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Jia Yao Holdings Limited

嘉耀控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01626)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE
AND
PROPOSED CHANGE IN BOARD LOT SIZE**

Financial Adviser to the Company



INCU Corporate Finance Limited

Underwriter to the Rights Issue



PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of HK\$180.0 million (before expenses) by issuing 300,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.60 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date. Qualifying Shareholders are entitled to apply for Rights Shares in excess of their respective entitlements under the Rights Issue. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds from the Rights Issue (after deducting the estimated expenses in relation to the Rights Issue) is expected to be approximately HK\$176.0 million. Details of the use of proceeds are set out in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this announcement.

THE IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, Spearhead Leader and Star Glide hold 209,362,000 Shares and 15,638,000 Shares, representing approximately 69.79% and 5.21% of the issued share capital of the Company, respectively. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader and Mr. Feng beneficially owns the entire issued share capital of Star Glide. Each of Mr. Yang and Mr. Feng has given irrevocable undertaking in favour of the Company that, among other things:

- (i) Mr. Yang shall procure Spearhead Leader to fully subscribe for 209,362,000 Rights Shares, which will be provisionally allotted to Spearhead Leader under the Rights Issue;
- (ii) Mr. Feng shall procure Star Glide to fully subscribe for 15,638,000 Rights Shares, which will be provisionally allotted to Star Glide under the Rights Issue; and
- (iii) Mr. Yang and Mr. Feng shall respectively procure Spearhead Leader and Star Glide not to directly or indirectly sell or transfer any of the Shares held by them from the date of the Irrevocable Undertakings to the Record Date.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

THE UNDERWRITING AGREEMENT

On 5 August 2022 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to underwrite the Underwritten Shares of 75,000,000 Rights Shares, subject to the terms and conditions of the Underwriting Agreement. Taking into account the Undertaken Shares, the Rights Issue will be fully underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement. Details of the principal terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

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

Shareholders and potential investors of the Company should note that the Underwriter has the right in certain circumstances to terminate the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the proposed Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter’s right of termination and rescission of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

PROPOSED CHANGE IN BOARD LOT SIZE

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 4,000 Shares with effect from 9:00 a.m. on Monday, 3 October 2022. Shareholders should take note that Shareholders’ approval is not required for the Change in Board Lot Size.

LISTING RULES IMPLICATIONS

The Rights Issue

As the Rights Issue will increase the number of issued shares of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As Spearhead Leader and Mr. Yang are the Controlling Shareholders of the Company and Star Glide (which is wholly owned by Mr. Feng) is a party acting in concert with Spearhead Leader, each of Spearhead Leader, Star Glide, Mr. Yang and Mr. Feng shall abstain from voting in favour of the resolution relating to the Rights Issue at the EGM.

The Rights issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

The register of members of the Company will be closed from Wednesday, 14 September 2022 to Tuesday, 20 September 2022 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. The EGM will be convened to consider and, if thought fit, approve the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder.

A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 5 September 2022.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser to be appointed by the Company. In this connection, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing, among other matters, details of the Rights Issue, will be despatched to the Qualifying Shareholders on Monday, 3 October 2022. The Prospectus (without the PAL and the EAF) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Excluded Shareholders (if any) for their information only.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of HK\$180.0 million (before expenses) by issuing 300,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.60 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Net Subscription Price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK\$0.59 per Rights Share
Number of Shares in issue as at the date of this announcement	:	300,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	300,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$3,000,000 (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue	:	600,000,000 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Gross proceeds to be raised before expenses	:	HK\$180.0 million (before expenses)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

Underwriter : First Shanghai Securities Limited

Number of Rights Shares : 75,000,000 Rights Shares underwritten by the underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement, excluding the Undertaken Shares. Accordingly, taking into account the Undertaken Shares, the Rights Issue is fully underwritten.

Assuming that there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date, the 300,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 100.0% of the total number of existing issued Shares as at the date of this announcement and 50.0% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

As at the date of this announcement, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

The Subscription Price

The Subscription Price of HK\$0.60 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, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 14.29% to the closing price of HK\$0.700 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.02% to the average closing price of approximately HK\$0.682 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 16.20% to the average closing price of approximately HK\$0.716 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 7.69% to the theoretical ex-rights price of approximately HK\$0.650 per Share based on the closing price of HK\$0.700 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 7.14% of the theoretical diluted price of approximately HK\$0.650 per Share to the benchmarked price of HK\$0.700 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.700 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.674 per Share); and
- (vi) a discount of approximately 4.15% to the net asset value of the Company of approximately HK\$0.626 per Share based on the latest published audited net asset value attributable to owners of the Company of approximately RMB160,411,000 (equivalent to approximately HK\$187,680,870) as at 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021 and total number of issued Shares of 300,000,000 Shares as at the date of this announcement.

During the 12 month period immediately preceding the date of this announcement, the Company has not undertaken (whether by reference to the date of agreement or announcement or the date of commencement of dealing of shares) any rights issue, open offer or specific mandate placing. The theoretical diluted price, the benchmarked price and theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.650 per Share, HK\$0.700 per Share and 7.14%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among others, the market price of the Shares under the prevailing market conditions, the financial condition of the Company and the reasons for and benefits of Rights Issue as discussed in the section headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds" in this announcement. The Board considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The estimated net price per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$0.59.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) approval being obtained from the Independent Shareholders at the EGM by way of an ordinary resolution to approve the Rights Issue and the transactions contemplated thereunder, including but not limited to the Underwriting Agreement, pursuant to Rule 7.19A of the Listing Rules;
- (ii) delivery being made to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (iii) posting of the Prospectus Documents to the Qualifying Shareholders and posting of Prospectus to the Excluded Shareholders (for information only) on or before the Posting Date;
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms; and
- (v) the representation, warranties and undertakings of the Company as set out in the Underwriting Agreement remain true and accurate in all material respects.

The Company shall use all reasonable endeavours to procure the fulfilment or waiver (as the case may be) of all the above conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree.

The Underwriter may at any time by notice in writing to the Company waive the condition precedent set out in paragraph (v) above. Save and except the condition precedent set out in paragraph (v) above, the other conditions precedent are incapable of being waived. If the conditions precedent set out in paragraphs (i) to (v) above are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate (save and except the provisions regarding fees, notices and governing law and jurisdiction which shall remain in full force and effect) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

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, SFC transaction levy, FRC transaction levy or any other applicable fees and charges in Hong Kong.

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 as at the close of business on the Record Date and not be an Excluded Shareholder. 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) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. (Hong Kong time) on Friday, 23 September 2022.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 21 September 2022, and the Shares will be dealt with on an ex-rights basis from Thursday, 22 September 2022.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 14 September 2022 to Tuesday, 20 September 2022 (both dates inclusive) for determining the Shareholders' entitlements for attending and voting at the EGM.

The register of members of the Company will be closed from Monday, 26 September 2022 to Friday, 30 September 2022 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

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

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company. 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.

Rights of the 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 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, 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 of the relevant overseas regulatory body or stock exchange, 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 Excluded Shareholders. 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 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. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest dollar) to the relevant Excluded Shareholders in Hong

Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

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, the Overseas Shareholders 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.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for:

- (i) any unsold entitlement of the Excluded Shareholders (if any); and
- (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares.

Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result;
- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders; and

(iii) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Shares is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Beneficial owners of Shares whose shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For those beneficial owners of Shares 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, they must lodge all necessary documents with the Registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, for completion of the relevant registration not later than 4:00 p.m. (Hong Kong time) on Friday, 23 September 2022.

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 Wednesday, 26 October 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

If the Rights Issue is terminated, refund cheques will be posted on Wednesday, 26 October 2022 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on Wednesday, 26 October 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlements will arise from the Rights Issue.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of 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 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.

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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 4,000 Rights Shares. Dealings in the Rights Shares in both nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, FRC transaction levy or any other applicable fees and charges in Hong Kong.

THE IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, Spearhead Leader and Star Glide hold 209,362,000 Shares and 15,638,000 Shares, representing approximately 69.79% and 5.21% of the issued share capital, respectively. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader and Mr. Feng beneficially owns the entire issued share capital of Star Glide. Each of Mr. Yang and Mr. Feng has given irrevocable undertaking in favour of the Company that, among other things:

- (i) Mr. Yang shall procure Spearhead Leader to fully subscribe for 209,362,000 Rights Shares, which will be provisionally allotted to Spearhead Leader under the Rights Issue;
- (ii) Mr. Feng shall procure Star Glide to fully subscribe for 15,638,000 Rights Shares, which will be provisionally allotted to Star Glide under the Rights Issue;
- (iii) Mr. Yang and Mr. Feng shall respectively procure Spearhead Leader and Star Glide not to directly or indirectly sell or transfer any of the Shares held by them from the date of Irrevocable Undertakings to the Record Date.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

THE UNDERWRITING AGREEMENT

On 5 August 2022 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to underwrite the Underwritten Shares of 75,000,000 Rights Shares, subject to the terms and conditions of the Underwriting Agreement.

The principal terms of the Underwriting Agreement are summarised below:

Date	:	5 August 2022 (after trading hours)
Issuer	:	The Company
Underwriter	:	First Shanghai Securities Limited
Number of Underwritten Shares	:	75,000,000 Rights Shares underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement, excluding the Undertaken Shares. Accordingly, taking into account the Undertaken Shares, the Rights Issue is fully underwritten.

Commission : 5% of the aggregate subscription amount in respect of the Underwritten Shares, being 75,000,000 Rights Shares for which the Underwriter has agreed to subscribe or procure subscription pursuant to the Underwriting Agreement

The Underwriter is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Pursuant to the Underwriting Agreement, the Underwriter undertakes and shall ensure that (i) each of the subscribers of the Underwritten Shares procured by it shall be an Independent Third Party; and (ii) none of the subscribers, together with any party(ies) acting in concert with it/them, will hold such number of Underwritten Shares which will trigger a mandatory general offer obligation under the Takeovers Code on the part of such sub-underwriters or subscribers or purchasers and parties acting in concert (within the meaning of the Takeovers Code) with it upon completion of the Rights Issue.

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 market practice. The Directors consider that the terms of the Underwriting Agreement including the commission rate, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) (if any) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter have pursuant to its appointment under the Underwriting Agreement.

Subject to the fulfilment or waiver (where applicable) of all the conditions 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 for the Underwritten Shares pursuant to the terms and conditions of Underwriting Agreement.

Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the section headed "Proposed Rights Issue — Conditions of the Rights Issue" above.

Termination of the Underwriting Agreement

If, at any time prior to the Latest Time for Termination there occurs:

- (a) any of the following which, in the reasonable opinion of the Underwriter, will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudices the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
 - (ii) the occurrence, happening, coming into effect or becoming public knowledge of (1) 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 currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten consecutive Business Days (other than pending publication of this announcement or any other document relating to the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof; or
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Underwriter will materially and 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 member of the Group or the destruction of any material asset of the Group; or
- (c) in the reasonable opinion of the Underwriter, any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, epidemic, terrorism, armed conflict, strike or lock-out; or

- (d) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which, in the reasonable opinion of the Underwriter, is or might be material to the Group taken as a whole; or
- (e) in the reasonable opinion of the Underwriter, any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing,

the Underwriter shall be entitled by notice in writing issued by the Underwriter to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If, at or prior to the Latest Time for Termination:

- (a) the Company commits any material breach of or omits to materially observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, where, in the reasonable opinion of the Underwriter, such breach or omission will or is likely to have a material and adverse effect on its business, financial or trading prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (b) the Underwriter shall receive notification of, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated, and the Underwriter shall, in its reasonable discretion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (c) the Company's application to the Listing Committee of the Stock Exchange for the permission for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange; or
- (d) any condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused; or
- (e) any statement contained in this announcement or any Prospectus Document has been shown to be untrue, inaccurate, incomplete in any material respect or misleading with reference to the date on which such statement was made; or

- (f) the Company shall, after any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

The Underwriter shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting and rescind the Underwriting Agreement. Any such notice shall only be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice referred to above, all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, save in respect of the above termination clause, provisions regarding fees, indemnity, notices and governing law and jurisdiction and any right or liability accrued before such rescission or termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement(s) will be made if the Underwriting Agreement is terminated by the Underwriter.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the Rights Issue which are for illustrative purpose only.

As at the date of this announcement, the Company has 300,000,000 existing Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders); and (iii) immediately upon completion of the

Rights Issue (assuming, other than the Undertaken Shares pursuant to the Irrevocable Undertakings, nil acceptance by the Qualifying Shareholders and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

	(i) At the date of this announcement		(ii) Immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		(iii) Immediately upon completion of the Rights Issue (assuming, other than the Undertaken Shares pursuant to the Irrevocable Undertakings, nil acceptance by the Qualifying Shareholders and the Underwriter takes up the Rights Shares pursuant to the Underwriting Agreement)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Spearhead Leader (Note 1)	209,362,000	69.79	418,724,000	69.79	418,724,000	69.79
Star Glide (Note 2)	<u>15,638,000</u>	<u>5.21</u>	<u>31,276,000</u>	<u>5.21</u>	<u>31,276,000</u>	<u>5.21</u>
Parties acting in concert	225,000,000	75.00	450,000,000	75.00	450,000,000	75.00
Underwriter (Note 3)	—	—	—	—	75,000,000	12.50
Other Public Shareholders	<u>75,000,000</u>	<u>25.00</u>	<u>150,000,000</u>	<u>25.00</u>	<u>75,000,000</u>	<u>12.50</u>
Total	<u><u>300,000,000</u></u>	<u><u>100.00</u></u>	<u><u>600,000,000</u></u>	<u><u>100.00</u></u>	<u><u>600,000,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Yang, the chairman of the Board and executive Director, beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 209,362,000 shares of the Company held by Spearhead Leader for the purpose of the SFO.
2. Mr. Feng, the non-executive Director, beneficially owns the entire issued share capital of Star Glide. Therefore, Mr. Feng is deemed, or taken to be, interested in 15,638,000 Shares held by Star Glide for the purpose of the SFO.
3. These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) each of the subscribers of the Underwritten Shares procured by it shall be an Independent Third Party; and (ii) none of the subscribers, together with any party(ies) acting in concert with it/them, will hold such number of Underwritten

Shares which will trigger a mandatory general offer obligation under the Takeovers Code on the part of such sub-underwriters or subscribers or purchasers and parties acting in concert (within the meaning of the Takeovers Code) with it upon completion of the Rights Issue.

The public float requirements under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

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

The Group is principally engaged in design, printing, and distribution of paper cigarette packages in China and to a lesser extent, social product paper packages in China. Hubei Golden Three Gorges Printing Industry Co., Ltd.* (湖北金三峽印務有限公司) (“**Hubei Golden Three Gorges**”), the Group’s primary subsidiary, has been established in China for over 20 years and the Group provides paper cigarette packaging services for key cigarette brands designated by the State Tobacco Monopoly Administration of China. To further strengthen the business development of electronic cigarette, the Group has invested in Shenzhen Haohan Yangtian Technology Co., Ltd. (“**Shenzhen Haohan**”), which is engaged in product research and development of electronic cigarettes.

The estimated net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue of approximately HK\$176.0 million, of which (i) approximately HK\$118.32 million (equivalent to approximately RMB102 million) is intended for the business expansion of the production facilities of Hubei Golden Three Gorges; (ii) approximately HK\$29 million (equivalent to approximately RMB25 million) is intended for the brand development and market expansion of Shenzhen Haohan; (iii) approximately HK\$23.2 million (equivalent to approximately RMB20 million) is intended for the business development of electronic cigarettes; and (iv) the remaining amount for general working capital of the Company.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. In respect of debt financing, it will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, will

allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

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

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	Date (Hong Kong time)
Expected despatch date of the circular, proxy form and the notice of the EGM	Monday, 5 September 2022
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM	4:00 p.m. on Tuesday, 13 September 2022
Closure of register of members (both days inclusive)	Wednesday, 14 September 2022 – Tuesday, 20 September 2022
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Sunday, 18 September 2022
Record date for attendance and voting at the EGM.....	Tuesday, 20 September 2022
Expected time and date of the EGM to approve the proposed Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder	11:00 a.m. on Tuesday, 20 September 2022

Announcement of the poll results of the EGM.....	Tuesday, 20 September 2022
Register of members re-opens.....	Wednesday, 21 September 2022
Last day of dealings in the Shares on a cum-rights basis of the Rights Issue	Wednesday, 21 September 2022
First day of dealings in the Shares on an ex-rights basis of the Rights Issue	Thursday, 22 September 2022
Latest time for the Shareholders to lodge transfer of Shares to qualify for the Rights Issue.....	4:00 p.m. on Friday, 23 September 2022
Closure of register of members for the Rights Issue (both days inclusive).....	Monday, 26 September 2022 – Friday, 30 September 2022
Record date for the Rights Issue	Friday, 30 September 2022
Register of members of the Company re-opens	Monday, 3 October 2022
Despatch of Prospectus, PAL and EAF	Monday, 3 October 2022
Effective date of the new board lots size of 4,000 Shares	Monday, 3 October 2022
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Monday, 3 October 2022
First day of dealings in nil-paid Rights Shares.....	Thursday, 6 October 2022
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Monday, 10 October 2022
Last day of dealing in nil-paid Rights Shares.....	Thursday, 13 October 2022
Latest Time for Acceptance of and payment for the Rights Shares and application of and payment for excess Rights Shares.....	4:00 p.m. on Tuesday, 18 October 2022
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 19 October 2022

Designated broker ceases to stand in the
market to provide matching services
for odd lots of Shares 4:00 p.m. on
Monday, 24 October 2022

Announcement of results of the Rights Issue Tuesday, 25 October 2022

Despatch of certificates for fully-paid rights shares
and refund cheques in relation to wholly or
partially unsuccessful applications
for excess Rights Shares (if any)..... Wednesday, 26 October 2022

Commencement of dealings in
fully-paid Rights Shares..... Thursday, 27 October 2022

EFFECT OF BAD WEATHER 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 there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning or Extreme Conditions:

- (i) in force in Hong Kong at any local time before 12: 00 noon and no longer in force after 12:00 noon on Tuesday, 18 October 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 18 October 2022. Instead, the latest time for acceptance of and payment for the 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 does not take place on or before 4:00 p.m. on Tuesday, 18 October 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Underwriter has the right in certain circumstances to terminate the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the proposed Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter's right of termination and rescission of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

PROPOSED CHANGE IN BOARD LOT SIZE

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 4,000 Shares with effect from 9:00 a.m. on Monday, 3 October 2022. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

Based on the theoretical ex-rights price of HK\$0.650 per Share (calculated based on the closing price of HK\$0.700 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK\$1,300 and the estimated market value of each proposed new board lot is HK\$2,600.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed First Shanghai Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Monday, 3 October 2022 to 4:00 p.m. on Monday, 24 October 2022 (both dates inclusive). Further details of the odd lots matching arrangements will be disclosed in the circular of the Company in relation to the Rights Issue. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

All existing share certificates in board lot of 2,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a

result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 2,000 Shares to new share certificate in board lot size of 4,000 Shares is necessary.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of issued shares of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As Spearhead Leader and Mr. Yang are the Controlling Shareholders of the Company and Star Glide (which is wholly owned by Mr. Feng) is a party acting in concert with Spearhead Leader, each of Spearhead Leader, Star Glide, Mr. Yang and Mr. Feng shall abstain from voting in favour of the resolution relating to the Rights Issue at the EGM.

The Rights issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

The register of members of the Company will be closed from Wednesday, 14 September 2022 to Tuesday, 20 September 2022 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. The EGM will be convened to consider and, if thought fit, approve the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder.

A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 5 September 2022.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser to be appointed by the Company. In

this connection, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing, among other matters, details of the Rights Issue, will be despatched to the Qualifying Shareholders on Monday, 3 October 2022. The Prospectus (without the PAL and the EAF) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Excluded Shareholders (if any) for their information only.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares per board lot to 4,000 Shares per board lot
“Company”	Jia Yao Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1626)

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Excluded 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 or the requirements of the relevant regulatory body or stock exchange in that place
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“FRC”	the Financial Reporting Council of Hong Kong
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“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

“Irrevocable Undertakings”	the irrevocable undertakings given by Mr. Yang and Mr. Feng in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertakings” in this announcement
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping, which will be established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting in respect of the Rights Issue at the EGM under the Listing Rules
“Independent Third Party(ies)”	any individual(s) or company(ies) not being the connected persons (as defined under the Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associate(s)
“Last Trading Day”	5 August 2022, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 October 2022, being the last time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Latest Time for Termination”	4:00 p.m. on Wednesday, 19 October 2022, being the latest time for the termination of the Underwriting Agreement

“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Feng”	Mr. Feng Bin, the non-executive Director
“Mr. Yang”	Mr. Yang Yoong An, the chairman of the Board, an executive Director and a Controlling Shareholder of the Company
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue to be issued to the Qualifying Shareholders
“Posting Date”	Monday, 3 October 2022 or such other day as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Friday, 30 September 2022, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined

“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every one (1) existing Share held at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	Share(s) to be allotted and issued under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Date”	the date being the second Business Day following (but excluding) the Latest Time for Acceptance or such later date as the Company may agree
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Spearhead Leader”	Spearhead Leader Limited, being a Controlling Shareholder, and the entire issued share capital of which is wholly-owned by Mr. Yang, which holds approximately 69.79% of the issued share capital of the Company as at the date of this announcement
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.60
“Substantial Shareholder(s)”	has the meaning as ascribed to this term under the Listing Rules
“Star Glide”	Star Glide Limited, the entire issued share capital of which is wholly-owned by Mr. Feng, which holds approximately 5.21% of the issued share capital of the Company as at the date of this announcement

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Undertaken Shares”	A total number of 225,000,000 Rights Shares to be provisionally allotted to Spearhead Leader and Star Glide in accordance with their respective shareholding, whereby each of Mr. Yang and Mr. Feng has undertaken to the Company that they shall respectively procure Spearhead Leader and Star Glide to subscribe in full under the Irrevocable Undertakings
“Underwriter”	First Shanghai Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the Underwriter
“Underwriting Agreement”	the underwriting agreement dated 5 August 2022 entered into between the Company and the Underwriter in relation to the Rights Issue, as revised, supplemented or amended from time to time in accordance with its terms
“Underwritten Shares”	75,000,000 Rights Shares, representing the Rights Shares to be underwritten by the Underwriter, subject to the terms and conditions of the Underwriting Agreement
“Untaken Shares”	the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renounee(s) or transferee(s) of nil-paid rights under PAL(s)
“%”	per cent.

By order of the Board
Jia Yao Holdings Limited
Yang Yoong An
Chairman and Executive Director

Hong Kong, 5 August 2022

As at the date of this announcement, the Board comprises six Directors, namely: Mr. Yang Yoong An as executive Director; Mr. Feng Bin and Mr. Yang Fan as non-executive Directors; Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.

* *For identification purpose only*