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## **LONGHUI INTERNATIONAL HOLDINGS LIMITED**

### **龍輝國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1007)**

- (1) PROPOSED SHARE CONSOLIDATION;**
- (2) PROPOSED CHANGE IN BOARD LOT SIZE;**
- (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND**
- (4) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

**Financial Adviser and Placing Agent**



**DL Securities (HK) Limited**

#### **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.0004 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.004 each. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders by way of ordinary resolution at the EGM.

#### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 4,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase the authorised share capital of the Company from HK\$380,000 divided into 95,000,000 Consolidated Shares to HK\$2,000,000 divided into 500,000,000 Consolidated Shares by the creation of additional 405,000,000 new Consolidated Shares, all of which will rank *pari passu* with all Consolidated Shares when the increase in authorised share capital of the Company becomes effective.

## **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

On 20 May 2022 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties to subscribe for up to 28,000,000 Placing Shares at the Placing Price of HK\$0.65 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing and the Share Consolidation becomes effective, the maximum of 28,000,000 Placing Shares represent (i) approximately 39.94% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.54% of the issued share capital of the Company as enlarged by the allotment and issue of 28,000,000 Placing Shares.

The gross proceeds from the Placing will be approximately HK\$18.20 million (assuming all the Placing Shares are fully placed). The net proceeds, after deduction of relevant expenses (including but not limited to placing commission, legal expenses and disbursements) of approximately HK\$0.56 million, are estimated to be approximately HK\$17.64 million, representing a net issue price of approximately HK\$0.63 per Placing Share.

The Company intends to apply the net proceeds from the Placing as to approximately HK\$15.00 million or 85.0% for the repayment of the existing indebtedness of the Group from Independent Third Parties and as to approximately HK\$2.64 million or 15.0% as general working capital of the Group, including rental payment of the Group's restaurants located in the PRC, staff costs and the Group's day-to-day operating expenses.

## **GENERAL**

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the EGM.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) further details of the Change in Board Lot Size; (iii) further details of the Increase in Authorised Share Capital; (iv) further details of the Placing; and (v) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**The Share Consolidation, the Increase in Authorised Share Capital and the Placing are conditional upon satisfaction of their respective conditions set out in this announcement. Accordingly, the Share Consolidation, the Increase in Authorised Share Capital, the Change in Board Lot Size and the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.0004 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.004 each.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions being fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation.

The Share Consolidation is expected to become effective on the second Business Day immediately following the fulfillment of the above conditions (i.e. 30 June 2022).

### **Effects of the Share Consolidation**

As at the date of this announcement, the authorised share capital of the Company is HK\$380,000 divided into 950,000,000 Shares of par value of HK\$0.0004 each, of which 701,096,242 Shares have been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company will remain at HK\$380,000 but will be divided into 95,000,000 Consolidated Shares of par value of HK\$0.004 each, of which 70,109,624 Consolidated Shares will be in issue as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

Other than the expenses, including professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

### **Listing application**

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective and the Consolidated Shares which may be issued pursuant to the exercise of the options granted or which may be granted under the Share Option Scheme.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation becoming effective, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchanges other than the Stock Exchange, and at the time when the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### **Fractional entitlement to the Consolidated Shares**

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the

Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

### **Odd lot arrangements**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, for the sale and purchase of odd lots of the Consolidated Shares arising from the Share Consolidation. Details of such arrangement will be set out in the circular in relation to, among other things, the Share Consolidation to be despatched to the Shareholders as soon as practicable.

Shareholders holding odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers. Details of the matching service will be set out in the circular to be despatched to the Shareholders.

### **Exchange of share certificates**

Should the Share Consolidation become effective, Shareholders may, during the period from 30 June 2022 to 8 August 2022 (both days inclusive), submit existing share certificates in yellow colour for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for exchange, at the expense of the Company, for new share certificates in green colour for Consolidated Shares.

It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 business days after the submission of the existing share certificates to the branch share registrar and transfer office of the Company for exchange.

Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each share certificate for the Consolidated Shares issued or each share certificate for the Existing Shares submitted for cancellation, whichever the number of share certificates involved is higher.

Subject to and upon the Share Consolidation becoming effective, after close of business on Thursday, 4 August 2022, trading will only be in Consolidated Shares which share certificates will be issued in green colour. Existing share certificates in yellow colour for the Existing Shares will cease to be good for delivery but will continue to be good evidence of legal title and may be exchanged for share certificates for the Consolidated Shares at any time at the expense of the Shareholders.

## **ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY**

As at the date of this announcement, the Company has outstanding convertible bonds in the principal amount of HK\$4,414,937.71 entitling holders thereof to convert for a total of 2,522,821 Existing Shares at the conversion price of HK\$1.75 per Existing Share. Under the relevant terms and conditions thereof, the Share Consolidation may lead to adjustments to the exercise price and the number of shares falling to be issued upon exercise of the conversion rights attached to the outstanding convertible bonds pursuant to the terms thereof.

The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save as disclosed above, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the date of this announcement.

## **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 4,000 Consolidated Shares per board lot, conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.071 per Existing Share (equivalent to the theoretical closing price of HK\$0.71 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$1,420; (ii) the value of each board lot of 20,000 Consolidated Shares would be HK\$14,200 on the assumption that the Share Consolidation becomes effective; and (iii) the value of each board lot of 4,000 Consolidated Shares would be HK\$2,840 on the assumption that the Change in Board Lot Size has also become effective.

The Change in Board Lot Size will not result in any change in relative rights of the Shareholders.

## **REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT**

According to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000. As at the date of this announcement, the closing price of the Existing Shares was HK\$0.071, with a board lot size of 20,000, and the existing board lot value was only HK\$1,420, which was less than HK\$2,000.

The Existing Shares has been trading below HK\$0.10 since March 2022. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in a theoretical price HK\$0.71 per Consolidated Share and HK\$2,840 per board lot of 4,000 Consolidated Shares (based on the closing price of HK\$0.071 per Existing Share as at the date of this announcement), would enable the Company to comply with the trading requirements under the Listing Rules. The proposed Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares.

In view of the above reasons, the Board considers that the Share Consolidation and the Change in Board Lot Size are justifiable. Accordingly, the Board is of the view that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the existing authorised share capital of the Company is HK\$380,000 divided into 950,000,000 Existing Shares of HK\$0.0004 each, of which 701,096,242 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective and assuming there will be no change in the number of issued Shares from the date of this announcement up to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$380,000 divided into 95,000,000 Consolidated Shares of HK\$0.004 each, of which 70,109,624 Consolidated Shares of HK\$0.004 each will be in issue.

In order to facilitate the Placing, as well as to accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary, subject to the Share Consolidation having become effective, the Board proposes to increase the authorised share capital of the Company from HK\$380,000 divided into 95,000,000 Consolidated Shares to HK\$2,000,000 divided into 500,000,000 Consolidated Shares by the creation of an additional 405,000,000 new Consolidated Shares. The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

The proposed Increase in Authorised Share Capital is subject to (i) the approval of the Shareholders by way of an ordinary resolution at the EGM; and (ii) the Share Consolidation having become effective.

## **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

On 20 May 2022 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Places who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties to subscribe for up to 28,000,000 Placing Shares at the Placing Price of HK\$0.65 per Placing Share. Details of the Placing Agreement are set out below:

### **The Placing Agreement**

Date: 20 May 2022 (after trading hours)

Parties: (i) the Company (as issuer); and  
(ii) DL Securities (HK) Limited (as placing agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of HK\$200,000 or 1% of the aggregate Placing Price for the Placing Shares actually placed by the Placing Agent, whichever is higher. The placing commission was

negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

### **Placees**

The Placing Shares will be placed to not less than six Placees who shall be professional, institutional or other investors independent of and not connected with the Company, the connected persons of the Company and their respective associates, and who and whose ultimate beneficial owner(s) (if applicable) are Independent Third Parties. Upon Completion, it is expected that none of the Placees will become a substantial Shareholder. Pursuant to the Placing Agreement, the Placing Agent will use its reasonable endeavours to ensure that none of the Placees to be procured by the Placing Agent or any of their respective associates will, immediately upon Completion, become a substantial Shareholder (within the meaning of the Listing Rules) of the Company.

### **Placing Shares**

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing and the Share Consolidation becomes effective, the maximum of 28,000,000 Placing Shares represent (i) approximately 39.94% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.54% of the issued share capital of the Company as enlarged by the allotment and issue of 28,000,000 Placing Shares.

The aggregate nominal value of the maximum of 28,000,000 Placing Shares is HK\$112,000.

### **Placing Price**

The Placing Price of HK\$0.65 per Placing Share represents:

- (i) a discount of approximately 8.45% to the theoretical closing price of HK\$0.71 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on 20 May 2022, being the date of the Placing Agreement;

- (ii) a discount of approximately 10.96% to the average theoretical closing price of approximately HK\$0.73 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement;
- (iii) a discount of approximately 9.72% to the average theoretical closing price of approximately HK\$0.72 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Placing Agreement;
- (iv) a theoretical dilution effect of approximately 2.74% represented by the theoretical diluted price of approximately HK\$0.71 per Consolidated Share to the benchmarked price of HK\$0.73 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.71 per Consolidated Share on the date of the Placing Agreement and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Placing Agreement of HK\$0.73 per Existing Share and adjusted for the effect of the Share Consolidation); and
- (v) a premium of approximately HK\$3.00 to the net liabilities of the Company of approximately HK\$2.35 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the audited net liabilities attributable to owners of the Company of approximately RMB137,044,000 (equivalent to approximately HK\$164,452,800) as at 31 December 2021 and 70,109,624 Consolidated Shares assuming the Share Consolidation has become effective.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Ranking of the Placing Shares**

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Placing Shares.

## Conditions

The Placing is conditional upon the fulfilment of the following conditions:

- (i) the passing of necessary resolution(s) by the Shareholders of the Company who are allowed to vote under the Listing Rules of the relevant resolution(s) to approve (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; and (iii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate at the EGM;
- (ii) the Share Consolidation becoming effective;
- (iii) the Increase in Authorised Share Capital becoming effective;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Placing Shares;
- (v) the Shares remaining listed on the Stock Exchange, and that the listing status of the Shares not being subject to or threatened with any revocation, suspension, withdrawal or cancellation at any time prior to the Completion Date;
- (vi) the Placing Agreement not being terminated in accordance with the terms thereunder including the provisions regarding force majeure event; and
- (vii) all necessary consents and approvals to be obtained on the each of the Company and the Placing Agent in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained,

on or before 31 August 2022 (or such later date as the parties to the Placing Agreement may agree) (the “**Long Stop Date**”).

The Company shall use its best endeavours to procure the satisfaction of the conditions set out in (i) to (vii) above and the Placing Agent shall use its best endeavours to procure the satisfaction of the condition set out in (vii) above. If the above conditions are not satisfied on or before the Long Stop Date, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) any liabilities in respect of the representations and warranties made by the Company, indemnity, reimbursements and undertakings by the Placing Agent).

## **Completion**

Completion shall take place on the Completion Date, being the fifth Business Days after the day on which all the conditions set out in the Placing Agreement have been fulfilled (or such other date as may be agreed between the parties to the Placing Agreement in writing).

## **Application for listing**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **Specific Mandate to issue the Placing Shares**

The Placing Shares will be issued under the Specific Mandate to be sought and approved by the Shareholders at the EGM.

## **Force Majeure**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 9:00 a.m. on the Completion Date if:

- (i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (ii) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (iv) any statement contained in this announcement and the circular of the Company in relation to, among others, the Placing Agreement and the EGM has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (v) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or

(vi) any event of force majeure (being an event beyond the control of the parties to the Placing Agreement and which is unforeseeable or unavoidable), including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties to the Placing Agreement.

Upon termination of the Placing Agreement as described above, all liabilities of the parties to the Placing Agreement shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) any liabilities in respect of the representations and warranties made by the Company under the Placing Agreement, reimbursements of out-of-pocket expenses of the Placing Agent and liabilities arises from any breach of undertakings by the Placing Agent.

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

## CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Placing are as follows:

Shareholders	As at the date of this announcement		Immediately upon the Share Consolidation becomes effective		Immediately upon completion of the Placing	
	<i>Number of Existing Shares</i>	<i>Approximate Percentage</i>	<i>Number of issued Shares</i>	<i>Approximate Percentage</i>	<i>Number of issued Shares</i>	<i>Approximate Percentage</i>
<i>Substantial Shareholder</i>						
Shui Chak Group Limited ( <i>Note 1</i> )	452,564,624	64.55%	45,256,462	64.55%	45,256,462	46.13%
<i>Directors</i>						
Mr. So Kam Chuen	8,609,331	1.23%	860,933	1.23%	860,933	0.88%
Mr. Yuan Mingjie	6,833,600	0.97%	683,360	0.97%	683,360	0.70%
<i>Public Shareholders</i>						
The Places	—	—	—	—	28,000,000	28.54%
Other Shareholders	<u>233,088,687</u>	<u>33.25%</u>	<u>23,308,869</u>	<u>33.25%</u>	<u>23,308,869</u>	<u>23.76%</u>
Total:	<u>701,096,242</u>	<u>100.00%</u>	<u>70,109,624</u>	<u>100.00%</u>	<u>98,109,624</u>	<u>100.00%</u>

*Note:*

- (1) Shui Chak Group Limited is wholly and beneficially owned by Mr. Hung Shui Chak, the chairman and an executive Director of the Company.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company had not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS**

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange. The Group is principally engaged in the hotpot restaurant business in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the Group's loss attributable to the Shareholders was approximately RMB33.95 million. As at 31 December 2021, the bank balances and cash of the Group amounted to approximately RMB2.20 million while the Group's other payables and accruals amounted to approximately RMB114.60 million and borrowings was approximately RMB4.80 million. The Board considers that the Group's existing cash together with the cash generated from the Group's operation may not be sufficient to meet the need for both repayment of liabilities and general operation. Taking into account of the financial position of the Group, The Board considered it necessary to conduct fund raising activities to strengthen the financial position of the Group, so as to accommodate the operating cash expenses of the Company and to guard against any unexpected increase in costs or able to respond to any unforeseen need in capital.

The gross proceeds from the Placing will be approximately HK\$18.2 million (assuming all the Placing Shares are fully placed). The net proceeds, after deduction of relevant expenses (including but not limited to placing commission, legal expenses and disbursements) of approximately HK\$0.56 million, are estimated to be approximately HK\$17.64 million, representing a net issue price of approximately HK\$0.63 per Placing Share.

The Company intends to apply the net proceeds from the Placing as to approximately HK\$15.00 million or 85.0% for the repayment of the existing indebtedness of the Group from Independent Third Parties and as to approximately HK\$2.64 million or 15.0% as general working capital of the Group, including rental payment of the Group's restaurants located in the PRC, staff costs and the Group's day-to-day operating expenses.

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide funding to the Group to repay the outstanding loans of the Group and finance its working capital needs. The Placing also represents a good opportunity to broaden the Shareholders' base and the capital base of the Company.

The Board has considered other fund-raising methods including debt financing and/or other equity financing options such as rights issue and open offer. However, the Board is of the view that debt financing, such as bank borrowings, will depend on the prevailing market condition, and may be subject to lengthy due diligence and loan application processes with banks. In addition, debt financing will impose additional interest burden on the Group which will, in turn, worsen the Group's financial performance and position. For other alternative equity fund-raising methods such as rights issue and open offer, having considered (i) the relatively higher costs for conducting rights issue or open offer due to additional costs for engagement of various professional parties such as underwriter(s), reporting accountants, financial advisers and/or brokerage agent(s); and (ii) a relatively longer time is usually required for rights issue or open offer which involve more stringent documentary and registration requirements, the Board does not consider rights issue and open offer to be desirable alternatives to the Placing.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing Agreement are fair and reasonable and are on normal commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

#### **EXPECTED TIMETABLE**

The expected timetable of the proposed Share Consolidation and Change in Board Lot Size is as follows:

<b>Events</b>	<b>Time and date 2022</b>
Despatch date of circular with notice of the EGM . . . . .	Friday, 10 June
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM . . . . .	4:30 p.m. on Wednesday, 22 June
Closure of register of members for the entitlement to attend and vote at the EGM . . . . .	Thursday, 23 June to Tuesday, 28 June (both days inclusive)
Latest date and time for lodging forms of proxy for the EGM . . . . .	12:00 noon on Sunday, 26 June
Date and time of the EGM . . . . .	12:00 noon on Tuesday, 28 June
Date of publication of the announcement of voting results of the EGM . . . . .	Tuesday, 28 June
Effective date of the Share Consolidation . . . . .	Thursday, 30 June

**Events****Time and date 2022**

First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares commences . . . . . Thursday, 30 June

Dealings in Consolidated Shares commence . . . . . 9:00 a.m. on Thursday, 30 June

Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates in yellow colour) temporarily closes . . . . . 9:00 a.m. on Thursday, 30 June

Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates in yellow colour) opens . . . . . 9:00 a.m. on Thursday, 30 June

Original counter for trading in the Consolidated Shares in new board lots of 4,000 Consolidated Shares (in the form of new share certificates in green colour) re-opens . . . . . 9:00 a.m. on Friday, 15 July

Parallel trading in the Consolidated Shares (in form of new share certificates in green colour and existing share certificates in yellow colour) commences . . . . . 9:00 a.m. on Friday, 15 July

Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . . 9:00 a.m. on Friday, 15 July

Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . . 4:00 p.m. on Thursday, 4 August

Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates in yellow colour) closes . . . . . 4:10 p.m. on Thursday, 4 August

Parallel trading in the Consolidated Shares (in form of new share certificates in green colour) and existing share certificates in yellow colour) ends . . . . . 4:10 p.m. on Thursday, 4 August

## Events

Time and date 2022

Last day for free exchange of existing share certificates  
for new share certificates for the Consolidated Shares . . . . . Monday, 8 August

All times and dates specified in the timetable above refer to Hong Kong times and dates.

## GENERAL

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the EGM.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) further details of the Change in Board Lot Size; (iii) further details of the Increase in Authorised Share Capital; (iv) further details of the Placing; and (v) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**The Share Consolidation and the Placing are conditional upon satisfaction of their respective conditions set out in this announcement. Accordingly, the Share Consolidation, the Change in Board Lot Size and the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing And Settlement System operated by the 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 change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Existing Shares to 4,000 Consolidated Shares

“Company”	Longhui International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1007)
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Completion Date”	a date falling on the fifth Business Days after the day on which all the conditions set out in the Placing Agreement have been fulfilled (or such later date as may be agreed between the parties to the Placing Agreement in writing)
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Consolidated Shares”	ordinary shares of HK\$0.004 each in the share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to approve, among other things, (i) the Share Consolidation; and (ii) the Placing and the transactions contemplated thereunder
“Existing Share(s)”	ordinary share(s) of HK\$0.0004 each in the share capital of the Company prior to the Share Consolidation becoming effective
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$380,000 (divided into 95,000,000 Consolidated Shares) to HK\$2,000,000 (divided into 500,000,000 Consolidated Shares) by the creation of an additional 405,000,000 Shares

“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in The Codes on Takeovers and Mergers and Share Buy-backs) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and any of their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual(s), corporate, institutional investor(s) or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of up to 28,000,000 Placing Shares on a best effort basis on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	DL Securities (HK) 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in Hong Kong
“Placing Agreement”	the conditional placing agreement dated 20 May 2022 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.65 per Placing Share
“Placing Share(s)”	a total of up to 28,000,000 new Consolidated Shares to be placed pursuant to the Placing Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of the issued Share(s)

“Share Option(s)”	the option(s) to subscribe for new shares of the Company granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 2 June 2021
“Specific Mandate”	the specific mandate to allot and issue the Placing Shares to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Longhui International Holdings Limited**  
**Hung Shui Chak**  
*Chairman and Executive Director*

Hong Kong, 20 May 2022

*Throughout this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of RMB1.0 = HK\$1.2. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Hung Shui Chak, Mr. So Kam Chuen and Mr. Yuan Mingjie; and three independent non-executive Directors, namely Mr. Tam Bing Chung Benson, Mr. Cheung Ting Pong and Mr. Shum Kei Yiu Daniel.*