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**CHINA BEST GROUP HOLDING LIMITED**  
**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES  
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;  
AND  
(2) CLOSURE OF REGISTER OF MEMBERS**

**Financial Adviser to the Company**



**英皇企業融資有限公司**  
Emperor Corporate Finance Limited

**Placing Agent to the Rights Issue**



**英皇證券有限公司**  
Emperor Securities Limited

**PROPOSED RIGHTS ISSUE**

The Company proposes to implement the Rights Issue on the basis of two (2) Rights Share for every five (5) existing Shares held on the Record Date at the Subscription Price of HK\$0.16 per Rights Share, to raise up to (i) approximately HK\$97.6 million by issuing up to 610,113,975 Rights Shares (assuming no exercise of any Vested Share Options and no change in the number of Shares in issue

\* For identification purpose only

on or before the Record Date); and (ii) approximately HK\$98.8 million by issuing up to 617,313,975 Rights Shares (assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date), to the Qualifying Shareholders. The Rights Issue is not underwritten and will not be extended to the Non-Qualifying Shareholder(s) (if any).

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$94.4 million (assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date) and approximately HK\$95.6 million (assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date). Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

## **THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT**

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 26 July 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 18 August 2023 to Thursday, 24 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

## **LISTING RULES IMPLICATIONS**

As the Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, and the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders pursuant to Rule 7.19A(1) of the Listing Rules.

## **GENERAL**

The Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and the PAL(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 25 August 2023. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Non-Qualifying Shareholders for their information only and the Company will not send the PALs to the Non-Qualifying Shareholders.

## **WARNING ON THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” in this announcement.**

**Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.**

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of two (2) Rights Share for every five (5) existing Shares held on the Record Date at the Subscription Price of HK\$0.16 per Rights Share, to raise up to (i) approximately HK\$97.6 million (before deducting expenses) by issuing up to 610,113,975 Rights Shares (assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date); and (ii) approximately HK\$98.8 million (before deducting expenses) by issuing up to 617,313,975 Rights Shares (assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date), to the Qualifying Shareholders.

The Rights Issue is not underwritten. Details of the Rights Issue are set out below.

### Issue statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every five (5) existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.16 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.155 per Rights Share ( <i>Note 1</i> ) and HK\$0.155 per Rights Share ( <i>Note 2</i> )
Number of Shares in issue as at the date of this announcement	:	1,525,284,939 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 610,113,975 Rights Shares ( <i>Note 1</i> ), and up to 617,313,975 Rights Shares ( <i>Note 2</i> )
Aggregate nominal value of the Rights Shares to be issued	:	up to HK\$61,011,397.5 ( <i>Note 1</i> ) and up to HK\$61,731,397.5 ( <i>Note 2</i> )

Number of issued Shares as enlarged by the allotment and issue of the Rights Shares	:	up to 2,135,398,914 Shares ( <i>Note 1</i> ) and up to 2,160,598,914 Shares ( <i>Note 2</i> )
Gross proceeds from the Rights Issue (before expenses)	:	up to approximately HK\$97.6 million ( <i>Note 1</i> ) and up to approximately HK\$98.8 million ( <i>Note 2</i> )
Net proceeds from the Rights Issue	:	up to approximately HK\$94.4 million ( <i>Note 1</i> ) and up to approximately HK\$95.6 million ( <i>Note 2</i> )

*Notes:*

1. Assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date
2. Assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date

As at the date of this announcement, the Company had a total of 90,000,000 Share Options (the exercise in full of which will result in the allotment and issue of 90,000,000 new Shares), of which 18,000,000 Share Options have been or will be vested on or before the Record Date (the “**Vested Share Options**”, the exercise in full of which will result in the allotment and issue of 18,000,000 new Shares).

Save as disclosed above, the Company had 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 Shares as at the date of this announcement.

Assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date, the aggregate 610,113,975 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately 40.0% of the total number of issued Shares as at the date of this announcement and approximately 28.6% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date, the aggregate 617,313,975 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately 40.0% of the total number of issued Shares as at the date of this announcement as enlarged by the issue of the new Shares upon full exercise of the Vested Share Options and approximately 28.6% of the total number of issued Shares as enlarged by the issue of the Rights Shares and the issue of new Shares upon full exercise of the Vested Share Options.

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements on a best efforts basis. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s), or transferees of nil-paid Rights Shares (or either of them, whichever shall be appropriate), may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

As at the date of this announcement, the Board has not received any information or undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

## The Subscription Price

The Subscription Price of HK\$0.16 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 37.3% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 38.7% to the average closing price of approximately HK\$0.261 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 38.7% to the average closing price of approximately HK\$0.261 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 31.0% to the theoretical ex-rights price of approximately HK\$0.232 per Share based on the benchmarked price of approximately HK\$0.261 per Share; and
- (v) a discount of approximately 71.0% to the net asset value of the Company of approximately HK\$0.552 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$841,327,000 as at 31 March 2023 as shown in the annual results announcement of the Company dated 28 June 2023 and divided by the existing number of Shares in issue (i.e. 1,525,284,939 Shares).

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 11.1%, based on the theoretical diluted price of approximately HK\$0.232 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.261 per Share.

The Board has noted the relatively large discount mentioned in (v) above. Nevertheless, given the preemptive nature of the Rights Issue and taking into account of the fact that the Shares were traded at a discount to the net asset value attributable to the Shareholders per Share for the six months preceding the Last Trading Day ranging from approximately 49.0% to 70.9%, with an average of approximately 59.4%, the Board is of the view that the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

The Subscription Price was determined by the Company with reference to, among others, (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong; (ii) the recent volatility of the capital market in Hong Kong with the Hang Seng Index increased from 20,145.3 on 3 January 2023 and reached 22,688.9 on 27 January 2023, then decreased to 18,216.9 on 1 June 2023; (iii) the decrease in both (a) daily trading turnover of the Hong Kong stock market, from daily average turnover of approximately HK\$138.3 billion for June 2022 YTD to approximately HK\$115.5 billion for June 2023 YTD, or approximately 16.5%, and (b) total equity funds raised (excluding IPO) under the security market of Hong Kong, from approximately HK\$95.3 billion for June 2022 YTD to approximately HK\$56.6 billion for June 2023 YTD, or approximately 40.6%; (iv) the prevailing market price of the Shares; (v) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 220,000 Shares, representing approximately 0.014% of the total number of issued Shares as at the Last Trading Day; (vi) net losses recorded by the Company for the year ended 31 March 2023; and (vii) reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below in this announcement.

It is a common market practice that, in order to enhance the attractiveness of rights issue to participants which includes existing shareholders, the subscription price would be set at a discount to the prevailing market prices of the relevant shares. It is observed that, for the rights issue transactions conducted by companies under the criteria that (i) the shares are listed on the Stock Exchange; (ii) the rights issue transactions completed during the 6-month period from 27 January 2023 to the Last Trading Day; and (iii) the fund raising size being less than HK\$100 million (having considered the estimated size of proceeds for the Rights Issue, being up to approximately HK\$98.8 million) (before deducting expenses), the average acceptance rate under provisional allotment and excess application was approximately 64.1%. In light of the above and with an aim to maximize the fund raised, the Directors are of the view that the Subscription Price which represents relatively large discounts to the market price and net asset value of the Shares would attract the Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholding in the Company and participate in the future growth of the Group. Accordingly, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Status of the Rights Shares**

The Rights Shares (when allotted, fully-paid or credited as fully-paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

## **Qualifying Shareholders**

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Registrar at Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 17 August 2023.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and they are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 15 August 2023, and the Shares will be dealt with on an ex-rights basis from Wednesday, 16 August 2023.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

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).

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 18 August 2023 to Thursday, 24 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every five (5) existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

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

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice to be provided by the legal advisers to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only on the Prospectus Posting Date.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on a pro-rata basis (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

#### **Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements**

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 26 July 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best efforts basis, procure, by not later than 4:00 p.m. on Monday, 18 September 2023, placees for all (or as many as possible) of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the relevant No Action Shareholders and Non-Qualifying Shareholders as set out below on pro-rata basis (but rounded down to the nearest cent):

- (i) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of (i) more than HK\$100, the entire amount will be paid to the relevant No Action Shareholders or Non-Qualifying Shareholders in Hong Kong Dollars only; or (ii) HK\$100 or less, such amount will be retained by the Company for its own benefit.

### **Placing Agreement**

Principal terms of the Placing Agreement are summarised as follows:

- Date : 26 July 2023 (after trading hours)
- Issuer : The Company
- Placing Agent : Emperor Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, places to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period.

The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period : The period commencing from the second (2nd) Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the sixth (6th) Business Day after the Latest Time for Acceptance.

Commission and expenses : Whether or not the Placing proceeds to completion, the Company shall pay on the Latest Time for Termination to the Placing Agent a fixed fee of HK\$300,000 (the “**Fixed Fee**”). For the avoidance of doubt, the Company is not liable to pay the Fixed Fee to the Placing Agent unless the Prospectus is despatched to the Qualifying Shareholders and the Non-Qualifying Shareholders. In addition to the Fixed Fee, subject to completion of the Placing taking place, the Company shall also pay a placing commission in Hong Kong dollars, of 1% of the amount (the “**Placing Commission**”) which is equal to the placing price multiplied by the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

The aggregate of the Fixed Fee and the Placing Commission shall in any event be not greater than HK\$976,000.

Placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price shall be determined by the Placing Agent with the agreement of the Company based on the demand for and the market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement.

Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.

- Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Company's warranties contained in the Placing Agreement remaining true and accurate and not misleading in all material respects at all times prior to the date of completion of the Placing; and
  - (ii) the Listing Committee granting the listing of, and permission to deal in, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares with or without conditions.

None of the above conditions can be waived. In the event that the above conditions precedent have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination).

## Termination

: Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) save as disclosed to Placing Agent, any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The terms of the Placing Agreement (including the Fixed Fee and the Placing Commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing rate of commissions for rights issues in the market, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Directors consider that the terms of the Placing Agreement (including the Fixed Fee and the Placing Commission) are fair and reasonable and on normal commercial terms.

As explained above, the Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to placee(s) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) on a best efforts basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any Net Gain will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders. Any NQS Unsold Rights Shares and/or Unsubscribed Rights Shares that are not placed by the Placing Agent will not be issued by the Company. As at the date of this announcement, the Placing Agent has not identified any placee(s). In any case, any placees shall be independent among themselves and should be independent of and not acting at the direction of or having any significant relationships with any connected person of the Company. The Directors consider that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and Non-Qualifying Shareholders.

Conversely, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares during the six months prior to the Last Trading Day, the Directors consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fund raising exercise.

## **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 20 September 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Wednesday, 20 September 2023, by ordinary post to the applicants, at their own risk, to their registered addresses.

## **Fractional entitlement to the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

## **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 Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

## **Application for listing of the Rights Shares**

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 6,000 Rights Shares.

## **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon the fulfilment of the following conditions:

- (i) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents, each duly signed by the Directors (or by their agents duly authorised in writing) on or before Prospectus Posting Date in compliance with the Companies (WUMP) Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (ii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only;
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, and remaining in full force and effect; and
- (iv) the Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

None of the above conditions can be waived. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so) and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

**As the proposed Rights Issue is subject to the fulfilment of the above conditions, it may or may not proceed. Shareholders and public investors are advised to exercise caution in dealing in the securities of the Company.**

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” above in this announcement.**

**Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.**

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of goods; (ii) finance leasing; (iii) money lending; (iv) securities and futures dealing and related consultancy services; (v) provision of international air and sea freight forwarding and logistic services; (vi) securities trading; (vii) property investment; (viii) building architecture and interior design services and data analytical services; (ix) property agency service; (x) entrusted construction and projects management services; (xi) provision of heating and cooling supply by geothermal energy; (xii) building construction contracting; and (xiii) centralised heating business.

The Board had considered fund raising by debt financing, however it would create additional interest burden on and result in a higher gearing ratio of the Group, especially with recent global interest rate hikes; and subject the Group to repayment obligations which are less beneficial to the Group. In view of this, the Board has avoided raising funds via debt financing on this occasion.

Equity fund raising, such as the placing of new Shares, would be relatively small scale as compared to a rights issue and it would not allow the Qualifying Shareholders to participate in the fund raising exercise and their respective shareholdings in the Company would be diluted without an equal opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. Pursuant to the Rights Issue, the Qualifying Shareholders may (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to market demand). The Board considers that the Rights Issue effected on a pro-rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas an open offer does not provide Shareholders with the same opportunity to increase or decrease their respective interests in the shareholding of the Company as described above. As such, the Board considered an open offer to be less favourable to the Shareholders and did not pursue it. The Board considers it is prudent and preferable to finance the long-term growth of the Group in the form of equity fund raising which will not increase the Group's financing costs. In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments as and when such opportunities arise.

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$94.4 million (assuming no exercise of any Vested Share Option and no change in the number of Shares in issue on or before the Record Date) and approximately HK\$95.6 million (assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date). The Company intends to utilise the net proceeds from the Rights Issue in the following manner:

- (i) HK\$15.0 million for the settlement of the balance of the consideration for the acquisition of 42% of the issued shares of Treasure Cart Holdings Limited (details of which were set out in the announcement of the Company dated 10 August 2021). The Company has not settled the balance by the agreed timeline and has deferred payment of the remaining balance due to the impact of COVID-19 in past years. The vendor has requested the Company to settle the remaining balance by the end of September 2023 beyond which the vendor may consider taking legal action;
- (ii) HK\$20.0 million for operation of the existing businesses of the Group, in particular implementing (a) supply-chain enhancement measures and (b) renovation and upgrading plans of facilities and infrastructure for the Group's centralised heating business and geothermal energy business. The enhancement measures includes implementation of stockpiling coal during summer session, i.e. off-season purchasing. With reference to the actual coal consumption for the financial year ended 31 March 2023 of approximately 67,000 tons, it is estimated that the coal consumption level for the coming financial year would remain similar at 65,000 tons. The Company is planning to reserve coal in the off-season and purchase around 50,000 tons during the summer. With reference to the current summer coal price of approximately RMB550 per ton, the total amount is expected to be around RMB30.0 million. Compared with the weighted average price of coal in the last winter of approximately RMB750 per ton, it is estimated that off-season purchasing can save around RMB10 million in cost, which in turn may improve the profitability of centralised heating business of the Group;
- (iii) HK\$35.0 million for future strategic investments in relation to data analytical service business and New Retailing business, including but not limited to further investment in subsidiaries of the Company and/or acquisition of other new targets in such fields, as and when such opportunities arise;

- (iv) HK\$10.0 million for capital contribution of certain subsidiaries of the Company, including Beijing Gong Sheng Data Technology Co., Ltd.\* (北京共生數據科技有限公司), for the purposes of exploring and developing big data and digital-related businesses, including but not limited to the New Retailing business and metaverse-related businesses, by leveraging the Group's experience in the data analytical service business; and
- (v) remaining net proceeds of approximately HK\$15.0 million for general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue and the Placing (as the case may be), the net proceeds of the Rights Issue and the Placing (as the case may be) will be allocated and utilised in accordance with the above sequential order of proposed uses.

The real-estate related businesses of the Group, which has been the key contributor to the Group's revenue, accounted for approximately 55.3% and 70.2% of the total revenue of the Group for the financial years ended 31 March 2022 and 2023, respectively. The Directors consider that it is of utmost importance for the Group to seek new profit growth drivers to overcome the recent challenges and adverse market condition in the real estate market in the PRC. In contrast, benefited from the acquisition of Treasure Cart Holdings Limited in 2019 as important part of its early layout of big data and digital-related businesses, the Group has equipped itself with sufficient resources to explore and formulate strategic development plan in relevant fields.

The Group intends to leverage its know-how in big data in the New Retailing business, a new model of shopping that provides customers with a seamless online and offline shopping experience. The products would be promoted on social media platforms to create synergy with traditional marketing and promotion. The New Retailing business in the PRC is under rapid development in recent years due to the COVID-19 pandemic and has become a market focus. The Group intends to take full advantage of the Company's strengths in big data to establish efficient marketing strategies and to broaden the sales channels for its existing principal businesses, namely its trading and real-estate related businesses. The Group intends to market daily necessity products such as food, beverage and beauty products, and explore real estate sales and leasing in the New Retailing business.

Riding on (i) the development of the data analytical service business of the Group in the past few years; (ii) the experience of the Group in its existing trading and real-estate related businesses; and (iii) the know-how of integrating big data and artificial intelligence with the real-estate related business of the Group, the Directors are of the view that the Group should seize the opportunity to extend the application of big data to the New Retailing sector with an aim to diversify its revenue stream and differentiate itself from its conventional operations, which the Directors consider would be in the interests of the Company and its Shareholders as a whole.

As at the date of the announcement, the Group has been exploring opportunities in New Retailing business and actively negotiating with several well-established companies and teams for potential cooperation. To capture the momentum of the development of New Retailing in PRC, the Directors believe that commencing relevant business around the iconic e-commerce dates such as the national day, Double 11 and Double 12 in the second half of 2023 would bring greatest benefit for the Group. In view of the above timeframe of the Rights Issue, it would be beneficial to the Group's business development if the required funding could be ready as soon as practicable mainly for inventory, warehouse and logistics cost, network and promotional fee, taking into account an approximate 3-month preparation period.

Taken into account (i) the strategical development plan of the Group and the expected capital requirement; (ii) the short term capital needs for existing business operation; and (iii) the cash position of the Group as at 31 May 2023 of approximately HK\$33.4 million (which (a) comprised of approximately HK\$11.5 million that is required to be maintained by licensed subsidiaries of the Group to comply with the relevant laws and regulations; and (b) was after utilisation of the proceeds from early redemption of the promissory note of HK\$30 million together with an interest of approximately HK\$1.77 million as announced by the Company on 14 March 2023 in the settlement of construction service fee payable in the amount of approximately RMB25 million and heating cost fee payable in the amount of approximately RMB3 million from mid-March 2023 to May 2023), the Directors consider that it is appropriate to propose the Rights Issue as a means of fund raising which would not only improve the capital structure of the Group and meet the short-terms funding needs of the Group's existing businesses, but also provide the flexibility and ability for the Group's future business expansion. The Directors also consider that the terms of the Rights Issue and the Placing, including the Subscription Price and the rate of the Placing Commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Rights Issue and the Placing are in the interests of the Company and the Shareholders as a whole.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue (assuming all Shareholders have taken up their respective allotment of Rights Shares in full); and (iii) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent):

- (a) Assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date:

	Immediately upon completion of the Rights Issue					
	As at the date of this announcement		Assuming all Shareholders have taken up their respective allotment of Rights Shares in full		Assuming none of the Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
			No. of Shares	Approx. % (Note 5)	No. of Shares	Approx. % (Note 5)
<b>Substantial Shareholders (Note 6)</b>						
Sunbow Int'l Enterprise Limited ("Sunbow") (Note 1)	244,296,000	16.02%	342,014,400	16.02%	244,296,000	11.44%
Ping Pacific Limited ("Ping Pacific") (Note 2)	115,935,000	7.60%	162,309,000	7.60%	115,935,000	5.43%
Wang Yicheng (Note 3)	90,720,000	5.95%	127,008,000	5.95%	90,720,000	4.25%
South Leader Limited ("South Leader") (Note 4)	76,324,110	5.00%	106,853,754	5.00%	76,324,110	3.57%
<b>Directors</b>						
Mr. Liu Tonghui	10,000,000	0.66%	14,000,000	0.66%	10,000,000	0.47%
Mr. Qin Jie	6,000,000	0.39%	8,400,000	0.39%	6,000,000	0.28%
Mr. Li Haitao	3,000,000	0.20%	4,200,000	0.20%	3,000,000	0.14%
Ms. Tao Lei	2,692,000	0.18%	3,768,800	0.18%	2,692,000	0.13%
<b>Public Shareholders</b>						
Independent places	–	–	–	–	610,113,975	28.57%
Other public shareholders	976,317,829	64.00%	1,366,844,960	64.00%	976,317,829	45.72%
Total	<u>1,525,284,939</u>	<u>100.00%</u>	<u>2,135,398,914</u>	<u>100.00%</u>	<u>2,135,398,914</u>	<u>100.00%</u>

- (b) Assuming all Vested Share Options having been exercised as at the date of this announcement and no other change in the number of Shares in issue on or before the Record Date:

	As at the date of this announcement		Immediately upon completion of the Rights Issue			
	No. of Shares	Approx. % (Note 5)	Assuming all Shareholders take up their respective allotment of Rights Shares in full		Assuming none of the Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	Approx. % (Note 5)	No. of Shares	Approx. % (Note 5)	No. of Shares	Approx. % (Note 5)
<b>Substantial Shareholders (Note 6)</b>						
Sunbow (Note 1)	244,296,000	15.83%	342,014,400	15.83%	244,296,000	11.31%
Ping Pacific (Note 2)	115,935,000	7.51%	162,309,000	7.51%	115,935,000	5.37%
Wang Yicheng (Note 3)	90,720,000	5.88%	127,008,000	5.88%	90,720,000	4.20%
South Leader (Note 4)	76,324,110	4.95%	106,853,754	4.95%	76,324,110	3.53%
<b>Directors</b>						
Mr. Liu Tonghui	10,000,000	0.65%	14,000,000	0.65%	10,000,000	0.46%
Mr. Qin Jie	6,000,000	0.39%	8,400,000	0.39%	6,000,000	0.28%
Mr. Li Haitao	3,000,000	0.19%	4,200,000	0.19%	3,000,000	0.14%
Ms. Tao Lei	2,692,000	0.17%	3,768,800	0.17%	2,692,000	0.12%
<b>Public Shareholders</b>						
Independent places	–	–	–	–	617,313,975	28.57%
Other public shareholders	994,317,829	64.43%	1,392,044,960	64.43%	994,317,829	46.02%
Total	<u>1,543,284,939</u>	<u>100.00%</u>	<u>2,160,598,914</u>	<u>100.00%</u>	<u>2,160,598,914</u>	<u>100.00%</u>

**Notes:**

- 244,296,000 Shares are held by Sunbow. Mr. Wang Baoning is the sole shareholder of Sunbow and, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by Sunbow.
- 115,935,000 Shares are held by Ping Pacific. Mr. Yeung Yat Ping is the sole shareholder of Ping Pacific and, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by Ping Pacific.
- 59,970,000 Shares and 30,750,000 Shares are beneficially held by Mr. Wang Yicheng and Glorious Investment Enterprise Ltd., respectively. Mr. Wang Yicheng is the sole shareholder of Glorious Investment Enterprise Ltd. and, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by Glorious Investment Enterprise Ltd.
- 76,324,110 Shares are held by South Leader. Mr. Li Meng Zhe is the sole shareholder of South Leader and, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by South Leader.
- The percentage is calculated on the basis of 1,525,284,939 Shares as at the date of this announcement.
- Substantial shareholder(s) disclosed herein holds interests in the Shares which fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS AND POSSIBLE CHANGE IN USE OF PROCEEDS FROM THE PREVIOUS RIGHTS ISSUE**

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the date of this announcement.

Reference is made to the section headed “Reasons for and benefits of the rights issue and use of proceeds” in the “Letter from the Board” of the prospectus of the Company dated 17 June 2021 in relation to the rights issue of the Company which completed on 14 July 2021 (the “**Previous Rights Issue**”). As at the date of this announcement, an amount of approximately HK\$11.0 million out of the net proceeds from the Previous Rights Issue, which was intended to be applied for the settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited\* (天地有大美(北京) 文旅有限公司) (“**Tiandi Youdamei**”), remained unused.

Tiandi Youdamei and its subsidiaries are principally engaged in hotel operation and management and the hospitality field has been affected by the COVID-19 pandemic in recent years. As such, the synergy effect of this investment with the Group’s current businesses is lower than expected. The Group has been in negotiation with the other shareholder of Tiandi Youdamei for possible disposal of its shareholding in Tiandi Youdamei. In the event that the aforesaid disposal transaction is realized, the Group will recoup approximately HK\$0.6 million from the disposal and further investment in Tiandi Youdamei will not proceed. Accordingly, the net proceeds of approximately HK\$11.0 million from the Previous Rights Issue will be used as general working capital of the Group instead.

### **EXPECTED TIMETABLE**

<b>Events</b>	<b>Date (2023)</b>
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue. . . . .	Tuesday, 15 August
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue. . . . .	Wednesday, 16 August
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Thursday, 17 August

<b>Events</b>	<b>Date (2023)</b>
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive) . . . . .	Friday, 18 August to Thursday, 24 August
Record Date for the Rights Issue . . . . .	Thursday, 24 August
Prospectus Documents expected to be despatched . . . . .	Friday, 25 August
First day of dealings in nil-paid Rights Shares. . . . .	Tuesday, 29 August
Latest time for splitting of PALs . . . . .	4:30 p.m. on Thursday, 31 August
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 5 September
Latest time for acceptance of and payment for the Rights Shares. . . . .	4:00 p.m. on Friday, 8 September
Announcement of the number of Unsubscribed Rights Share and NQS Unsold Rights Shares subject to Compensatory Arrangements . . . . .	Monday, 11 September
Commencement of placing of Unsubscribed Rights Share and NQS Unsold Rights Shares by the Placing Agent. . . . .	Tuesday, 12 September
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent. . . . .	4:00 p.m. on Monday, 18 September
Latest time for termination of the Placing Agreement for the Rights Issue to become unconditional. . . . .	4:00 p.m. on Tuesday, 19 September

**Events****Date (2023)**

Announcement of results of the Rights Issue (including results of the Placing and the Net Gain per Unsubscribed Rights Share and NQS Unsold Rights Share under the Compensatory Arrangements) . . . . .	Tuesday, 19 September
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any) . . . . .	Wednesday, 20 September
Commencement of dealings in fully-paid Rights Shares . . . . .	Thursday, 21 September
Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders (if any) . . . . .	Thursday, 5 October

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 separate announcement(s) 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**

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

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; 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 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 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 does not take place on the currently scheduled date, the dates mentioned in the “Expected timetable” above may be affected. An announcement will be made by the Company in such event.

## **POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS**

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the share option scheme of the Company.

## **LISTING RULES IMPLICATIONS**

As the Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, and the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders pursuant to Rule 7.19A(1) of the Listing Rules.

## **GENERAL**

The Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and the PAL(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 25 August 2023. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Non-Qualifying Shareholders for their information only.

## DEFINITIONS

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

“Board”	the board of Directors
“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 (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 370)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the section headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Fixed Fee”	has the meaning ascribed to it under the section headed “Placing Agreement” in this announcement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Last Trading Day”	26 July 2023, 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, 8 September 2023 or other time or date as the Company may determine, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 19 September 2023 or such later time as may be agreed between the Company and the Placing Agent in writing
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements after deduction of all reasonable expenses incurred by the Company and the Placing Agent

“New Retailing”	refers to a retail business model that combines online and offline channels to provide customers with a seamless shopping experience by leveraging internet and advanced technology such as big data and artificial intelligence, and improves the efficiency and personalization in the process of production, logistic and marketing of commodities
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s)
“NQS Unsold Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date with registered address(es) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best efforts basis by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be Shareholder(s) and shall be Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement

“Placing Agent”	Emperor Securities Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 26 July 2023 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Commission”	has the meaning ascribed to it under the section headed “Placing Agreement” in this announcement
“Placing Period”	the period commencing from the second (2nd) Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the sixth (6th) Business Day after the Latest Time for Acceptance
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Friday, 25 August 2023 or such other date as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date

“Record Date”	Thursday, 24 August 2023 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every five (5) existing Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	the Shares to be allotted and issued pursuant to the Rights Issue of (i) up to 610,113,975 Shares (assuming no exercise of any Vested Share Options and no change in the number of Shares in issue on or before the Record Date); and (ii) up to 617,313,975 Shares (assuming all Vested Share Options having been exercised and no other change in the number of Shares in issue on or before the Record Date)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) with a par value of HK\$0.10 each in the share capital of the Company
“Share Options”	the outstanding share options to subscribe for 90,000,000 Shares at HK\$0.80 per Share under the share option scheme of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$0.16 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“Vested Share Options”	has the meaning ascribed to it under the section headed “Proposed Rights Issue” in this announcement
“%”	per cent.

By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Qin Jie**  
*Executive Director and Chief Executive Officer*

Hong Kong, 26 July 2023

*As at the date of this announcement, the Board comprises five executive Directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Fan Jie, Mr. Li Haitao and Ms. Tao Lei, and three independent non-executive Directors, namely, Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu.*