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ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 01220)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 13 January 2025 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$11,000,000.

The initial Conversion Price of HK\$0.11 per Conversion Share (subject to adjustment described below) represents: (i) a premium of approximately 22.2% over the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and (ii) a premium of approximately 0.4% over the average closing price of HK\$0.1096 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the Subscription Agreement.

The Conversion Shares will be issued and allotted pursuant to the General Mandate. An application will be made by the Company to the Stock Exchange for the grant of listing of, and permission to deal in, the Conversion Shares.

Based on the initial Conversion Price of HK\$0.11 and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 100,000,000 Shares, representing approximately 5.05% of the existing issued share capital of the Company and approximately 4.81% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds and net proceeds from the issue of the Convertible Bonds are expected to be approximately HK\$11,000,000 and HK\$10,800,000 respectively. The Group intends to use such net proceeds for daily operations and local and overseas market expansion, including developing Road and Construction Projects in Indonesia.

Completion of the Subscription Agreement is subject to the satisfaction of the condition precedent contained in the Subscription Agreement. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 13 January 2025 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$11,000,000, which may be converted into not more than 100,000,000 Conversion Shares based on the initial Conversion Price of HK\$0.11 upon full conversion. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below:

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date: 13 January 2025 (after trading hours)

Parties: (1) The Company as issuer; and
(2) The Subscriber as subscriber.

The Subscriber is a limited partnership fund under the laws of Hong Kong (acting through its general partner) with the purpose of investments in large-scale EPC projects origination in the One Belt One Road countries specifically focusing on roads and bridges EPC, transportation, marine infrastructure, natural resources and mining, metal trading, agriculture, e-payments enterprises.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Condition precedent: Completion shall be conditional upon the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Conversion Shares, either unconditional or subject to the conditions acceptable to the Company (if any), and such approval remaining valid and effective.

The condition precedent cannot be waived. If the condition precedent has not been fulfilled by the Long Stop Date, the Parties shall be released and discharged from their respective obligations under this Agreement.

Completion: Subject to the fulfillment of the aforesaid condition precedent, Completion shall take place on the Completion Date provided that Completion for the second tranche of the Subscription shall take place no later than 18 February 2025 (or such later date as the Issuer and the Subscriber may agree in writing from time to time). The Completion will be carried out in two tranches, (i) firstly for the Convertible Bonds in the principal amount of HK\$5,000,000 at HK\$5,000,000 of the total Subscription Price; and (ii) secondly for the Convertible Bonds in the principal amount of HK\$6,000,000 at HK\$6,000,000 of the total Subscription Price.

Termination: If at any time prior to Completion:

- (a) the Shares cease to be listed on the Stock Exchange; or
- (b) the condition precedent becomes incapable of being fulfilled on or prior to the Long Stop Date, then, in any such case, the Subscriber may by notice in writing to the Company on or before the Completion Date, forthwith terminate the Subscription Agreement.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out below:

Issuer: The Company

Principal amount: HK\$11,000,000

Interest: The Convertible Bonds do not bear any interest on their outstanding principal amount.

Maturity Date: 18 February 2026

Status: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and rateably without preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of the Company's other present and future direct, unconditional and unsubordinated obligations of the Company.

Conversion at the Option of the Bondholder: The Bondholder has the right to convert all or any of its Convertible Bonds for Conversion Shares at any time during the conversion period, being the period commencing from the Issue Date and expiring on the close of business on the earlier of:

- (a) the date which falls five Business Days prior to the Maturity Date; or
- (b) if the Convertible Bonds shall have been called for redemption prior to the Maturity Date, the close of business on the date which falls five Business Days prior to the date fixed for redemption thereof.

The conversion right attaching to any Convertible Bonds is subject to the Company's option to make cash payment to the Bondholder of the Convertible Bonds in lieu of the issue of Conversion Shares. The Company shall be entitled to exercise such option only in respect of the Shares that the Company cannot issue pursuant to the limitation of the general mandate to issue Shares granted by the Shareholders. In the exercise of such option, the amount of cash to be paid by the Company to the Bondholder shall be arrived at by multiplying (a) the number of Conversion Shares otherwise deliverable upon the exercise of the conversion right in respect of the Convertible Bonds, and in respect of which the Company has exercised such option; and (b) the closing price of the Shares on the last trading day preceding the date of the surrender of the certificate in respect of such Convertible Bonds and delivery of the conversion notice.

Conversion at the Option of the Company: On the Maturity Date, the Company has the right to convert all or any of the Convertible Bonds or any part thereof then outstanding for Conversion Shares at the Conversion Price, by giving no less than 3 days' written notice to the Bondholder prior to the Maturity Date.

Conversion Price:

The initial Conversion Price of HK\$0.11 per Conversion Share (subject to adjustment described below) represents: (i) a premium of approximately 22.2% over the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and (ii) a premium of approximately 0.4% over the average closing price of HK\$0.1096 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the Subscription Agreement.

The initial Conversion Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the Conversion Price is fair and reasonable based on the current market conditions and is in the interests of the Company and the Shareholders as a whole.

Adjustments to the
Conversion Price:

The initial Conversion Price is subject to adjustment in the following events:

- (a) consolidation, subdivision or reclassification of the Shares;
- (b) capitalisation of profits or reserves of the Company;
- (c) capital distribution being made by the Company to the Shareholders;
- (d) issue of new Shares to all or substantially all existing Shareholders as a class by way of rights, or issue or grant to all or substantially all existing Shareholders as a class, by way of the Options, at a price per Share which is less than 90% of the Current Market Price;
- (e) issue of securities (other than Shares or Options) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or Options);

- (f) issue (otherwise than as mentioned in paragraph (d) above) wholly for cash any new Shares (other than Shares issued on the exercise of conversion right or on the exercise of any other rights of conversion into, or subscription for, Shares) or the issue or grant (otherwise than as mentioned in paragraph (d) above) of options, warrants or other rights to subscribe or purchase Shares, at a price per Share which is less than 90% of the Current Market Price;
- (g) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph (g), issue wholly for cash of any securities by the Company or any of its subsidiaries (otherwise than as mentioned in paragraphs (d), (e) or (f) above) or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, new Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price;
- (h) any modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in paragraph (g) above so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 90% of the Current Market Price; and
- (i) an issue, sale or distribution by the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or such other company, person or entity pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (d), (e), (f) or (g) above).

Ranking of Conversion Shares:	Conversion Shares will rank <i>pari passu</i> in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.
Redemption on maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the Convertible Bonds then outstanding at the principal amount on the Maturity Date.
Early Redemption at the option of the Bondholder:	<p>If any of the events below occurs, the Bondholder will have the right at its option to require the Company to redeem all or some of such Bondholder's Convertible Bonds at their Early Redemption Amount:</p> <ul style="list-style-type: none"> (a) the Shares cease to be listed or admitted to trading on the Stock Exchange; or (b) there is a Change of Control.
Early Redemption at the Option of the Company:	The Company shall have the right to redeem all or part of the Convertible Bonds held by the Bondholder at any time and from time to time prior to the Maturity Date at their Early Redemption Amount.
Redemption for Taxation Reasons:	The Convertible Bonds may be redeemed at the option of the Company in whole, but not some only, at any time, upon giving not less than 30 days' nor more than 60 days' notice to the Bondholder, on the date specified in the tax redemption notice for redemption at the principal amount of the Convertible Bonds, if: (a) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong, Macau, the PRC or Bermuda or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Events of Default:

Upon the occurrence of any of the events of default specified below, (i) the Bondholder shall have the right to require the Company to redeem some or all of the Convertible Bonds held by it by delivering a redemption notice to the Company and the Company shall redeem such Convertible Bonds no later than 10 Business Days after receipt of such redemption notice at the Early Redemption Amount; and (ii) the Bondholder shall be entitled to exercise any or all of its rights, remedies, powers or discretions under the Bond Documents:

- (a) failure of the Company to make payment under the Bond Documents;
- (b) failure of the Company to deliver Conversion Shares;
- (c) material defaults of the Company under the Bond Documents;
- (d) enforcement proceedings on or against a substantial part of the property, assets or revenues of the Company which is not discharged or stayed;
- (e) winding up, dissolution, judicial management or administration of the Company or cessation of business of the Company;
- (f) insolvency of the Company;
- (g) nationalisation of all or a substantial part of the assets of the Company;
- (h) illegality in the Company's performance under the Convertible Bonds; and
- (i) material breach of the Subscription Agreement by the Company.

Voting:

Bondholder(s) shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.

Transferability:

The Convertible Bonds are transferable at any time to any person, provided that the prior approval of the Stock Exchange may be required for any transfer to any transferee which is a connected person of the Company.

Application for listing:

No application will be made for a listing of 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 grant of listing of, and permission to deal in, the Conversion Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial Conversion Price of HK\$0.11 and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 100,000,000 Shares, representing approximately 5.05% of the existing issued share capital of the Company and approximately 4.81% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Bonds is as follows:

Name of Shareholder	As at the date of this announcement		Assuming full conversion of the Convertible Bonds at the initial Conversion Price	
	No. of Shares	Approximate % of total number of Shares in issue	No. of Shares	Approximate % of total number of Shares in issue
Ms. Xu (Note 1)	450,000,000	22.73%	450,000,000	21.63%
The Subscriber	–	–	100,000,000	4.81%
Other Shareholders	<u>1,530,000,000</u>	<u>77.27%</u>	<u>1,530,000,000</u>	<u>73.56%</u>
Total	<u><u>1,980,000,000</u></u>	<u><u>100%</u></u>	<u><u>2,080,000,000</u></u>	<u><u>100%</u></u>

Note:

- (1) Ms. Xu was deemed to be interested in 400,000,000 Shares through her controlling interest in Kwok Tao Capital Investment Limited which was owned as to 79% by Ms. Xu. Besides, 50,000,000 Shares were beneficially owned by Goldstar Success Limited which was in turn wholly-owned by Ms. Xu.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities during the past twelve months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Group is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in the construction projects and the provision of construction and engineering services; (iii) money lending business.

The gross proceeds and net proceeds from the issue of the Convertible Bonds are expected to be approximately HK\$11,000,000 and HK\$10,800,000 respectively. The Group intends to use such net proceeds for daily operations and local and overseas market expansion, including developing Road and Construction Projects in Indonesia. The fund from the issuance of the Convertible Bonds will provide the Group with additional resources for the business development.

The Board has considered other alternative fund-raising methods such as bank loan, rights issue or open offer. The Board considered that bank loan may incur security pledging on the Group's assets and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer will involve the issue of prospectus with other application and administrative procedures (such as arrangements for nil-paid rights shares) which may lead to relatively longer time and additional administrative cost to complete as compared to the issue of convertible bonds.

Having considered the above and that (i) the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group; and (ii) the Conversion Price represents a premium over the most recent market price of the Shares, the Directors are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Conversion Price) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate upon conversion of the Convertible Bonds. Under the General Mandate, the Company is authorised to issue up to 396,000,000 Shares until the revocation, variation or expiration of the General Mandate.

As at the date of this announcement, no Share has been issued 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 full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.11, the Convertible Bonds will be convertible into 100,000,000 Shares, utilising approximately 25.25% of the General Mandate. The issue of Conversion Shares under the General Mandate is not subject to the Shareholders' approval.

GENERAL

Completion of the Subscription Agreement is subject to the satisfaction of the condition precedent contained in the Subscription Agreement. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Bond Documents”	the bond instrument that creates and constitutes the Convertible Bonds, the certificates for the Convertible Bonds and the terms and conditions attached thereto and other document designated as such by the Company and the Subscriber
“Bondholder”	holder of the Convertible Bonds
“Business Day”	a day, other than a Saturday, Sunday or public holiday, on which banks are open for general business in (unless otherwise stated) Hong Kong (other than a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” or “extreme conditions” as announced by the Hong Kong Government is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“Change of Control”	in relation to the Company: (a) any person or persons acting together acquires control of the Company; or (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons, acting together and for this purpose, “control” means (a) the beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company; or (b) the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Company”	Zhidao International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the two-tranche completion of the Subscription Agreement including the subscription for and issue of the Convertible Bonds in two tranches

“Completion Date”	the date of Completion for each of the two tranches of the Subscription, each being a Business Day to be mutually agreed between the Company and the Subscriber after the condition precedent in the Subscription Agreement is satisfied (or, failing such agreement, the Long Stop Date)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.11 per Share, subject to adjustment
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds in the principal amount of HK\$11,000,000 to be issued under the Subscription Agreement
“Current Market Price”	the current market price as determined in accordance with the formula set out in the terms and conditions of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“Early Redemption Amount”	100% of the principal amount of the Convertible Bonds to be redeemed
“EPC”	engineering, procurement and construction
“General Mandate”	the general and unconditional mandate granted to the Directors by way of an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 29 August 2024 to allot, issue and otherwise deal with new Shares not exceeding 20% of the total number of Shares in issue as at the date of passing of that resolution, i.e. 396,000,000 Shares
“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)”	third party(ies) independent of and not connected with the Company or its connected persons
“Issue Date”	the date on which the Convertible Bonds were first issued pursuant to the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	18 February 2025 (or such later date as the Company and the Subscriber may agree in writing from time to time)
“Maturity Date”	18 February 2026
“Ms. Xu”	Ms. Xu Jiao
“Options”	the rights, options, warrants or other rights to subscribe for or purchase any Shares
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Belt and Road EPC Limited Partnership Fund (acting through its general partner Belt and Road EPC Capital Limited)
“Subscription”	the subscription of the Convertible Bonds at the Subscription Price by the Subscriber under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Subscriber on 13 January 2025
“Subscription Price”	HK\$11,000,000, being 100% of the aggregate principal amount of the Convertible Bonds
“%”	per cent.

By order of the Board
ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
Tung Yee Shing
Chairman

Hong Kong, 13 January 2025

As at the date of this announcement, the Board comprises 7 Directors. The executive Directors are Mr. Tung Yee Shing (Chairman), Mr. Zhong Can and Mr. Lam Chun Bun. The independent non-executive Directors are Mr. Li Kam Chung, Mr. Kwok Lap Fung, Beeson, Mr. Wong Wing Cheung and Ms. Ng Wing Laam.

* For identification purposes only