 2024, being the seventh Business Day after (but excluding) the Latest Time for Application, or such other time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Hui, an executive Director and the sole shareholder of the Underwriter
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not apply for the Open Offer Shares (whether partially or fully) in their assured allotments or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Open Offer
“Open Offer”	the proposed offer for subscription of the Open Offer Shares at the Open Offer Price on the basis of one (1) Open Offer Share for every two (2) existing Shares held by the Shareholders on the Record Date and subject to the conditions precedent set out in the section headed “Conditions of the Open Offer” in this announcement and to be set out in the Prospectus
“Open Offer Completion”	completion of the Open Offer

“Open Offer Price”	the offer price of HK\$0.20 per Open Offer Share
“Open Offer Settlement Date”	Friday, 23 February 2024 (or such other date as the Underwriter and the Company may agree in writing)
“Open Offer Shares”	the new Share(s) to be allotted and issued under the Open Offer, being 532,044,689 Shares (assuming no other change in the number of issued Shares from the date of this announcement up to and including the Record Date)
“Optionholder(s)”	holder(s) of the Share Option(s)
“Optionholders’ Undertakings”	the irrevocable undertakings given by the Optionholders as mentioned in the paragraph headed “Irrevocable Undertakings — Optionholders’ Undertakings” in this announcement
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Placing Agent”	Yuen Meta (International) Securities Limited (元宇宙(國際)證券有限公司), a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities, which will place the Unsubscribed Shares to investors who are Independent Third Parties under the Unsubscribed Arrangements
“Placing Agreement”	the agreement dated 1 December 2023 entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements
“Placing End Date”	4:00 p.m. on Thursday, 22 February 2024, being the seventh Business Day following and excluding the day on which the Latest Time for Application falls
“Placing Period”	the period from Friday, 9 February 2024 up to 4:00 p.m. on Thursday, 22 February 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
“Placing Price”	Not less than HK\$0.20 per Unsubscribed Share
“Posting Date”	Friday, 26 January 2024, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents
“PRC”	People’s Republic of China

“Prospectus”	the offering circular to be issued by the Company in relation to the Open Offer which it proposes to register as a prospectus
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which assured allotments under the Open Offer are expected to be determined, which is Thursday, 25 January 2024 or such later date as may be determined and announced by the Company
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Option(s)”	the share option(s) of the Company granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 10 February 2022
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Dao He Investment Limited, a company incorporated in the British Virgin Islands with limited liability, beneficially and wholly owned by Mr. Fang and a substantial shareholder of the Company
“Underwriting Agreement”	the underwriting agreement dated 1 December 2023 and entered into between the Company and the Underwriter in relation to the Open Offer

“Unsubscribed Arrangements”	arrangements to place the Unsubscribed Shares by the Placing Agent on a best effort basis to investors who (or as the case maybe, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.26A(1)(b) of the Listing Rules
“Unsubscribed Shares”	Open Offer Shares that are not subscribed by the Qualifying Shareholders, aggregated fractional Open Offer Shares, and Open Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“Untaken Offer Shares”	all such Unsubscribed Shares that have not been placed by the Placing Agent or they have been placed but the placees have not paid therefore at 4:00 p.m. on the Placing End Date
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Underwriter to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and any parties acting in concert with it as a result of the issue of the Open Offer Shares subject to the terms and conditions as set out in this announcement
“%”	per cent

By order of the Board  
**Huazhang Technology Holding Limited**  
**Fang Hui**  
*Executive Director*

Hong Kong, 1 December 2023

*As at the date of this announcement, the executive Directors are Mr. Fang Hui and Mr. Chen Hongwei, the non-executive Director is Mr. Shi Chenghu and the independent non-executive Directors are Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, 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.*