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XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD
ON THE RECORD DATE;
(2) CLOSURE OF REGISTER OF MEMBERS;
AND
(3) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS UNDER
THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS**

Underwriter of the Rights Issue



PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise gross proceeds of approximately up to HK\$119.71 million before expenses, by way of the Rights Issue of up to 997,603,659 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date) to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders one Rights Share in nil-paid form for every two existing Shares in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders. The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately up to HK\$101.13 million (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), which are intended to be applied for repayment of the Group's indebtedness and general working capital of the Group.

UNDERWRITING AGREEMENT

On 23 November 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter (each a “**Party**” and collectively, the “**Parties**”) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, up to 708,353,659 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), or up to 819,103,659 Rights Shares being the maximum total number of Rights Share issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “**THE UNDERWRITING AGREEMENT**” in this announcement.

The Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 178,500,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation or the Public Float Requirement.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue.

IRREVOCABLE UNDERTAKING

As at the date of this announcement, Mr. Chan, being a substantial shareholder of the Company, directly holds 357,000,000 Shares (representing 20.13% of the issued share capital of the Company as at the date of this announcement). Pursuant to the Irrevocable Undertaking, Mr. Chan has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 178,500,000 Rights Shares which will be provisionally allotted to him nil-paid in respect of the 357,000,000 Shares legally and beneficially owned by him, pursuant to the terms of the Prospectus Documents; and
- (ii) ensure that the 357,000,000 Shares currently legally and beneficially owned by him will remain legally and beneficially owned by him on the Record Date.

The Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers) and any issue of the Rights Shares pursuant to the Irrevocable Undertaking is fully exempted from the requirements of Chapter 14A of the Listing Rules. The Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates) and the Rights Issue is not conditional upon approval by the Shareholders. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 December 2021 to Tuesday, 14 December 2021 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme; and/or (ii) the conversion prices of the Convertible Bonds may be adjusted in accordance with the Share Option Scheme and the terms and conditions of the Convertible Bonds, respectively, upon the Rights Issue becoming unconditional.

The Company will notify the holders of the Share Options and the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and the Convertible Bonds and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

GENERAL

The Prospectus Documents containing, among other things, the Prospectus setting out details of the Rights Issue, the PAL and the EAF will be despatched to the Qualifying Shareholders on Wednesday, 15 December 2021. A copy of the Prospectus will also be made available on the websites of the Company (www.xinyangmaojian.com.hk) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Conditions precedent of the Rights Issue" and "Termination of the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Shares are expected to be dealt in on an ex-right basis from Thursday, 2 December 2021. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive).

Any Shareholder or other person contemplating selling or purchasing the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealings in the Shares and any dealings in the Rights Shares in their nil-paid form from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive) will accordingly bear the risk that the Right Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$119.71 million (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date) before expenses, by way of the Rights Issue of up to 997,603,659 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date) to the Qualifying Shareholders at the Subscription Price of HK\$0.12 per Rights Share.

Rights Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,773,707,319 Shares

Number of Rights Shares	:	886,853,659 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
		997,603,659 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares to be issued	:	approximately HK\$88,685,366 (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
		approximately HK\$99,760,366 (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue (assuming no new Shares (other than the Rights Shares) are allotted and issued)	:	2,660,560,978 Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
		2,992,810,978 Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no Shares (other than the Rights Shares) are allotted and issued on or before the completion of the Rights Issue)

- Number of Rights Shares undertaken to be taken up : Mr. Chan has undertaken to take up an aggregate of 178,500,000 Rights Shares under its assured entitlement (representing approximately 20.13% of the total Rights Shares proposed to be provisionally allotted by the Company, assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) pursuant to the Irrevocable Undertaking
- Maximum funds to be raised before expenses : gross proceeds of approximately HK\$119.71 million (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
- Right of excess applications : Qualifying Shareholders may apply for Rights Shares in excess of their provisional entitlements

As at the date of this announcement, the Company has (i) an outstanding 171,500,000 Share Options granted to the grantees which comprises of 55,000,000 Share Options with exercisable period up to 23 December 2021 at the exercise price of HK\$0.325 per Share and 116,500,000 Share Options with exercisable period up to 2 November 2023 at the exercise price of HK\$0.38 per Share; and (ii) outstanding Convertible Bonds in the amount of HK\$20,000,000, which 50,000,000 new Shares will be issued upon exercise of the conversion rights under the Convertible Bonds at the initial conversion price of HK\$0.4 per conversion Share. Save as disclosed above, as at the date of this announcement, the Company has no other outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date, the aggregate number of Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represents approximately 50.00% of the Company's issued share capital as at the Record Date and approximately 33.33% of the Company's issued share capital as enlarged by the Rights Issue. The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any Bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

The Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 178,500,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation or the Public Float Requirement.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by 4:30 p.m. on Friday, 3 December 2021. It is expected that the last day of dealing in the Shares on a cum-rights basis is Wednesday, 1 December 2021 and the Shares will be dealt in on an ex-rights basis from Thursday, 2 December 2021.

The Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders on Wednesday, 15 December 2021. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Overseas Shareholders and Excluded Shareholders

Overseas Shareholders on the Record Date may not be eligible to take part in the Rights Issue as explained below.

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders (if any). If based on legal opinions provided by the legal adviser(s) to the Company, the Directors consider that it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. If any Overseas Shareholders are excluded from the Rights Issue, subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to such Excluded Shareholders for their information only, but will not send any PALs or EAFs to them. The results of the enquiries and the basis for excluding the Excluded Shareholders, if any, from the Rights Issue, will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue pursuant to Rule 13.36(2)(a) of the Listing Rules subject to the results of the enquiries made by the Board. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Closure of register of members

The register of members of the Company will be closed from Monday, 6 December 2021 to Tuesday, 14 December 2021 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK\$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 4.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 6.98% to the theoretical ex-rights price (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) of HK\$0.129 per Share based on the average closing price of HK\$0.133 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 9.77% to the average closing price of HK\$0.133 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 11.76% to the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 30.23% to the average closing price of HK\$0.172 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

- (f) a premium of approximately 140.00% to the audited consolidated net asset value per Share of approximately HK\$0.050 (based on the latest published consolidated net asset value of the Group of approximately HK\$88,709,000 as at 30 June 2021 as disclosed in the annual report of the Company for the year ended 30 June 2021 and 1,773,707,319 Shares in issue as at the date of this announcement); and
- (g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.30%, represented by the theoretical diluted price of approximately HK\$0.123 per Share to the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.125 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.133 per Share.

The Subscription Price was determined after arm's length negotiation between by the Directors and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the funding and capital needs of the Company.

The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotments

The Basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares in their fully-paid form.

Fractional entitlements

The entitlements of Qualifying Shareholders will be rounded down to the nearest whole number and fractional entitlements to Rights Shares will not be provisionally allotted to the Shareholders. The nil-paid Rights Shares representing the aggregate of all the fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee or nominees appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold by the nominee or nominees on the Company's behalf in the market as soon as practicable after the commencement of dealing in the nil-paid Rights Shares and the net proceeds of such sale will be retained by the Company for its own benefit. Any Rights Shares in respect of the unsold fractional entitlements will be made available for valid excess applications by the Qualifying Shareholders. No odd lot matching services will be provided.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (a) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (b) subject to the Company making the necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholders reside, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold;
- (c) any of the Rights Shares created from the aggregation of fractions of the Rights Shares; and
- (d) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares being applied for;

- (ii) reference will only be made to the number of excess Rights Shares being applied for but no reference will be made to the Rights Shares subscribed through applications by a PAL or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for excess Rights Shares in full application; and
- (iv) no preference will be given to top up odd lots to whole board lots.

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the Latest Lodging Date.

Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Friday, 3 December 2021. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

Share certificates and refund cheques for the Rights Shares

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at Shareholders' own risk on or before Friday, 7 January 2022. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted by ordinary post at Shareholders' own risk on or before Friday, 7 January 2022.

Each Shareholder (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares.

Scale-down of subscriptions to avoid the triggering of MGO Obligation and non-compliance of Public Float Requirement

Without prejudice to the generality of the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best effort basis and is not on a fully underwritten basis, to avoid the unwitting triggering of MGO Obligations and non-compliance of Public Float Requirements, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under the PAL(s) or the EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation or non-compliance of Public Float Requirement. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) EAF(s) should be scaled down before PAL(s); and (b) where the scale-down is necessitated by the exceeding of shareholding by a group rather than an individual shareholder, the allocations of EAF(s) and PAL(s) to members of the affected group should be made on a pro rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for the avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

Application for listing and dealing arrangements

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms. No part of the securities of the Company is listed or dealt in or for which listing or permission to deal is being or is proposed to be sought on any other stock exchange (other than the Stock Exchange). The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 10,000 Shares in one board lot).

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

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

THE UNDERWRITING AGREEMENT

On Tuesday, 23 November 2021 (after the trading hours of the Stock Exchange), the Company and the Underwriter entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date : 23 November 2021

Underwriter : Koala Securities Limited

The Underwriter is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons.

- Total number of Rights Shares underwritten by the Underwriter : Up to 708,353,659 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement; or
- Up to 819,103,659 Rights Shares being the maximum total number of Rights Share issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement.
- Commission : The Underwriter shall receive 3.5% of the total Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market commission rate. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for or procure the subscription, on a best effort basis, on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

Conditions precedent of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled:

- (i) each of the Company and the Underwriter having obtained all necessary consent and/or approval (including passing of all necessary resolutions) for entering into the Underwriting Agreement and the transactions contemplated therein;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only, if any, no later than the Prospectus Posting Date;
- (iv) 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 the permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealings in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter in writing), and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (v) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (vi) the compliance with and performance by the Company and the Underwriter of all the undertakings and obligations under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (vii) the entering into of binding agreements by the Underwriter with certain subscriber(s) procured by the Underwriter and/or sub-underwriter(s), which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares, such that neither the Underwriter nor any of the subscriber(s) procured by the Underwriter and/or sub-underwriter(s) and/or party or parties acting in concert (having the meaning as set out in the Takeovers Code) with the respective subscribers or any of the connected persons or associates of the respective subscribers shall be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Issue;

- (viii) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (ix) there being no Specified Event occurring on or before the Latest Time for Termination; and
- (x) the Underwriter having received from the Company all the conditions precedent documents as set out in the Underwriting Agreement in such form and substance satisfactory to the Underwriter in accordance with the times specified therein.

Apart from the conditions precedent as set out in paragraph (vi) and (x) above which can be waived in whole or in part by the Underwriter and the Company jointly (but not severally) by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived by the Underwriter and the Company.

In the event of the said conditions not being fulfilled or waived on or before the respective dates aforesaid, being no later than Monday, 3 January 2022, or such later date or dates as may be agreed between the Company and the Underwriter in writing, the Underwriting Agreement may be terminated, in which case the termination provisions of the Underwriting Agreement shall apply. No Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects 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 Rights Issue; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute 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) other than coronavirus disease 2019 (COVID-19), any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or
- (v) there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the Prospectus Posting Date and not having been disclosed in the Prospectus Documents, would have constituted, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Trading Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the Announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue; or

(viii) the Prospectus Documents when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by a notice in writing served on the Company on or prior to the Latest Time for Termination and the Rights Issue shall not proceed.

Upon termination pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

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

- (i) any material breach of any of the representations, warranties or undertakings as specified in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

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

IRREVOCABLE UNDERTAKING

As at the date of this announcement, Mr. Chan, being a substantial shareholder of the Company, directly holds 357,000,000 Shares (representing 20.13% of the issued share capital of the Company as at the date of this announcement). Pursuant to the Irrevocable Undertaking, Mr. Chan has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 178,500,000 Rights Shares which will be provisionally allotted to him nil-paid in respect of the 357,000,000 Shares legally and beneficially owned by him, pursuant to the terms of the Prospectus Documents; and
- (ii) ensure that the 357,000,000 Shares currently legally and beneficially owned by him will remain legally and beneficially owned by him on the Record Date.

The Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

Set out below is the expected timetable of the implementation of the Rights Issue:

Last day of dealing in the Shares on cum-rights basis Wednesday, 1 December 2021

First day of dealings in the Shares on ex-rights basis. Thursday, 2 December 2021

Latest time for lodging transfer of the Shares in order
to be qualified for the Rights Issue 4:30 p.m. on
Friday, 3 December 2021

Register of members of the Company closes
for determining entitlements under the Rights Issue
(both dates inclusive). Monday, 6 December 2021 to
Tuesday, 14 December 2021

Record Date for the Rights Issue Tuesday, 14 December 2021

Despatch of the Prospectus Documents
(including the provisional allotment letters and
excess application forms) Wednesday, 15 December 2021

First day of dealings in nil-paid Rights Shares 9:00 a.m. on
Friday, 17 December 2021

Latest time for splitting of provisional allotment letters 4:30 p.m. on
Wednesday, 22 December 2021

Last day of dealings in nil-paid Rights Shares Tuesday, 28 December 2021

Latest time for acceptance of, and payment for,
the Rights Shares and application for excess Rights Shares 4:00 p.m. on
Friday, 31 December 2021

Latest time for termination of the Underwriting Agreement 4:00 p.m. on
Monday, 3 January 2022

Announcement of the allotment results of the Rights Issue Thursday, 6 January 2022

Despatch of refund cheques for wholly or partially
unsuccessful applications for excess Rights Shares
on or before Friday, 7 January 2022

Despatch of certificates for the fully-paid Rights Shares
on or before Friday, 7 January 2022

Commencement of dealings in the fully-paid Rights Shares 9:00 a.m. on
Monday, 10 January 2022

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

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario 1: Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and/or pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company from the date of this announcement up to the Record Date

Shareholders	Immediately after completion of the Rights Issue							
	As at the date of this announcement		Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter	
	<i>No. of</i> Approximate Shares	Approximate %	<i>No. of</i> Approximate Shares	Approximate %	<i>No. of</i> Approximate Shares	Approximate %	<i>No. of</i> Approximate Shares	Approximate %
		(Note 1)		(Note 1)		(Note 1)		(Note 1)
Substantial shareholder								
Chan Yuen Tung	357,000,000	20.13	535,500,000	20.13	535,500,000	27.43	535,500,000	20.13
Directors								
Chan Yuk Foebe	2,860,000	0.16	4,290,000	0.16	2,860,000	0.15	2,860,000	0.11
Law Tze Ping, Eric	600,000	0.03	900,000	0.03	600,000	0.03	600,000	0.02
Sub-total	360,460,000	20.32	540,690,000	20.32	538,960,000	27.61	538,960,000	20.26
Public Shareholders								
Underwriter, sub-underwriter(s) and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	708,353,659	26.62
Other public Shareholders	1,413,247,319	79.68	2,119,870,978	79.68	1,413,247,319	72.39	1,413,247,319	53.12
TOTAL	1,773,707,319	100.00	2,660,560,978	100.00	1,952,207,319	100.00	2,660,560,978	100.00

Scenario 2: Assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company from the date of this announcement up to the Record Date

Shareholders	As at the date of this announcement		Immediately after full exercise of all Shares Options and the full conversion of the Convertible Bonds but otherwise no other change in the issued share capital of the Company from the date of this announcement up to the Record Date		Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders		Immediately after completion of the Rights Issue			
							Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter	
	No. of Approximate Shares	Approximate % (Note 1)	No. of Approximate Shares	Approximate % (Note 1)	No. of Approximate Shares	Approximate % (Note 1)	No. of Approximate Shares	Approximate % (Note 1)	No. of Approximate Shares	Approximate % (Note 1)
Substantial shareholder										
Chan Yuen Tung	357,000,000	20.13	357,000,000	17.89	535,500,000	17.89	535,500,000	24.64	535,500,000	17.89
Directors										
Chan Yuk Foebe	2,860,000	0.16	15,860,000	0.79	23,790,000	0.79	15,860,000	0.73	15,860,000	0.53
Law Tze Ping, Eric	600,000	0.03	13,600,000	0.68	20,400,000	0.68	13,600,000	0.63	13,600,000	0.45
Yu Defa	-	-	13,000,000	0.65	19,500,000	0.65	13,000,000	0.60	13,000,000	0.43
Ma Wing Yun Bryan	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Tam Ching Ho	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Hau Chi Kit	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Subtotal	360,460,000	20.32	424,960,000	21.30	637,440,000	21.30	603,460,000	27.76	603,460,000	20.16
Other Option Holders										
Option Holders except for Directors	-	-	107,000,000	5.36	160,500,000	5.36	107,000,000	4.92	107,000,000	3.58
Bond Holders	-	-	50,000,000	2.51	75,000,000	2.51	50,000,000	2.30	50,000,000	1.67
Sub-total	-	-	157,000,000	7.87	235,500,000	7.87	157,000,000	7.22	157,000,000	5.25
Public Shareholders										
Underwriter, sub-underwriter(s) and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	-	-	819,103,659	27.37
Other public Shareholders	1,413,247,319	79.68	1,413,247,319	70.83	2,119,870,978	70.83	1,413,247,319	65.02	1,413,247,319	47.22
TOTAL	1,773,707,319	100.00	1,995,207,319	100.00	2,992,810,978	100.00	2,173,707,319	100.00	2,992,810,978	100.00

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. Koala Securities confirmed to the Company that each of Koala Securities and its sub-underwriter(s) (i) will be a third party independent of, not acting in concert with and will not be connected with the Directors, chief executive or substantial Shareholders of the Company or their respective associates; and (ii) will not, together with party(ies) acting in concert with each of them or their respective associates, hold in aggregate 30% or more of the voting rights of the Company immediately upon completion of the Rights Issue.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on best effort basis whilst using its best endeavours to ensure that (1) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders or their respective associates; (2) the Public Float Requirement be fulfilled by the Company upon completion of the Rights Issue; and (3) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme; and/or (ii) the conversion prices of the Convertible Bonds may be adjusted in accordance with the Share Option Scheme and the terms and conditions of the Convertible Bonds, respectively, upon the Rights Issue becoming unconditional.

The Company will notify the holders of the Share Options and the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and the Convertible Bonds and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Assuming (i) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds on or before the Record Date; (ii) full acceptance by the Qualifying Shareholders under the Rights Issue; and (iii) no other change in the share capital of the Company on or before the Record Date, the gross proceeds and net proceeds (after deducting professional fees and all other relevant expenses) from the Rights Issue will be approximately HK\$106.42 million and HK\$101.13 million respectively. The net proceeds of the Rights Issue are intended to be applied for the following purposes:

- (i) 80.22% of the net proceeds (up to approximately HK\$81.13 million) will be used for the repayment of the Group's indebtedness and interest expenses; and
- (ii) 19.78% of the net proceeds (up to approximately HK\$20.00 million) will be used as general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses. Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date, the net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares are expected to be approximately HK\$0.114.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the

Board also considers that it is in the interests of the Company to proceed with the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.**

TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
24 August 2021	Placing of 170,000,000 Shares at the placing price of HK\$0.25 and top-up subscription of new shares under general mandate	HK\$40,900,000	Intends to use for repayment of debts and general working capital	Fully utilised as intended
1 June 2021	Placing of 100,000,000 Shares at the placing price of HK\$0.3 and top-up subscription of new shares under general mandate	HK\$29,200,000	Intends to use for resumption of production of the Company	Fully utilised as intended

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers) and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not conditional upon approval by the Shareholders.

GENERAL

The Prospectus Documents containing, among other things, the Prospectus setting out details of the Rights Issue, the PAL and the EAF will be despatched to the Qualifying Shareholders on Wednesday, 15 December 2021. A copy of the Prospectus will also be made available on the websites of the Company (www.xinyangmaojian.com.hk) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Conditions precedent of the Rights Issue" and "Termination of the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Shares are expected to be dealt in on an ex-right basis from Thursday, 2 December 2021. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive).

Any Shareholder or other person contemplating selling or purchasing the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealings in the Shares and any dealings in the Rights Shares in their nil-paid form from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive) will accordingly bear the risk that the Right Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

DEFINITION

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond Holder(s)”	holders of the outstanding Convertible Bonds
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“Company”	Xinyang Maojian Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$100,000,000 in aggregate issued by the Company to six individual and corporate subscribers on 13 November 2020
“Director(s)”	the director(s) of the Company

“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Director(s), based on the enquiry made, consider it necessary or expedient on account of 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, to whom the Directors decide not to offer the Rights Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Chan in favour of the Company dated 23 November 2021, the principal terms of which are disclosed in the paragraph headed “Irrevocable Undertaking” in this announcement
“Koala Securities” or “Underwriter”	Koala Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Last Closing Price”	the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day

“Last Trading Day”	Tuesday, 23 November 2021, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 31 December 2021 or other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 3 January 2022, being the first Business Day after the Latest Time for Acceptance, or such other time or date as may be agreed between the Company and the Underwriter
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Mr. Chan”	Mr. Chan Yuen Tung, a substantial shareholder of the Company, who directly holds 357,000,000 Shares (representing 20.13% of the issued share capital of the Company as at the date of this announcement)
“Option Holders”	holders of the outstanding Share Options
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF

“Prospectus Posting Date”	Wednesday, 15 December 2021 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 14 December 2021, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriter may agree in writing with the Company)
“Registrar”	Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Hong Kong share registrar and transfer office of the Company
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every two (2) Shares in issue and held by a Shareholder on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and to be set out in the Prospectus Documents
“Rights Share(s)”	Share(s) to be issued and allotted under the Rights Issue
“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company

“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of nil-paid Rights Shares shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation or non-compliance with the Public Float Requirement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“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 20 December 2012
“Shareholder(s)”	holder(s) of issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered the warranties as specified in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated Tuesday, 23 November 2021 entered into between the Company and the Underwriter in respect of the Rights Issue

“Untaken Share(s)” such number of Rights Shares in respect of which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid by the Latest Time for Acceptance, including any Rights Shares to which the Excluded Shareholders would not have otherwise been entitled under the Rights Issue

“%” per cent.

By order of the Board
Xinyang Maojian Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 23 November 2021

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Gao Ran, Mr. Law Tze Ping Eric and Mr. Yu Defa are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.