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## **ANXIAN YUAN CHINA HOLDINGS LIMITED**

**安賢園中國控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0922)**

**(A) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR  
EVERY TWO (2) SHARES HELD ON THE RECORD DATE;  
(B) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(C) RESUMPTION OF TRADING**

**Financial adviser to the Company**



**Independent Financial Adviser to the Company**



## **PROPOSED RIGHTS ISSUE**

The Board proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise up to approximately HK\$133.3 million before expenses by way of issuing up to 1,332,817,890 Rights Shares.

The Company will provisionally allot to the Qualifying Shareholders three (3) Rights Shares in nil-paid form for every two (2) Shares in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The Rights Issue is conditional upon, among other things, the Executive having granted the Whitewash Waiver to Mr. H Shi prior to the Posting Date.

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$132.0 million.

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 there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

## **THE DEEDS OF COVENANTS AND UNDERTAKINGS**

On 19 March 2020 (after trading hours of the Stock Exchange), the Company respectively entered into the HS Deed of Covenants and Undertakings with Mr. H Shi and the JS Deed of Covenants and Undertakings with Mr. J Shi, whereupon Mr. H Shi and Mr. J Shi had irrevocably undertaken to the Company that, among other things, subject to Mr. H Shi having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to not less than approximately HK\$32.1 million in aggregate.

Mr. H Shi confirmed that he intends to apply for excess Rights Shares if there is an undersubscription of the Rights Issue. Mr. J Shi does not intend to apply for excess Rights Shares if there is an undersubscription of the Rights Shares.

Pursuant to the Deeds of Covenants and Undertakings, the Company has also undertaken to Mr. H Shi and Mr. J Shi that, among other things, the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Mr. H Shi.

**The Rights Issue is conditional, inter alia, upon fulfilment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” of this announcement. In particular, the Rights Issue is subject to the grant of the Whitewash Waiver by the Executive. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

#### **IMPLICATIONS UNDER THE LISTING RULES**

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding 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 at the date of this announcement, the Company does not have any controlling shareholders. All the executive Directors and the non-executive Director and their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

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

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi, the shareholding interest of Mr. H Shi will increase from approximately 22.8% to 41.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue. Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi; and (iii) Mr. H Shi has applied for and successfully been allotted the maximum excess Rights Shares allowed pursuant to Rule 7.21(3)(b) of the Listing Rules, being 1,011,250,890 Rights Shares, the shareholding interest of Mr. H Shi will increase from approximately 22.8% to 68.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi, the aggregate shareholding interest of the Concert Group will increase from approximately 24.1% to 44.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue. Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi; and (iii) Mr. H Shi has applied for and successfully been allotted the maximum excess Rights Shares allowed pursuant to Rule 7.21(3)(b) of the Listing Rules, being 1,011,250,890 Rights Shares, the aggregate shareholding interest of the Concert Group will increase from approximately 24.1% to 69.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances, the acceptance in full by Mr. H Shi of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings and/or the allotment of excess Rights Shares to Mr. H Shi upon successful excess application when there is an undersubscription of the Rights Issue will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by Mr. H Shi and parties acting in concert (as defined in the Takeovers Code) with him, unless a waiver is granted by the Executive.

In light of the above, Mr. H Shi will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Whitewash Waiver and Rights Issue at the SGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group and Mr. Law (being an executive Director), no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver is subject to the condition that respective resolutions relating to the Whitewash Waiver and the Rights Issue being approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the SGM.

## **GENERAL**

The Rights Issue Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue.

The Takeovers Code Independent Board Committee comprising all the non-executive Directors, namely Mr. Wang Hongjie, Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Whitewash Waiver.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee) by the Company to advise the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee and the Independent Shareholders in these regards.

The Circular containing, among other things, (i) the Rights Issue and the Whitewash Waiver; (ii) the letter of recommendation from the Rights Issue Independent Board Committee in respect of the Rights Issue; (iii) the letter of recommendation from the Takeovers Code Independent Board Committee in respect of the Rights Issue and Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Rights Issue Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver; (v) the notice convening the SGM; and (vi) other disclosure requirements under the Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before 15 April 2020).

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 20 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange of the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 26 March 2020.

## PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place with the terms set out as follows:

### Issue statistic

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held on the Record Date
Subscription Price	:	HK\$0.1 per Rights Share
Number of Shares in issue as at the date of this announcement	:	888,545,260 Shares
Total number of Rights Shares	:	Up to 1,332,817,890 Rights Shares (assuming no further Shares will be issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by Mr. H Shi and Mr. J Shi	:	321,567,000 Rights Shares, of which 303,267,000 Rights Shares are undertaken by Mr. H Shi and 18,300,000 Rights Shares are undertaken by Mr. J Shi
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$32.2 million to approximately HK\$133.3 million

Assuming there is no change in the number of issued Shares on or before the Record Date, the maximum number of 1,332,817,890 Rights Shares to be issued represents:

- (a) 150% of the number of issued Shares (based on the Company's issued share capital as at the date of this announcement); and
- (b) 60% of enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the date of this announcement, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

## Subscription Price

The Subscription Price is HK\$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 32.89% to the closing price of HK\$0.149 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 18.09% to the theoretical ex-rights price of approximately HK\$0.122 per Share based on the benchmarked price, being the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 35.57% to the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 84.86% to the net asset value of approximately HK\$0.660 per Share based on the unaudited equity attributable to owners of the Company of approximately HK\$586.8 million as at 30 September 2019 and 888,545,260 Shares; and
- (e) a discount of approximately 85.46% to the net asset value of approximately HK\$0.688 per Share based on the audited equity attributable to owners of the Company of approximately HK\$611.0 million as at 31 March 2019 and 888,545,260 Shares.

The Subscription Price was determined with reference to the average closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the date of the Deeds of Covenants and Undertakings, the financial conditions of the Company, current market conditions and the reasons and benefits of the Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this announcement.

The Board (other than the members of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) 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.

## Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving, among other things, (i) the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); and (ii) the Whitewash Waiver on or before the Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than Friday, 12 June 2020 (or such other date as may be determined by the Company) and Monday, 13 July 2020 (or such other date as may be determined by the Company) respectively, being the first day of their dealings;
- (e) there being no breach of the obligations of Mr. H Shi and Mr. J Shi under the Deeds of Covenants and Undertakings prior to the Latest Time for Acceptance; and
- (f) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Mr. H Shi prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.



## **Non-underwritten basis**

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 acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act 1981 of Bermuda regarding minimum subscription levels in respect of the Rights Issue.

Mr. H Shi's obligation to make a general offer under the Takeovers Code will be triggered as a result of the acceptance in full by him of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings and/or the allotment of excess Rights Shares to Mr. H Shi upon successful excess application when there is an undersubscription of the Rights Issue. As disclosed in the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in this announcement, it is a condition of the Rights Issue for the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Mr. H Shi prior to the Posting Date.

Apart from Mr. H Shi, any other Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under the EAF may also unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders (except Mr. H Shi, who will apply for the Whitewash Waiver from the Executive to waive the obligation to make a general offer under the Takeovers Code) to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (other than Mr. H Shi) for his entitlement under the PAL or for excess Rights Shares under the EAF 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.

## **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Share Registrar no later than 4:30 p.m. on Tuesday, 2 June 2020.

## **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 3 June 2020 to Tuesday, 9 June 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Share Registrar by 4:00 p.m. on Wednesday, 24 June 2020.

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If, based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send the PAL or EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Excluded Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders under the EAF(s).

### **Status of the Rights Shares**

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

### **Fractional entitlements to the Rights Shares**

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expenses) can be obtained, and the Company will keep the net proceeds for its own benefit. Any unsold fractions of the Rights Shares will be aggregated and made available for excess application by the Qualifying Shareholders.

### **Odd Lot Arrangement**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Monday, 13 July 2020 to Monday, 3 August 2020 (both days inclusive). Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his own professional advisers. Details of the odd lot arrangement will be provided in the Prospectus.

## Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Friday, 10 July 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Friday, 10 July 2020 by ordinary post to the applicants, at their own risk, to their registered addresses.

### Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any); (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares. (i) to (iii) are collectively referred to as “Untaken Rights”.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis. No reference will be made to the Rights Shares subscribed through applications by PALs. No preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

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 any controlling shareholders 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. For the purpose of the Rights Issue, the Company will consider the excess application(s) of the Concert Group in accordance with Rule 7.21(3)(b).

If the aggregate number of Rights Shares underlying the Untaken Rights 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.

Mr. H Shi confirmed that he intends to apply for any excess Rights Shares if there is an undersubscription of the Rights Issue. Pursuant to Rule 7.21(3)(b), assuming (i) there is no change in the number of issued Shares on or before the Record Date; and (ii) Mr. H Shi and Mr. J Shi had taken up in full the Rights Shares allotted to them under their respective assured entitlement to the Rights Shares, the maximum number of excess Rights Shares that Mr. H Shi may apply for would be 1,011,250,890 Rights Shares.

## **Application for listing**

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, 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 both 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 stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their 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, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

## **The Deeds of Covenants and Undertakings**

### ***HS Deed of Covenants and Undertakings***

On 19 March 2020 (after trading hours of the Stock Exchange), the Company entered into the HS Deed of Covenants and Undertakings with Mr. H Shi, whereupon Mr. H Shi had irrevocably undertaken to the Company:

- (i) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 202,178,000 Shares ultimately beneficially held by him as at the date of the HS Deed of Covenants and Undertakings or (ii) the nil-paid rights pertaining to the 303,267,000 Rights Shares provisionally allotted to him;
- (ii) the 202,178,000 Shares registered in his name and/or under the name(s) of his nominee(s) as at the date of the HS Deed of Covenants and Undertakings shall remain registered in his name and/or under the name(s) of his nominee(s) on the Record Date and until the close of the Rights Issue;
- (iii) to apply for the Whitewash Waiver;

- (iv) subject to having obtained the Whitewash Waiver, to accept in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to HK\$30,326,700; and
- (v) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert (as defined in the Takeovers Code) with him) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted.

### ***JS Deed of Covenants and Undertakings***

On 19 March 2020 (after trading hours of the Stock Exchange) (as supplemented on 23 March 2020), the Company entered into the JS Deed of Covenants and Undertakings with Mr. J Shi, whereupon Mr. J Shi had irrevocably undertaken to the Company:

- (i) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 12,200,000 Shares ultimately beneficially held by him as at the date of the JS Deed of Covenants and Undertakings or (ii) the nil-paid rights pertaining to the 18,300,000 Rights Shares provisionally allotted to him;
- (ii) the 12,200,000 Shares registered in his name and/or under the name(s) of his nominee(s) as at the date of the JS Deed of Covenants and Undertakings shall remain registered in his name and/or under the name(s) of his nominee(s) on the Record Date and until the close of the Rights Issue;
- (iii) subject to having obtained the Whitewash Waiver, to accept in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to HK\$1,830,000; and
- (iv) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert (as defined in the Takeovers Code) with him) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted.

Pursuant to the Deeds of Covenants and Undertakings, the Company has also undertaken to Mr. H Shi and Mr. J Shi that:

- (i) the Rights Issue shall be conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement; and
- (ii) the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Mr. H Shi.

## Effects on the shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue (assuming no further Shares will be issued or repurchased from the date of this announcement and up to the Record Date):

	Immediately after completion of the Rights Issue							
	As at the date of this announcement		Assuming all Shareholders have taken up the Rights Shares		Assuming only Mr. H Shi and Mr. J Shi had taken up their Rights Shares entitlement		Assuming only Mr. H Shi and Mr. J Shi had taken up their Rights Shares entitlement and Mr. H Shi had taken up the maximum number of excess Rights Shares (i.e. 1,011,250,890 Shares)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. H Shi (Notes 1 and 2)	202,178,000	22.75	505,445,000	22.75	505,445,000	41.77	1,516,695,890	68.28
Mr. J Shi (Note 3)	12,200,000	1.37	30,500,000	1.37	30,500,000	2.52	30,500,000	1.37
Sub-total of the Concert Group	214,378,000	24.12	535,945,000	24.12	535,945,000	44.29	1,547,195,890	69.65
Mr. Law Fei Shing (Note 4)	2,800,000	0.32	7,000,000	0.32	2,800,000	0.23	2,800,000	0.13
Public Shareholders	671,367,260	75.56	1,678,418,150	75.56	671,367,260	55.48	671,367,260	30.22
<b>Total</b>	<b>888,545,260</b>	<b>100.0</b>	<b>2,221,363,150</b>	<b>100.0</b>	<b>1,210,112,260</b>	<b>100.0</b>	<b>2,221,363,150</b>	<b>100.0</b>

### Notes:

1. The 180,000,000 Shares out of 202,178,000 Shares are held by Master Point Overseas Limited, which is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is legally and beneficially owned by Mr. H Shi, an executive Director. The remaining 22,178,000 Shares out of the 202,178,000 Shares are held by Mr. H Shi in personal interests.
2. Mr. H Shi is the chairman of the Company and an executive Director.
3. Mr. J Shi is the chief executive officer of the Company and an executive Director. Mr. J Shi is the son of Mr. H Shi.
4. Mr. Law Fei Shing is an executive Director.
5. Save as disclosed above, none of the Directors have any shareholding in the Company.

## **Reasons for the Rights Issue and use of proceeds**

Assuming that there is no change in the number of issued Shares on or before the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.3 million) will not be less than approximately HK\$30.9 million and not more than approximately HK\$132.0 million.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of cemeteries in the PRC. The Company intends to continue to focus on its cemetery business which the Directors believe will grow steadily in view of the aging PRC population, the continuous economic growth of the PRC and the enhanced spending power of PRC residents, which is in line with the strategy stated in the annual report of the Company for the year ended 31 March 2019 that the Group will adhere to its initial intention to capture the growth opportunities in the funeral industry from the urbanisation and aging population in the PRC.

In order to capture the growth opportunities, the Group intend to apply approximately (i) approximately 62.0% or HK\$81.8 million of the net proceeds from the Rights Issue to the First Phase Investment as stated in the MOU below in order to increase the cemetery reserve of the Group and improve local customer sourcing network; (ii) approximately 22.0% or HK\$29.0 million of the net proceeds from the Rights Issue for repayment of existing debts and payables with an intention to improve the Group's financial position, gearing and liquidity; and (iii) approximately 16.0% or HK\$21.2 million of the net proceeds from the Rights Issue for general working capital.

### ***Memorandum of understanding in relation to possible investment***

On 14 March 2020, Anxian Yuan Zhejiang and the Partners entered into a non-legally binding memorandum of understanding in relation to possible investment by Anxian Yuan Zhejiang in 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.\*) by way of capital injection and its development of a commercial cemetery (經營性公墓), subject to the entering into of the formal agreement. The Partners worked in 蘇州皇冠山公墓 (Suzhou Crown Hill Cemetery\*) as the director assistant and sales manager, with 4 and 13 years of experience in the cemetery business, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Partners are not Shareholders and are independent of the Company and its connected persons.



The Target Company is a limited liability company established under the laws of the PRC on 8 August 2019 with a registered capital of RMB10 million and wholly-owned by the Partners. It is principally engaged in cemetery management services, funeral, etiquette service, worship service, tombstone, funeral supplies sales, and landscaping business. The Target Company has obtained relevant government approval to develop a commercial cemetery by phases with a total investment of approximately RMB450 million to expand its cemetery construction and management business. The commercial cemetery will be located at Oudong District, Fuyang City, Anhui Province with a construction land area of approximately 169,413.42 square metres and a construction floor area of approximately 7,800 square metres including an integrated service complex of approximately 4,000 square metres, a funeral hall of approximately 3,000 square metres and a car park of approximately 800 square metres. The commercial cemetery will accommodate 30,000 traditional burial plots and ecological burial plots and features rockery, gazebo, carved columns, life release pond (放生池), etc. As at the date of this announcement, the Company is conducting due diligence on the Target Company, including but not limited to reviewing the relevant government approval on the commercial cemetery project as well as the establishment documents of the Target Company.

Pursuant to the MOU, Anxian Yuan Zhejiang and the Partners have agreed to invest in the first phase of the commercial cemetery with an aggregate amount of RMB90 million (including the existing registered capital of the Target Company of RMB10 million which has not yet been paid up as at the date of this announcement), of which Anxian Yuan Zhejiang and the Partners shall invest RMB24 million and RMB6 million in the Target Company, respectively. Upon completion of the Capital Injection, the registered capital of the Target Company shall be increased from RMB10 million to RMB30 million while the respective shareholding of the Company and the Partners will be 80% and 20%.

In addition, each of the shareholders of the Target Company is required to invest in the Target Company, based on their pro-rata shareholding interest in the Target Company after the Capital Injection, i.e. RMB60 million being the difference between the total first phase investment of RMB90 million and the total paid up capital after the Capital Injection of RMB30 million, for the development of the Target Company. Upon completion of the first phase of the commercial cemetery, it is expected that the commercial cemetery will record operating cash inflow which will then be utilised to develop the commercial cemetery continuously.

The Company and the Partners shall use their respective best endeavours to negotiate the terms of the investment agreement and enter into a legally binding formal agreement (the “**Formal Agreement**”) for the investments in the Target Company and/or the commercial cemetery.

**The Board wishes to emphasise that the MOU is non-legally binding and no Formal Agreement may be signed. The investments in the Target Company and/or the commercial cemetery may or may not proceed and Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Directors (other than the members of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Directors (other than the members of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market. The Directors (other than the members of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors (other than the members of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

## Previous fund raising exercise involving issue of securities in the prior 12-month period

Save as set out below, the Company has not completed any equity fund raising activities in the twelve (12) months immediately prior to the date of this announcement

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
17 December 2019	Placing of new Shares under general mandate	Approximately HK\$21.8 million	(a) as to approximately 61%, representing approximately HK\$13.4 million, for repayment of existing debts and payables with an intention to improve the Group's financial position, gearing and liquidity; and  (b) as to approximately 39%, representing approximately HK\$8.4 million, for general working capital of the Group.	(a) approximately HK\$6.8 million for repayment of existing debts of the Group; and  (b) approximately HK\$8.4 million for general working capital of the Group.  The remaining proceed is intended to be used for repayment of existing debts of the Group on its due date, being 1 April 2020.

## Information on Mr. H Shi and Mr. J Shi

Mr. Shi Hua, aged 68, was appointed as an executive Director on 20 June 2011. He is also the chairman of the Company and chairman of the Nomination Committee as from 15 December 2011 and 30 March 2012, respectively. Mr. H Shi was the chief executive officer of the Company from 15 December 2011 to 22 January 2014. Mr. H Shi was a teacher of 浙江汽校寧波分校 (Zhejiang Motor School, Ningbo Branch\*) from 1976 to 1977. During 1977 to 1990, Mr. H Shi worked for Zhejiang Civil Affairs Bureau and was responsible for the daily office routine of the Civil Affairs Bureau. During 1990 to 1996, Mr. H Shi worked for 杭州富安刺繡服裝廠 (Hangzhou Fu An Embroidery Clothing Factory\*) as its manager to oversee the overall day-to-day operation. In 1996, Mr. H Shi established 浙江富安移民經濟開發有限公司 (Zhejiang Fu An Immigration Economic Development Company Limited\*) and worked as its chairman and general manager. He was fully responsible for the company's operational management and investment decisions. In 1999, Mr. H Shi established Zhejiang Anxian Yuan and worked as its chairman of the board of directors and general manager. In 2007, he resigned from Zhejiang Anxian Yuan as general manager but remains as its chairman. Mr. H Shi also has been the president of Funeral Association of Zhejiang Province since September 2018. Mr. H Shi is the father of Mr. J Shi who is an executive Director and the chief executive officer of the Company.

Mr. Shi Jun, aged 38, was appointed as an executive Director and chief executive officer of the Company on 15 December 2011 and 23 January 2014, respectively. From 2003 to 2005, Mr. J Shi worked for 浙江富安移民經濟開發有限公司 (Zhejiang Fu An Immigration Economic Development Company Limited\*) as a deputy business manager, and was responsible for business development. From 2005 to 2007, Mr. J Shi worked for Hangzhou Haoletian Etiquette Service Company Limited\* (杭州好樂天禮儀服務有限公司) as a deputy general manager responsible for the company's overall business operations. In 2007, Mr. J Shi worked for Zhejiang Anxian Yuan as an assistant general manager and was responsible for the company's human resources and general business plan. He has been the general manager of Zhejiang Anxian Yuan since 2008, and was responsible for the company's overall daily operations. He is currently a director of Zhejiang Anxian Yuan. Mr. J Shi also has been the president of Funeral Association of Hangzhou since May 2018. Mr. J Shi is a son of Mr. H Shi who is an executive Director and the chairman of the Company.

## 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.

*(Hong Kong time)*

### **Announcement of the Rights Issue . . . . . Wednesday, 25 March 2020**

Expected despatch date of circular with notice and form of proxy for the SGM . . . . . Wednesday, 15 April 2020

Latest time for lodging Shares transfer documents to qualify for attendance and voting at SGM . . . . . 4:30 p.m. on Monday, 4 May 2020

Closure of register of members of the Company for attending the SGM (both days inclusive) . . . . . Tuesday, 5 May 2020 to Monday, 11 May 2020

Latest date and time for lodging forms of proxy for the purpose of the SGM . . . . . 10:00 a.m. on Saturday, 9 May 2020

### **Expected date and time of the SGM. . . . . 10:00 a.m. on Monday, 11 May 2020**

Announcement of poll results of SGM . . . . . Monday, 11 May 2020

Last day of dealings in Shares on a cum-rights basis . . . . . Friday, 29 May 2020

First day of dealings in Shares on an ex-rights basis . . . . . Monday, 1 June 2020

Latest time for the Shareholders to lodge  
Shares transfer documents in order to  
qualify for the Rights Issue . . . . . 4:30 p.m. on Tuesday, 2 June 2020

Closure of register of members of the Company for  
the Rights Issue (both days inclusive) . . . . . Wednesday, 3 June 2020 to  
Tuesday, 9 June 2020

Record Date for determining entitlements to the Rights Issue. . . . . Tuesday, 9 June 2020

Register of members of the Company re-opens . . . . . Wednesday, 10 June 2020

Despatch of Prospectus Documents. . . . . Wednesday, 10 June 2020

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Friday, 12 June 2020

Latest time for splitting nil-paid Rights Shares . . . . . 4:30 p.m. on  
Tuesday, 16 June 2020

Last day of dealings in nil-paid Rights Shares . . . . . 4:00 p.m. on  
Friday, 19 June 2020

**Latest time for acceptance of, and payment for,  
the Rights Shares. . . . . 4:00 p.m. on Wednesday,  
24 June 2020**

Announcement of results of the Rights Issue . . . . . Thursday, 9 July 2020

Despatch of refund cheques in relation to wholly  
or partially unsuccessful applications  
for excess Rights Shares . . . . . Friday, 10 July 2020

Despatch of share certificates for fully paid  
Rights Shares . . . . . Friday, 10 July 2020

Commencement of dealings in fully-paid  
Rights Shares . . . . . 9:00 a.m. on Monday, 13 July 2020

Designated broker starts to stand in the market  
to provide matching service for odd lots of Shares . . . . . Monday, 13 July 2020

Designated broker ceases to stand in the market  
to provide matching service for odd lots of Shares . . . . . Monday, 3 August 2020

The expected timetable is subject to change, and any such change will be further announced  
by the Company as and when appropriate.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the Executive granting the Whitewash Waiver to Mr. H Shi. Please refer to the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.**

**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 Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.**

**Any dealings in the Shares from the date of this announcement up to the date on which all 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 their nil-paid form are recommended to consult their professional advisers.**

## **IMPLICATIONS UNDER THE LISTING RULES**

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding 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 at the date of this announcement, the Company does not have any controlling shareholders. All the executive Directors and the non-executive Director and their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

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

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi, the shareholding interest of Mr. H Shi will increase from approximately 22.8% to 41.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue. Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi; and (iii) Mr. H Shi has applied for and successfully been allotted the maximum excess Rights Shares allowed pursuant to Rule 7.21(3)(b) of the Listing Rules, being 1,011,250,890 Rights Shares, the shareholding interest of Mr. H Shi will increase from approximately 22.8% to 68.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; and (ii) no other Qualifying Shareholders accepted any Rights Shares provisionally allotted to them, the shareholding interest of the Concert Group will increase from approximately 24.1% to 44.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue. Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. H Shi and Mr. J Shi; and (iii) Mr. H Shi has applied for and successfully been allotted the maximum excess Rights Shares allowed pursuant to Rule 7.21(3)(b) of the Listing Rules, being 1,011,250,890 Rights Shares, the shareholding interest of the Concert Group will increase from approximately 24.1% to 69.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances, the acceptance in full by Mr. H Shi of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings and/or the allotment of excess Rights Shares to Mr. H Shi upon successful excess application when there is an undersubscription of the Rights Issue will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by Mr. H Shi and parties acting in concert (as defined in the Takeovers Code) with him, unless a waiver is granted by the Executive.

In light of the above, Mr. H Shi will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Whitewash Waiver and Rights Issue at the SGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group and Mr. Law (being an executive Director), no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver is subject to the condition that respective resolutions relating to the Whitewash Waiver and the Rights Issue being approved by at least 75% and more than 50%, respectively of the votes cast by the Independent Shareholders at the SGM.

As at the date of this announcement:

- (a) save for in aggregate 214,378,000 Shares held by Mr. H Shi and Mr. J Shi, none of the members of the Concert Group owns or has control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (b) the Concert Group has no dealings in any securities of the Company in the 6-month period preceding the date of this announcement;
- (c) the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolutions approving the Rights Issue, and/or the Whitewash Waiver at the SGM;
- (d) there is no outstanding derivative in respect of securities in the Company entered into by the Concert Group;
- (e) save for the Deeds of Covenants and Undertakings, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Shares of Mr. H Shi and Mr. J Shi and which may be material to the Rights Issue and/or the Whitewash Waiver;
- (f) save that the Rights Issue is conditional upon obtaining of the Whitewash Waiver by Mr. H Shi as set out in the HS Deed of Covenants and Undertakings and there being no breach of the obligations of Mr. H Shi and Mr. J Shi under the Deeds of Covenants and Undertakings, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue and/or the Whitewash Waiver;
- (g) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent;
- (h) apart from the Subscription Price for the Rights Shares to be subscribed, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Concert Group to the Group in connection with the Rights Issue;



- (i) apart from the Deeds of Covenants and Undertakings, there is no understanding, arrangement, agreement or special deal between the Group and the Concert Group; and
- (j) there is no understanding, arrangement or agreement or special deal between any Shareholders and (i) the Concert Group, or (ii) the Company, its subsidiaries or associated companies.

## **GENERAL**

The Rights Issue Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue.

The Takeovers Code Independent Board Committee comprising all the non-executive Directors, namely Mr. Wang Hongjie, Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Whitewash Waiver.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee) by the Company to advise the Rights Issue Independent Board Committee and the Takeovers Code Independent Board Committee and the Independent Shareholders in these regards.

The Circular containing, among other things, (i) the Rights Issue and the Whitewash Waiver; (ii) the letter of recommendation from the Rights Issue Independent Board Committee in respect of the Rights Issue; (iii) the letter of recommendation from the Takeovers Code Independent Board Committee in respect of the Rights Issue and Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Rights Issue Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver; (v) the notice convening the SGM; and (vi) other disclosure requirements under the Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before 15 April 2020).

The SGM will be convened and held for the Independent Shareholders, to consider and, if thought fit, approve, among other things, (i) the Rights Issue and (ii) the Whitewash Waiver, each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code.

Subject to the approval of the Rights Issue and the Whitewash Waiver by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Wednesday, 10 June 2020 whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

As at the date of this announcement, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular relating to, among others, the Rights Issue. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue do not comply with other applicable rules and regulations.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 20 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange of the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 26 March 2020.

## **DEFINITIONS**

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

“Anxian Yuan Zhejiang”	安賢園(浙江)投資管理有限公司(Anxian Yuan (Zhejiang) Investment Management Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“Capital Injection”	the capital injection of RMB24 million and RMB6 million in the Target Company by Anxian Yuan Zhejiang and the Partners, respectively pursuant to the MOU
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be issued by the Company in relation to (among other things) the Rights Issue and the Whitewash Waiver

“Company”	Anxian Yuan China Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Concert Group”	Mr. H Shi, Mr. J Shi and parties acting in concert (as defined in the Takeovers Code) with any of them
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Deeds of Covenants and Undertakings”	the HS Deed of Covenants and Undertakings and the JS Deed of Covenants and Undertakings
“Directors”	directors of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, considers it necessary or expedient not to offer the Rights Shares to them
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Phase Investment”	investment in the first phase of the commercial cemetery with an aggregate amount of RMB90 million including the Capital Injection
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HS Deed of Covenants and Undertakings”	the deed of covenants and undertakings dated 19 March 2020 executed between Mr. H Shi and the Company in relation to the proposed Rights Issue

“Independent Financial Adviser”	TUS Corporate Finance Limited, an independent financial adviser appointed by the Company for the purpose of giving recommendations to the Rights Issue Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver
“Independent Shareholders”	Shareholder(s), other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associate, and (ii) members of the Concert Group and Shareholders who are involved in, or interested in, the Rights issue and/or the Whitewash Waiver
“JS Deed of Covenants and Undertakings”	the deed of covenants and undertakings dated 19 March 2020 (as supplemented on 23 March 2020) executed between Mr. J Shi and the Company in relation to the proposed Rights Issue
“Last Trading Day”	Thursday, 19 March 2020
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 24 June 2020 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. H Shi”	Mr. Shi Hua, an executive Director and the chairman of the Company and also a substantial Shareholder holding 202,178,000 Shares, representing approximately 22.75% of the issued share capital of the Company as at the date of this announcement
“Mr. J Shi”	Mr. Shi Jun, an executive Director and the chief executive officer of the Company, son of Mr. H Shi and also a Shareholder holding 12,200,000 Shares, representing approximately 1.37% of the issued share capital of the Company as at the date of this announcement
“MOU”	the memorandum of understanding dated 14 March 2020 entered into amongst Anxian Yuan Zhejiang and the Partners

“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Partners”	the two existing owners of the Target Company
“Posting Date”	Wednesday, 10 June 2020 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and 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 shall exclude 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 Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	the record date to determine the provisional entitlements to the Rights Issue
“Rights Issue”	the proposed issue by way of rights on the basis of three (3) Rights Shares for every two (2) Shares in issue
“Rights Issue Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, established for the purpose of advising the Independent Shareholders on the Rights Issue
“Rights Share(s)”	up to 1,332,817,890 new Shares proposed to be allotted and issued under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC

“SFC”	the Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue and the Whitewash Waiver
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Registrar”	Tricor Abacus Limited at Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.1 per Rights Share under the Rights Issue
“Target Company”	阜陽市天壽園陵園管理有限公司(Fuyang Tianshouyuan Cemetery Management Co., Ltd.*), a limited liability company established under the laws of the PRC with a registered capital of RMB10 million, which is wholly-owned by the Partners
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Takeovers Code Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors, namely Mr. Wang Hongjie, Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong, established for the purpose of advising the Independent Shareholders on the Rights Issue and the Whitewash Waiver
“Whitewash Waiver”	the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Mr. H Shi to make a mandatory general offer to the Shareholders in respect of all issued Shares not already owned or agreed to be acquired by the Concert Group which will be triggered as a result of (i) the acceptance in full by Mr. H Shi of the provisional allotment of Rights Shares to him pursuant to the HS Deed of Covenants and Undertakings; and/or (ii) Mr. H Shi having applied for and successfully allotted any excess Rights Shares

“Zhejiang Anxian Yuan”

浙江安賢陵園有限責任公司(Zhejiang Anxian Yuan Company Limited\*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent

By order of the Board of  
**ANXIAN YUAN CHINA HOLDINGS LIMITED**  
**Shi Hua**  
*Chairman*

Hong Kong, 25 March 2020

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Shi Hua, Mr. Shi Jun and Mr. Law Fei Shing; one non-executive director, namely Mr. Wang Hongjie; and three independent non-executive directors, namely Mr. Chan Koon Yung, Mr. Lum Pak Sum and Mr. Yao Hong.*

*The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

\* For identification purposes only