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BONJOUR
Bonjour Holdings Limited
卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

**(1) VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY;**

**(2) MAJOR TRANSACTION IN RELATION TO
INVESTMENT IN A FUND;**

(3) ISSUE OF WARRANTS UNDER SPECIFIC MANDATE; AND

**(4) DISCLOSEABLE TRANSACTION IN RELATION TO
THE TENANCY AGREEMENT**

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE
ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

On 28 March 2022 (after trading hours), the Company entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and the Fund agreed to purchase the Sale Share at an aggregate consideration of HK\$900,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND

On 28 March 2022 (after trading hours), Bonjour Investment (a wholly-owned subsidiary of the Company and a Limited Partner), CRCI (also a Limited Partner) and the General Partner, entered into the Limited Partnership Agreement and the Subscription Agreement, pursuant to which the parties have agreed upon, among other things, that the Limited Partners shall contribute a maximum of HK\$550,000,000 to the Fund subject to the terms of the Limited Partnership Agreement. The principal investment of the Fund is the Seed Project, which involves the Fund acquiring the Sale Share from the Company.

(3) ISSUE OF WARRANTS UNDER SPECIFIC MANDATE

Upon Completion, the Company will issue 581,578,947 Warrants with an aggregate face value of HK\$110,500,000 to the Subscriber.

The issue price of the Warrants is nil. Each Warrant carries the right to subscribe for one Warrant Share at an exercise price of HK\$0.19 per Warrant Share (subject to adjustment events set out in and in accordance with the terms and conditions of the Warrants). The Warrant Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will make application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares upon exercise of the Warrant Subscription Rights on the Stock Exchange.

(4) DISCLOSEABLE TRANSACTION IN RELATION TO THE TENANCY AGREEMENT

Pursuant to the Sale and Purchase Agreement, upon Completion, the Company (or its subsidiary/affiliate) and the Fund will enter into the Tenancy Agreement, whereby the Fund will lease the Property to the Group for the Group's use for a term of four years commencing on the Completion Date. The annual rent payable by the Group will be HK\$27,000,000 during the term of the Tenancy Agreement. The Property will continue to be used by the Group as premises for its operation.

The Disposal, the Investment, issue of the Warrants and the entering into of the Tenancy Agreement are contractually inter-conditional upon each other.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratio for the Company in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, as one or more applicable percentage ratio for the Company in respect of the Investment under the Limited Partnership Agreement exceeds 25% but less than 100%, the Investment constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, save for the Convertible Bonds and the share options outstanding and not yet exercised under the Share Option Scheme, the Company does not have any securities with subscription rights. Assuming (i) full exercise of the Warrant Subscription Rights attaching to the Warrants; and (ii) no Shares are further issued and repurchased, an aggregate of 581,578,947 Shares will be issued, which represent (a) approximately 16.56% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 14.21% of the total number of Shares in issue as enlarged by the issue of the Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the issue of the Warrants and the Warrant Shares are subject to the approval of the Shareholders. The Warrant Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

As one or more applicable percentage ratio in respect of the lease under the Tenancy Agreement based on the value of the right-of-use asset recognised by the Group is more than 5% but below 25%, the lease under the Tenancy Agreement constitutes a discloseable transaction of the Company, and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Disposal, the Investment or the issue of the Warrants. As such, no Shareholder would be required to abstain from voting on the resolutions to approve the Disposal, the Investment, the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares and the transactions contemplated thereunder at the EGM.

GENERAL

The EGM will be held and convened by the Company for the purpose of considering and, if thought fit, approving the Disposal, the Investment, the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares and the transactions contemplated thereunder. A circular containing, among others, (i) further information on the Disposal, the Investment and the terms and conditions of the Warrants, (ii) other information as required under the Listing Rules and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on 21 April 2022.

Completion of each of the Disposal, the Investment and the issue of the Warrants is conditional upon the satisfaction and/or waiver (as applicable) of the relevant conditions precedent. Furthermore, the entering into of the Tenancy Agreement is conditional upon completion of the Disposal. Accordingly, the Disposal, the Investment, the issue of the Warrants and the entering into of the Tenancy Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

On 28 March 2022 (after trading hours), the Company entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and the Fund agreed to purchase the Sale Share at an aggregate consideration of HK\$900,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are as follows:

- Date : 28 March 2022
- Parties : (1) the Company, as vendor; and
(2) the Fund, as purchaser.

Pursuant to the Sale and Purchase Agreement, the Company has agreed to sell, and the Fund has agreed to purchase the Sale Share at an aggregate consideration of HK\$900,000,000, subject to the terms and conditions thereof. The Target Company directly holds and owns 100% of the issued shares of Apex Frame, which is the legal and beneficial owner of the Property.

Consideration

The Consideration for the Disposal is HK\$900,000,000, the payment of which will be settled by the Fund through utilising the Bank Facility and the capital commitment of the Limited Partners to be contributed to the Fund on the Closing Date. The Consideration was arrived at after arm's length negotiation between the Company and the Fund with reference to the valuation of the Property at HK\$900,000,000 as at 28 February 2022 appraised by the Independent Valuer adopting market approach and the unaudited consolidated net asset value of the Target Group.

The unaudited net liabilities of the Target Group as at 30 September 2021 were approximately HK\$46,918,000. The adjusted net asset value of the Target Group after taking into account the difference between the market value of the Property of HK\$900,000,000 as at 28 February 2022 (details of which will be disclosed in the valuation report to be included in the circular in connection with the transactions disclosed herein) and its carrying amount as at 30 September 2021 of approximately HK\$479,815,000 is approximately HK\$373,267,000.

Pursuant to the Sale and Purchase Agreement, the Consideration will be settled in full upon Completion in the following manner:

- (a) the Fund shall procure that the lender under the Bank Facility shall make payment on behalf of Apex Frame and HFL for the outstanding principal amount of HK\$356,000,000 together with accrued interest to repay the Bank Loan in full;

- (b) the Fund shall, on behalf of the Target Company, make payment to the Subscriber for the outstanding principal amount of HK\$110,500,000 together with accrued interest to redeem the Convertible Bonds in full;
- (c) the Fund shall deduct from the Consideration the amount of deposit payable by the Company under the Tenancy Agreement at Completion;
- (d) the Fund shall deduct from the Consideration as payment for the full satisfaction of Bonjour Investment's capital contribution to the Fund pursuant to a drawdown notice issued on or around the Completion Date by the Fund to Bonjour Investment in accordance with the terms of the Limited Partnership Agreement (the "**First Drawdown Notice**"); and
- (e) the Fund shall pay to the Company the remaining balance of the Consideration (after deducting the amounts set in (a), (b), (c) and (d) above) by telegraphic transfer of immediately available funds to the Company's bank account in Hong Kong as notified in writing to the Fund at least five (5) Business Days before the Completion Date.

Upon the Fund settling the Consideration as aforementioned in full, Bonjour Investment shall be deemed to have contributed the amount required under the First Drawdown Notice to the Fund as capital contribution. For details of the Group's capital contribution to be made to the Fund, please refer to the paragraph headed "(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND – Subscription Agreement and Limited Partnership Agreement" below in this announcement.

Completion

Completion is subject to the satisfaction or waiver of the conditions precedent under the Sale and Purchase Agreement and shall take place five Business Days after the date (not being later than the Longstop Date) on which the last of the relevant conditions precedent are satisfied or waived in full in accordance with the Sale and Purchase Agreement (or on such date as may be agreed between the Company and the Fund in writing).

Conditions Precedent

Completion of the Disposal is subject to the fulfilment of the following conditions precedent:

- (a) Apex Frame being able to show and give good title to the Property in accordance with section 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) and the Fund having completed its due diligence investigation on the Target Group and the Property, the results of which are to the Fund's reasonable satisfaction at the Fund's sole discretion;
- (b) each of the Limited Partners being admitted as limited partners of the Fund in accordance with the terms of the Fund Documents;
- (c) the Fund having obtained the Bank Facility and the Bank Facility being available for drawdown for the purpose of acquiring the Sale Share;
- (d) the Conditional Deed of Waiver having been executed by each of the parties thereto, all conditions under the Conditional Deed of Waiver having been satisfied and the Conditional Deed of Waiver becoming unconditional and valid with full force and effect;

- (e) all other necessary approvals and consents as may be required from any Government Authorities and/or other persons, or pursuant to applicable law for the Sale and Purchase Agreement and the transactions contemplated hereunder having been obtained and not having been withdrawn or revoked prior to Completion;
- (f) compliance by the Company of all applicable requirements under the Listing Rules that are required to be complied with prior to Completion in respect of the establishment of, and the capital contributions by Bonjour Investment to, the Fund, the entering into of and performance of obligations under the Fund Documents and the Sale and Purchase Agreement by the Company, Bonjour Investment and their associates (as applicable) and the transactions contemplated under the Fund Documents and the Sale and Purchase Agreement;
- (g) the Company having published the announcement(s) and circular(s) and other documents in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirement under the Listing Rules;
- (h) the Company's entering into and performance of its obligations under the Sale and Purchase Agreement having been approved by the shareholders of the Company in an EGM;
- (i) the cross guarantee in respect of the Bank Loan provided by Apex Frame and other subsidiaries of the Company having been released and Apex Frame having been discharged from all obligations and liabilities thereunder;
- (j) all amounts due to the Company or any of its associates by the Target Company and/or Apex Frame having been repaid in full;
- (k) each of (i) the existing share charge on the entire issued share capital of the Target Company in favour of the Subscriber, (ii) the existing mortgage over the Property; (iii) the existing rental assignment in respect of the Property; and (iv) the Deed of Undertaking having been discharged and released and the Property being free from any mortgages, charges, etc., save and except the Tenancy Agreement;
- (l) the Target Company remaining as the sole legal and beneficial owner of the entire issued share capital in Apex Frame and Apex Frame remaining as the sole legal and beneficial owner of the Property;
- (m) all the representations, undertakings and warranties given by the Company under the Sale and Purchase Agreement remaining true and accurate in any material respects and not misleading;
- (n) (i) no applicable laws shall have been promulgated or enacted that materially delays or makes illegal the performance of the Sale and Purchase Agreement, (ii) no applicable injunction, restraining order or order of similar nature by a Governmental Authority that materially delays or makes illegal the performance of the Sale and Purchase Agreement shall be effective and (iii) no applicable Governmental Authority shall have instituted any claim, suit, action, arbitration, investigation or other legal or administrative proceeding against or affecting the Target Company that seeks to materially delay or make illegal the performance of the Sale and Purchase Agreement;

- (o) no proceeding challenging the Sale and Purchase Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or delay the Completion, shall have been instituted or be pending before any court, arbitrator, governmental body, agency or official;
- (p) no major part of the Property is, for any reason, condemned, closed or declared dangerous by any relevant Government Authority, destroyed, rendered inaccessible or subject to demolition order(s) or closure order(s) under the Buildings Ordinance or the Demolished Buildings (Re-development of Sites) Ordinance (Chapter 337 of the Laws of Hong Kong) or any other legislation of a like nature; and
- (q) there being no resumption notice issued in respect of the Property or any part or parts thereof on or before the Completion Date.

Longstop Date

The Longstop Date is 31 May 2022 (or other dates mutually agreed by the parties). If the condition under paragraphs (g) and (h) above are not satisfied on or before the Longstop Date) or any of the other conditions precedent is not satisfied or waived in accordance with the Sale and Purchase Agreement at or before Completion, the Sale and Purchase Agreement shall be automatically terminated and all parties thereto shall have no further obligations and liabilities under the Sale and Purchase Agreement, save for any antecedent breach.

Leasing of the Property upon Completion

Upon Completion, the Company (or its subsidiary/affiliate) and the Fund will enter into the Tenancy Agreement, whereby the Fund will lease the Property to the Group for the Group's use for a term of four years commencing on the Completion Date. The annual rent payable by the Group will be HK\$27,000,000 during the term of the Tenancy Agreement. For further details of the Tenancy Agreement, please refer to the section headed "(4) DISCLOSEABLE TRANSACTION IN RELATION TO THE TENANCY AGREEMENT" below in this announcement.

Information on the Company

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 653). The Company is principally engaged in investment holding and the Group is principally engaged in the retail and wholesale of brand name beauty, health and lifestyle products in Hong Kong, Macau and internationally.

Information on the Fund

The Fund is an exempted limited partnership established in the Cayman Islands, details of which are set out in the section headed "(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND" below.

Information on the Target Group

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company. The Target Company directly holds and owns the entire issued share capital of Apex Frame, which is the legal and beneficial owner of the Property. Apex Frame is a company incorporated in Hong Kong with limited liability which is principally engaged in property holding, leasing and provision of property management and maintenance services in respect of the Property. The Property is currently used by the Group as premises for its operation.

The unaudited net liabilities and total assets value of the Target Group as at 30 September 2021 were approximately HK\$46,918,000 and HK\$481,674,000 respectively.

The unaudited consolidated financial results of the Target Group for the two financial years ended 31 December 2019 and 31 December 2020 and the nine months ended 30 September 2021 are as follows:

	For the year ended		For the
	31 December		nine months
	2019	2020	ended
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	30 September
			2021
			<i>(HK\$'000)</i>
Net loss before taxation and extraordinary items	5,609	9,167	25,881
Net loss after taxation and extraordinary items	6,254	9,973	25,103

The unaudited net loss before taxation and extraordinary items of the Target Group for the year ended 31 December 2019 of approximately HK\$5.6 million was primarily due to the finance cost incurred of approximately HK\$5.8 million. The unaudited net loss before taxation and extraordinary items of the Target Group for the year ended 31 December 2020 of approximately HK\$9.2 million was primarily due to the finance cost incurred of approximately HK\$6.2 million and rent-free period offered to the tenant. The unaudited net loss before taxation and extraordinary items of the Target Group for the nine months ended 30 September 2021 of approximately HK\$25.9 million was primarily due to the fair value loss on the Convertible Bonds of approximately HK\$17.4 million and the finance cost incurred of approximately HK\$11.9 million.

Financial Effect of the Disposal

Upon Completion, the Target Company and the Apex Frame will cease to be subsidiaries of the Company, and the financial results of the Target Group will no longer be consolidated into the accounts of the Group.

The Group is expected to record a gain on the Disposal of approximately HK\$375,392,000, which is calculated based on the Consideration received by the Group for the Disposal of HK\$900,000,000 less the estimated consolidated net asset value of the Target Group as at the Completion Date of approximately HK\$522,608,000, after the adjustments of (i) capitalisation of net liabilities which mainly represented the amounts due to other Group companies before Completion Date of approximately HK\$525,320,000 and (ii) lease assets and lease liabilities generated from the Disposal and the lease under the Tenancy Agreement of approximately HK\$44,206,000 from the unaudited net liabilities of the Target Group as at 30 September 2021 of approximately HK\$46,918,000 and the relevant expenses in relation to the Disposal of approximately HK\$2,000,000.

The aforementioned financial effects are shown for illustrative purpose only and the actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audits by the auditors of the Company.

(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND

On 28 March 2022 (after trading hours), Bonjour Investment (a wholly-owned subsidiary of the Company and a Limited Partner), and CRCI (also a Limited Partner) and the General Partner, entered into the Limited Partnership Agreement and the Subscription Agreement, pursuant to which the parties have agreed upon, among other things, that the Limited Partners shall contribute a maximum of HK\$550,000,000 to the Fund, subject to the terms of the Limited Partnership Agreement. The principal investment of the Fund is the Seed Project, which involves the Fund acquiring the Sale Share from the Company.

Subscription Agreement and Limited Partnership Agreement

The principal terms of the Subscription Agreement and the Limited Partnership Agreement are as follows:

Date	:	28 March 2022
Partnership:	:	CR Business Innovation Investment Fund L.P., an exempted limited partnership established and registered in the Cayman Islands
Parties	:	(1) the General Partner, as general partner;
		(2) Bonjour Investment, as limited partner;
		(3) CRCI, as limited partner; and
		(4) Ogier Global Subscriber (Cayman) Limited, as initial limited partner (the “ Initial Limited Partner ”)

Being the initial limited partner to facilitate the establishment of the Fund for administrative purpose, the Initial Limited Partner will be withdrawn from the Fund upon the Limited Partners being admitted as limited partners of the Fund pursuant to the Limited Partnership Agreement.

The Fund

The Fund is an exempted limited partnership and has been registered as such in the Cayman Islands pursuant to the Partnership Act.

The business and purposes of the Fund are to generate long-term capital appreciation by acquiring, holding, operating and realising investments in the Property, as well as by exploring the participation in potential technology and innovation projects and investments. The Investment Committee will be established for discussion and decision on potential investment projects, taking into account various investment decision factors such as (i) the expected cashflow, returns and volatility of the investment; (ii) government policy and industry specific regulations; and (iii) the expected market supply and demand of the investment. Also, legal and financial due diligence will be conducted on potential investment projects to ensure that the market risk, credit risk, legal risk and operational risk are mitigated and hence the investors' interest are safeguarded.

Capital commitment

Pursuant to the Subscription Agreement and the Limited Partnership Agreement, the total capital commitment of the Limited Partners in the Fund as of the Closing Date is as follows:

Limited Partners	Capital Commitment	Percentage of total capital commitment
Bonjour Investment	HK\$412,500,000	75%
CRCI	HK\$137,500,000	25%
Total	HK\$550,000,000	100%

The capital contribution shall be made by the Limited Partners in the following manner:

- (a) Bonjour Investment and CRCI shall contribute HK\$345,000,000 and HK\$115,000,000, respectively, to the Fund on the Closing Date; and
- (b) Bonjour Investment and CRCI will contribute the remaining HK\$90,000,000 pro rata to their respective percentage of total capital contribution commitment (i.e. 75% and 25%, respectively) to the Fund on a date to be designated by the General Partner.

Upon the Fund settling the Consideration for the Disposal in full, Bonjour Investment shall be deemed to have contributed HK\$345,000,000 to the Fund as capital contribution (the “**Initial Fund Contribution**”). For details of the Disposal, please refer to the section headed “(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY” above in this announcement. The amount of the capital commitment of each of the Limited Partners was arrived at after arm’s length negotiations between the parties with reference to, among other things, the anticipated capital requirements of the Fund. The Group’s investment in the Fund will be accounted for as a joint venture in the Group’s financial statements. According to Hong Kong Financial Reporting Standard 11, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Although the Group has 75% interest in the Fund and will appoint two out of five members in the Investment Committee, the Group’s investment in the Fund will be accounted for as a joint venture as the important decisions that has significant effect on the returns of the Fund require the unanimous approval of all members of Investment Committee. Hence, the Group’s investment in the Fund will be accounted for as a joint venture as it is structured through a separate vehicle and the legal form of the separate vehicle gives the investors rights to the net assets of the arrangement. There are no contractual arrangements or other facts and circumstances that over-ride the legal form of the arrangement.

Term of the Fund

The term of the Fund is four years commencing from the Closing Date, which can be extended by one year at the option of the General Partner, and can be further extended by one year if so agreed by the General Partner and the Limited Partners.

Management of the Fund

Pursuant to the Limited Partnership Agreement, the General Partner is responsible for, among other things, the overall operation and management of the general business of the Fund, provided that the General Partner shall not undertake any of the reserved matters relating to the Fund (as further set out below) without the approval of the Investment Committee. All non-reserved matters relating to the Fund, including but not limited to managing the general business of the Fund, exercising portfolio and risk management functions and making investment and divestment decisions (excluding investment and divestment decisions in respect of the Target Group or the Property), are to be determined by the General Partner, unless the prior consent of the Limited Partners is otherwise required. The General Partner may consult the Investment Committee for its recommendations or determinations on non-reserved matters. Such recommendations or determinations of the Investment Committee may be determined by a simple majority of votes, but shall not commit the General Partner to take a particular course of action.

The Investment Committee shall comprise of up to five members, among which three will be appointed by CRCI and two will be appointed by Bonjour Investment. Each member shall have one vote. If the capital commitment of Bonjour Investment falls below 25% of the total capital commitment of the Fund, the two members appointed by Bonjour Investment to the Investment Committee shall be removed and Bonjour Investment will instead be able to appoint up to two observers to the meetings of the Investment Committee. The reserved matters specified in the Limited Partnership Agreement require the unanimous approval of all of the members of the Investment Committee. The reserved matters include but are not limited to (i) acquiring or disposing of any investment in the Target Group and the Property by the Fund, changing (including any variation of rights) the issued share capital and disposing any shares in the Target Company and Apex Frame; (ii) entering into bank loan, providing any security or creating any encumbrance over any assets of the Fund, issuing shares, convertible notes, options or other equity or debt securities that are convertible into or exchangeable or exercisable for any shares in the Target Company and Apex Frame (except for the Bank Facility); (iii) approving the annual business plan and budget; and (iv) giving consent to material changes of town planning, land use, building use, etc. and the payment of land premium in relation to the Property.

Furthermore, certain key matters of the Fund including without limitation: (i) changes to changing the maximum total capital commitment to the Fund; (ii) increase of a Limited Partner's capital commitment; (iii) admission of additional limited partners to the Fund; (iv) withdrawal of the General Partner; (v) agreement to winding up and subsequent dissolution of the Fund before expiry of the Fund; and (vi) continuation of the Fund despite the death, commencement of liquidation, bankruptcy, or dissolution proceedings in respect of, or removal or making of a winding up or dissolution order in relation to the General Partner, are subject to the unanimous consent of the Limited Partners.

The Directors are of the view that the Fund structure is different from direct ownership of the Property. The Fund is structured in the form of an exempted limited partnership under Cayman Islands law, which limits the liability of its limited partners (including Bonjour Investment) to its capital commitment to the Fund provided that it has not assumed an active role in the partnership business or has not taken on duties as a general partner. As general partner of the Fund, the General Partner (i.e. a wholly owned subsidiary of CRCM) would be subject to unlimited liability for the debts of the Fund, which as a result require the General Partner to maintain certain rights and power. Nonetheless, the Board believes that having two out of five Investment Committee members could exert sufficient negative control with the ability to act as veto on certain significant matters. Besides, the General Partner is subject to the duty to act in good faith and in the interests of the Fund. Bonjour Investment as a Limited Partner has the right to bring a claim against the General Partner if it has acted outside its duty under law or is otherwise in breach of its obligations under the Limited Partnership Agreement. With over 15 years of private equity real estate experience, reputation risk management is imperative to CRCM and CR Group. The Directors are therefore confident that the Fund structure provides sufficient protection for the Group's interest in the Fund.

Given (i) the experiences and qualifications of CRCM and its affiliates with respect to operation and management of the Fund, details of which are set out in the section headed “MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND – Information on the General Partner”; and (ii) the mechanism regarding the approval of reserved matters as set out above, our Directors are of the view that the above arrangement in respect of the management of the Fund is fair and reasonable to the Company and is in the interest of the Company and its Shareholders as a whole.

Seed Project

As at the date of this announcement, the Fund had entered into the Sale and Purchase Agreement to acquire the Property by way of purchasing the entire issued share capital of the Target Company.

Distribution of proceeds

Subject to the terms of the Limited Partnership Agreement, after the payment of the expenses of the Fund and any liabilities of the Fund, all proceeds received by the Fund in respect of each investment by the Fund in any current or contingent interest in the Target Group or the Property (including but not limited to, shares, debentures, convertible loan stock, options, warrants or other securities in and loans (whether secured, unsecured or subordinated) made to or any participation, interest or commitment in the Target Group or the Property) will be provisionally apportioned amongst the Partners on a pro rata basis based on their capital contribution generally. The proceeds will then be re-apportioned and distributed to each Limited Partner, the General Partner and the Special Limited Partner based on the following order:

- (i) firstly, the proceeds shall be distributed to such Limited Partner until such Limited Partner has received an amount equal to their respective capital contribution;
- (ii) secondly, such amount of proceeds (after distribution of proceeds as stipulated in (i) above) shall be distributed to such Limited Partner until such Limited Partner had received certain return as stipulated in the Limited Partnership Agreement;
- (iii) thirdly, such amount of proceeds to such Limited Partner and each of the General Partner and the Special Limited Partner until each of them had received their respective share of such proceeds as stipulated in the Limited Partnership Agreement;
- (iv) lastly, the remaining proceeds (after distribution of proceeds as stipulated in (i), (ii) and (iii) above) shall be distributed to such Limited Partner, the General Partner and the Special Limited Partner in such proportions as stipulated in the Limited Partnership Agreement.

Subject to the terms of the Limited Partnership Agreement, net cash income of the Fund and its investment shall be distributed to the Limited Partners in accordance with the above generally on a quarterly basis. The income from the Temporary Investment to be received by the Fund will be distributed to all Partners (including the General Partner, as the case may be) pro rata in proportion to their respective interests in the Fund that produce such proceeds from the Temporary Investment, as reasonably determined by the General Partner.

Termination of the Fund

Subject to the terms of the Limited Partnership Agreement, upon the expiry of the Fund, the Fund shall commence winding-up. Upon commencement of the winding up of the Fund, and as required by the Partnership Act, the General Partner shall act as the liquidator, itself or appoint another person who has due skill and authority to act as the liquidator, and the liquidator shall cause the Fund to pay all debts, obligations and duties of the Fund and all costs of winding up and shall make adequate provision for any present or future contemplated obligations or contingencies in each case to the extent of the assets of the Fund. The liquidator shall be authorised to sell all or any of the assets of the Fund or distribute all or any of the assets of the Fund in specie at the value reasonably determined by the liquidator. The proceeds of the realisation of any investment of the Fund and other assets of the Fund and any assets distributed in specie shall be on the basis as set out in the section headed “MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND – Distribution of proceeds” above.

Loss Sharing

Subject to the terms of the Limited Partnership Agreement, the debts and liabilities of the Fund shall be allocated among the Limited Partners pro rata in proportion to their capital contribution in respect of an investment of the Fund or pro rata in proportion to their capital commitment in respect of any Fund expense unrelated to any investment of the Fund (provided that the amount allocated to each Limited Partner shall not exceed such Limited Partner’s capital commitment).

Fees

The Fund shall pay management fees to the General Partner on a quarterly basis in the amount of 1.5% per annum of the total Fund size.

The Fund will also engage the Fund Consultant, as business innovation consultant to provide consultancy services to the Fund. The Fund Consultant will be a person appointed and designated by the General Partner with the unanimous consent of the Limited Partners from time to time. It is expected that the Fund Consultant will be a joint-venture company owned as to 50% by a wholly-owned subsidiary of the Company, and as to 50% by CRCM or its affiliate. An upfront fee of HK\$2,500,000 will be paid to the Fund Consultant within one year from the Closing Date, an annual consultation fee of HK\$3,500,000 will be paid to the Fund Consultant for their consultancy services and an amount equal to 5% of the capital gains of investment will be paid to the Fund Consultant upon realisation of each investment.

Restriction on transfer of interest in the Fund

Subject to the terms of the Limited Partnership Agreement, the General Partner shall not transfer all or any part of its rights and obligations as the general partner of the Fund nor voluntarily withdraw as the general partner of the Fund without unanimous consent of the Limited Partners.

Subject to the terms of the Limited Partnership Agreement, no transfer of all or any part of any Limited Partner’s interest in the Fund, whether direct or indirect, voluntary or involuntary, shall be valid or effective except with the prior written consent of the General Partner, which such consent shall not be unreasonably withheld in the case of any transfer to a Permitted Transferee.

Information on the General Partner

CR Business Innovation Investment GP Company Limited is a company incorporated in Cayman Islands with limited liability and is principally engaged in investment holding. CR Business Innovation Investment GP Company Limited is a wholly-owned subsidiary of CRCM, which is a company limited by shares incorporated in Hong Kong, a private investment company and wholly-owned subsidiary of the CR Group. CR Group is a diversified holding company registered in Hong Kong. CR Group was first established as “Liow & Co.” in Hong Kong in 1938, and was later restructured and renamed as China Resources Company in 1948. In 1952, instead of being affiliated to the General Office of the Central Committee of the Communist Party of China, it came under the Central Trade Department (now known as the Ministry of Commerce). In 1983, it was again restructured into China Resources (Holdings) Co., Ltd. In December 1999, CR Group was no longer linked to the Ministry of Foreign Trade and Economic Cooperation, and came under state management. In 2003, under the direct supervision of State-owned Assets Supervision and Administration Commission of the State Council of PRC, it became one of the key state-owned enterprises. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the General Partner and its ultimate beneficial owners are Independent Third Parties.

CRCM (rebranded since 2016) is a company established in 2006 with over 15 years of track record and experience in private equity investment in real estate, consumers, technology and other sectors globally. CR Capital Investment Management Limited is a wholly-owned subsidiary of CRCM and is licensed to carry out Type 4 (advising on securities) and 9 (Asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). CRCM also holds PRC fund management license through its wholly-owned affiliate.

Information on the Limited Partners

Bonjour Investment is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

CRCI is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. CRCI is wholly owned by CRCM. CRCM is a company limited by shares incorporated in Hong Kong and an investment management company indirectly owned and controlled by the CR Group. For details of the background of CR Group, please refer to the paragraph headed “(2) MAJOR TRANSACTION IN RELATION OF INVESTMENT IN A FUND – Information on the General Partner” above in this announcement. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, CRCI and its ultimate beneficial owners are Independent Third Parties.

(3) ISSUE OF WARRANTS UNDER SPECIFIC MANDATE

Background

As disclosed in the announcements of the Company dated 1 April 2021 and 9 April 2021, the Target Company issued the Convertible Bonds in the principal amount of HK\$129,500,000 to the Subscriber on 9 April 2021. On the same day, the Company, the Target Company, Apex Frame, Mr. Chen Jianwen and the Subscriber entered into the Deed of Undertaking whereby the Subscriber was granted a right of first refusal for the sale of the Property and/or the shares of the Target Company and Apex Frame, and a co-development right in respect of the Property, further details of which are disclosed in the announcement of the Company dated 1 April 2021.

On 2 July 2021, the Subscriber exercised its conversion rights attaching to the Convertible Bonds based on the conversion price of HK\$0.19 per Share, upon which the Company allotted and issued 100,000,000 Shares to the Subscriber on 6 July 2021 under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 22 May 2020 to allot and issue up to 682,513,199 Shares, being 20% of the total number of Shares in issue as at the date of the said annual general meeting.

The Disposal is conditional upon, among other matters, (a) consent from the Subscriber in respect of the Disposal having been obtained; and (b) waiver of all the Subscriber's rights and claims under the Deed of Undertaking upon full redemption of the Convertible Bonds having been obtained. For details, please refer to the paragraph headed "(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY – The Sale and Purchase Agreement – Conditions Precedent" of this announcement.

Pursuant to the terms of the Convertible Bonds, the Disposal constituted an event which confers a right on the Subscriber to, at its option, require early redemption of the Convertible Bonds before its maturity date, which is 9 April 2026 ("**Early Redemption**"). On the other hand, pursuant to the terms of the Convertible Bonds, unless previously redeemed, converted or purchased and cancelled, the earliest date on which the Target Company may, at its option, redeem the outstanding Convertible Bonds is 9 April 2024.

The Directors considered that the issue of Warrants to the Subscriber at nil consideration would serve as a necessary and suitable incentive for the Subscriber to (i) consent to the Disposal, and (ii) waive all its rights and claims under the Deed of Undertaking upon Early Redemption, both of which are conditions precedent to the Disposal. In particular, the issue of the Warrants to the Subscriber ensures that the Subscriber's rights to subscribe for Shares under the Convertible Bonds are not adversely affected. As such, the issue of the Warrants to the Subscriber would enable the Company to obtain the Subscriber's consent to the Disposal and waiver of the Subscriber's rights under the Deed of Undertaking, and hence facilitate the completion of the Disposal.

A notice will be issued in accordance with the terms and conditions of the Convertible Bonds for the redemption of all its Convertible Bonds at their Outstanding Principal Amount together with accrued and unpaid interest up to but excluding the date of redemption.

Pursuant to the Conditional Deed of Waiver, the Subscriber has, among other things, consented to the Disposal and waived its rights and claims under the Deed of Undertaking, on the condition that:

- (a) the Target Company having redeemed all the outstanding Convertible Bonds at its principal amount (which in aggregate is HK\$110,500,000 as at the date hereof) together with accrued and unpaid interest up to and excluding the date of such redemption; and
- (b) the Company having issued the Warrants with a maturity date matching the maturity date of the Convertible Bonds (which is 9 April 2026) to the Subscriber which shall be convertible into 581,578,947 Shares at the same exercise price as the conversion price of the Convertible Bonds (HK\$19.0 cents) (which represents an aggregate amount of HK\$110,500,000 being the principal amount of the outstanding Convertible Bonds as at the date hereof), subject to market standard anti-dilution adjustments.

Therefore, upon the Fund paying the Subscriber the outstanding principal amount of HK\$110,500,000 together with accrued interest on behalf of the Target Company to redeem the Convertible Bonds in full pursuant to the Sale and Purchase Agreement, the outstanding Convertible Bonds shall be redeemed in full and the Subscriber's consent to the Disposal under the Conditional Deed of Waiver shall become unconditional and effective, and the Company will issue 581,578,947 Warrants on the terms set out in the paragraph headed "Salient Terms of the Warrants" below upon full redemption of the Convertible Bonds.

Salient Terms of the Warrants

The principal terms of the Warrants are as follows:

Issuer:	the Company
Subscriber:	Karfond Limited, the Subscriber
Issue date:	the Completion Date
Warrants to be issued:	581,578,947 Warrants, each carrying the right to subscribe for one Warrant Share
Issue price:	Nil
Exercise price:	HK\$0.19 per Warrant Share (subject to adjustment events)
Adjustment events:	The exercise price shall be subject to adjustment upon the occurrence of any of the following events: <ul style="list-style-type: none">(a) consolidation, subdivision, redesignation or reclassification of the Shares;(b) capitalisation of profits or reserves by the Company;(c) distributions (in cash or in specie) by the Company;

- (d) issue of Shares to all or substantially all Shareholders as a class by way of rights or issue or grant by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 92.5% of the current market price per Share on the date when such issue or grant is announced;
- (e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) issue of any Shares or grant to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 92.5% of the current market price on the date when such grant or issue is announced (other than issue of the Warrant Shares or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares);
- (g) if and whenever the Company or any of its subsidiaries, or any other company, person or entity shall issue any securities (other than the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 92.5% of the current market price on the date when such issue is announced;
- (h) if and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in adjustment event (g) above (other than in accordance with the terms of such securities) so that following such modification the consideration per Share is reduced and is less than 92.5% of the current market price on the date of when such issue is announced; and
- (i) if and whenever the Company or any of its subsidiaries or any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders are entitled to participate in arrangements whereby such securities may be acquired by them.

The adjustment events are standard adjustment terms in line with the prevailing market practice.

Exercise Period:	the period commencing on the date of issue of the Warrants and ending on 9 April 2026 (both days inclusive)
Transferability:	The Warrants may be transferred (in whole or in part but in any case in an authorised denomination), except to (i) a connected person (as defined in the Listing Rules) of the Company and (ii) any person or entity (or its affiliates) which is engaged in a business which directly compete with the principal business of the Group. In the event of a transfer to connected person of the Company, prior approval from the Company and the Stock Exchange shall be obtained and the Company will comply with the relevant requirements under the Listing Rules.
Ranking:	The Warrant Shares to be allotted and issued upon exercising of the Warrant Subscription Rights, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares as at the date of issue.
Restriction on exercise of the Warrant Subscription Rights:	Warranholders shall not be entitled to exercise the whole or part of the Warrant Subscription Rights attaching to the Warrants unless immediately after such exercise there will be sufficient public float of the Company in accordance with the Listing Rules.

Warrant Shares

As at the date of this announcement, the Company has a total of 3,512,565,999 Shares in issue. Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the Warrant Subscription Rights, a maximum of up to 581,578,947 new Warrant Shares will be issued, which represent approximately 16.56% of the existing issued share capital of the Company as at the date of this announcement and approximately 14.21% of the issued share capital of the Company as enlarged by the issue of the Warrant Shares under the Warrants.

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the issue of the Warrants and the Warrant Shares are subject to the approval of the Shareholders. The Warrant Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will make application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares upon exercise of the Warrant Subscription Rights on the Stock Exchange.

Issue Price and Exercise Price

The issue price of the Warrants is nil. Based on the valuation conducted by an independent valuer by using the Black-Scholes pricing model and taking into account the reasons and benefits as set out in the section headed “REASONS FOR AND BENEFIT OF THE DISPOSAL, THE INVESTMENT, THE ISSUE OF WARRANTS AND THE ENTERING INTO THE TENANCY AGREEMENT” below in this announcement, the Directors are of the view that it is fair and reasonable for the Company to issue the Warrants in nil price.

The exercise price (subject to adjustment events set out in and in accordance with the terms and conditions of the Warrants) of the Warrants is HK\$0.19 per Warrant Share, which represents: (1) approximately 38.686% premium to the closing price of HK\$0.1370 per Share as quoted on the Stock Exchange on the date of the announcement; and (2) approximately 37.681% premium to the average closing price of HK\$0.1380 per Share for the last five consecutive Trading Days immediately preceding the date of the announcement.

The exercise price aforementioned was determined after arm’s length negotiations between the Company and the Subscriber, taking into account of, among other things, the Outstanding Principal Amount under the Convertible Bonds, the prevailing market price of the Shares and the recent market conditions. The Directors are of the opinion that the exercise price is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

The preliminary fair value of the Warrants as at 25 February 2022 based on the Black-Scholes pricing model assessed by an independent valuer is approximately HK\$26.3 million and the fair issue price per Warrant is approximately HK\$0.045.

The Directors considered that the issue of Warrants to the Subscriber at nil consideration is fair and reasonable because:

- (a) The Company would save the interest expenses and cash outflow of approximately HK\$35.4 million assuming the Convertible Bonds are fully redeemed on 9 April 2022;
- (b) The fair value of the Warrants of approximately HK\$26.3 million does not constitute any cash outflow to the Company;
- (c) The exercise price, exercise period and the number of Warrant Shares issued to the Subscriber is the same as the conversion price, conversion period and number of the Shares under the Convertible Bonds. No additional Shares or any discount in the exercise price were provided to the Subscriber; and
- (d) Given the earliest date on which the Target Company may, at its option, redeem the Convertible Bonds is 9 April 2024, the preliminary implied redemption right of the Convertible Bonds offered by the Subscriber for the Early Redemption as at 25 February 2022, as assessed by an independent valuer, is approximately HK\$24.8 million, which is close to the preliminary fair value of the Warrants. With reference to the preliminary implied redemption right of the Convertible Bonds based on the existing redemption term of the Convertible Bonds as at 25 February 2022, as assessed by an independent valuer, is approximately HK\$7.9 million. Hence, the difference in the valuation of the preliminary implied redemption right of the Convertible Bonds arising from the difference in the redemption terms is approximately HK\$16.9 million.

Conditions

The issue of the Warrants by the Company is subject to the fulfilment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having approved or agreed to approve the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions (if required);
- (b) the Listing Committee of the Stock Exchange having granted or agree to grant (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the approval for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon the exercise of the Warrant Subscription Rights, and such approval not having been revoked;
- (c) the Board and, where appropriate, the Shareholders having approved the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares at the EGM in accordance with the Listing Rules, and such approval not having been revoked;
- (d) any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong or elsewhere (including but not limited to the Stock Exchange) in favour of the Company and/or the Subscriber for the issue of the Warrants and the Warrant Shares having been obtained, and such approval, consent and/or waiver not having been revoked.

Fund Raising Activity in the Past Twelve Months

Date of announcement	Description of the fund raising activity	Funds raised	Intended use of proceeds	Actual use of proceeds
1 April 2021 (completed on 9 April 2021)	Issuing of the Convertible Bonds to the Subscriber under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 22 May 2020 to allot and issue up to 682,513,199 Shares, being 20% of the total number of Shares in issue as at the date of the said annual general meeting	Gross proceeds and net proceeds amounted to HK\$129,500,000 and approximately HK\$127,500,000, respectively	For general corporate purposes	All net proceeds have been fully utilised as intended

Save for the fund raising activity as mentioned above, the Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

Information on the Company

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 653). The Company is principally engaged in investment holding and the Group is principally engaged in the retail and wholesale of brand name beauty, health and lifestyle products in Hong Kong, Macau and internationally.

Information on the Subscriber

The Subscriber is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of FEC. The principal activities of FEC and its subsidiaries are property development, property investment, hotel operations and management, car park operations and facilities management, gaming and related operations, securities and financial product investments and provision of mortgage services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party. The Subscriber is a holder of the Convertible Bonds and an existing Shareholder of the Company, which held 86,000,000 Shares as at the date of this announcement, representing approximately 2.45% of the existing issued share capital of the Company.

Shareholding Structure

As at the date of this announcement, the Company has 3,512,565,999 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full exercise of the Warrant Subscription Rights, assuming that the exercise price is HK\$0.19 per Warrant Share and there is no further allotment of Shares from the date of this announcement other than the Warrant Shares:

Shareholder	As at the date of this announcement		Immediately after the allotment and issue of the Warrant Shares upon full exercise of the Warrant Subscription Rights ^(Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Chen Jianwen ^(Note 1)	2,244,195,868	63.89	2,244,195,868	54.81
Mr. Wan Yim Keung, Daniel ^(Note 1)	7,300,000	0.21	7,300,000	0.18
Ms. Chiu Lai Kuen Susanna ^(Note 1)	1,000,000	0.03	1,000,000	0.02
The Subscriber	86,000,000	2.45	667,578,947	16.31
Other public Shareholders	1,174,070,131	33.42	1,174,070,131	28.68
Total	<u>3,512,565,999</u>	<u>100.00</u>	<u>4,094,144,946</u>	<u>100.00</u>

Notes:

1. As at the date of this announcement, each of Mr. Chen Jianwen, Mr. Wan Yim Keung, Daniel, Ms. Chiu Lai Kuen Susanna is an executive Director.
2. The figures in this column are for illustrating the full dilution effect on the shareholding of the existing Shareholders and are arrived on based on the assumption the Warrant Subscription Rights are exercised in full at the exercise price of HK\$0.19 per Warrant Share.

(4) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE OF PROPERTY

Pursuant to the Sale and Purchase Agreement, upon Completion, the Company (or its subsidiary/affiliate) and the Fund will enter into the Tenancy Agreement, whereby the Fund will lease the Property to the Group for the Group's use for a term of four years commencing on the Completion Date.

The principal terms of the Tenancy Agreement are as follows:

Parties:	(1) the Fund, as landlord; and (2) the Company (or its subsidiary/affiliate), as tenant
Premises:	the Property
Term:	four years commencing on the Completion Date
Rent:	HK\$27,000,000 for the first year HK\$27,810,000 for the second year HK\$28,644,300 for the third year HK\$29,503,629 for the fourth year
Deposit:	HK\$4,500,000, which shall be deducted from the Consideration under the Sale and Purchase Agreement. For details, please refer to the paragraph headed (1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY – The Sale and Purchase Agreement – Consideration” in this announcement.
Usage:	the Group's premises for its operation

The Directors, including the independent non-executive Directors, considered that the terms of and transactions contemplated under the Tenancy Agreement were entered into on normal commercial terms after arm's length negotiations between the parties, having taken into consideration the prevailing market rent for comparable office premises in the same district of the Property.

Right-of-use asset

The value of the right-of-use asset recognised by the Group under the Tenancy Agreement amounts to approximately HK\$97,000,000, which is calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreement in accordance with Hong Kong Financial Reporting Standard 16 *Leases*.

Information on the Fund

The Fund is an exempted limited partnership established in the Cayman Islands, details of which are set out in the section headed “(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND” above in this announcement.

Information on the Company

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 653). The Company is principally engaged in investment holding and the Group is principally engaged in the retail and wholesale of brand name beauty, health and lifestyle products in Hong Kong, Macau and internationally.

REASONS FOR AND BENEFITS OF THE DISPOSAL, THE INVESTMENT, THE ISSUE OF THE WARRANTS AND ENTERING INTO THE TENANCY AGREEMENT

Having considered the current financial position and business operation of the Group and the overall economy in Hong Kong, the Board is of the opinion that the Disposal represents a favourable opportunity to realise the value of the Property at a reasonable price and gain on disposal will also be recognised. The proceeds from the Disposal represent a positive cash inflow, which would hence enhance the financial position of the Group and the liquidity of the Group by increasing the general working capital of the Group. Through the Disposal, the Bank Loan and the Convertible Bonds will be repaid, and hence the gearing ratio and finance cost of the Group will decrease significantly. Further, as the Property will be leased back to the Group for a normal commercial term of four years for continued use as its principal place of business in Hong Kong, the Disposal will only have minimal impact on the Group’s operations.

On the other hand, the Board considers that it is in the best interest of the Group to make the Investment in the Fund, rather than selling the Target Group or the Property without retaining an indirect stake, because the Investment would enable the Group to increase its investment returns and valuation of the Group simultaneously. The investment returns of the Fund primarily include the lease income from the lease under the Tenancy Agreement to the Group and the potential appreciation of the market value of the Property. Furthermore, save for the exit arrangements and restrictions on transfer of interests in the Fund by a Limited Partner as disclosed in the paragraph headed “(2) MAJOR TRANSACTION IN RELATION TO INVESTMENT IN A FUND – Subscription Agreement and Limited Partnership Agreement – Restrictions on transfer of interests” above in this announcement, there are no other restrictions on the transfers by the Limited Partners. Given that the Group may dispose of part of its units in the Fund pursuant to the Limited Partnership Agreement, the Directors consider the terms of the Investment will afford the Group with flexibility in terms of financing working capital in the future.

The Group would also be entitled to receive distributions from the Fund as one of the Limited Partners and may receive consultancy fees via the Fund Consultant, in which the Group is expected to have 50% beneficial interest. This could also increase the return for the Shareholders in the long run.

By investing into the Fund, the Group is able to collaborate with CR Group on a long term basis leveraging their innovation center ‘Runnovation’ location in Wanchai. Runnovation could create synergy with the Group’s property in Tsuen Wan (HK Industrial Innovation Centre) to co-host trade exhibitions, events and most importantly creating new business network and opportunities. At the same time, the Group’s online platform “HKMALL” (香港貓) could leverage those offline channel to build the Group’s branding so as to market the products and services globally, which is a win-win outcome. Further, the Group is able to tap into CR Group’s extensive and leading mainland network in retail, consumers and real estate to help the Group to penetrate to China online and offline markets.

As such, the Group is able to leverage its resources to achieve technological and innovative advancement to transform its traditional business to an omnichannel new retail ecosystem, which will benefit the Group’s long-term growth in profitability.

As disclosed in the paragraph headed “(3) ISSUE OF WARRANTS UNDER SPECIFIC MANDATE – Background” above, by issuing the Warrants to the Subscriber, the Company would be able to obtain the Subscriber’s consent to the Disposal and waiver of the Subscriber’s rights under the Deed of Undertaking and therefore facilitate completion of the Disposal. In addition, as the issue of the Warrants gives the Subscriber the right to subscribe for Warrant Shares, capital will be raised upon the exercise of the Warrant Subscription Rights. Furthermore, the Warrants are not interest bearing and the issue of the Warrants will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Save for the issue of the Warrants, the Directors have considered other alternatives, including rights issue, open offer, placing of new shares and issue of convertible bonds. As for rights issue and open offer, it would require the Company to undergo a comparatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the parties; and (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). The Directors estimate that a rights issue or open offer may require a minimum of additional one month. Rights issue or open offer would also incur additional costs, including but not limited to underwriting commission and professional fees.

As for placing of shares, the placing price would normally be required to be at a discount of the prevailing market price, whereas in the present case, the exercise price of the Warrants is set at a significant premium over the closing price as quoted on the Stock Exchange on the date of this announcement. If the Warrants are exercised, it is expected to generate more additional funds for the Group as compared to placing of shares.

In addition, the Directors have considered whether the equity issue method to be adopted would effectively preserve the Subscriber's rights under the Convertible Bonds and, hence, provide the Subscriber with sufficient incentive to consent to the Disposal and waive its rights under the Deed of Undertaking. Given the inherent similarities between the Convertible Bonds and the Warrants in that both provide the Subscriber with a right (but not an obligation) to subscribe for Shares, the Directors are of the view that the issue of Warrants is a sufficiently attractive incentive for the Subscriber to consent to the Disposal and waive its rights under the Deed of Undertaking.

As for issue of new convertible bonds, the Directors have considered that it will increase the interest burden on the Group, which would adversely affect the financial position of the Group. Moreover, issue of new convertible bonds would continue to intensify the Group's indebtedness, which contradicts the rationale and reasons for the Disposal, namely, to reduce the gearing ratio and finance cost of the Group. Furthermore, the existing Convertible Bonds were issued to the Subscriber on the basis that the Company owns the entire issued share capital of the Target Company (which has been charged to the Subscriber as collateral), Apex Frame and the Property. The Subscriber would not consider further taking up convertible bonds issued by the Company (in place of the existing Convertible Bonds) as a commercially viable option, given that the Company no longer beneficially owns the Target Group and the Property after completion of the Disposal.

Therefore, having considered the above factors, the Directors are of the view that the issue of the Warrants is the most viable option for the Company and in the best interest of the Company and its Shareholders as a whole.

As for the Tenancy Agreement, by entering into the Tenancy Agreement with a normal commercial term of four years, the Group would be able to continue using the Property as its premises for operation use and principal place of business in Hong Kong. It maintains the Group's business sustainability and minimise the impact of the Disposal on the Group's operations.

As such, the Directors considered that the Disposal, the Investment, issue of the Warrants and the entering into of the Tenancy Agreement are contractually inter-conditional upon each other. Based on the foregoing reasons and taking into account the combined effect of the Disposal, the Investment, issue of the Warrants and entering into the Tenancy Agreement as a package deal, the Directors (including the independent non-executive Directors) consider the terms of the Disposal, the Investment, the issue of the Warrants and the entering into of the Tenancy Agreement are on normal commercial terms, which are fair and reasonable and are in the best interests of the Group and its shareholders as a whole.

INTENDED USE OF PROCEEDS

Upon completion of the aforementioned transactions, the net proceeds from the above transactions (after deducting amounts such as the repayment of outstanding amount of the Bank Loan, the Initial Fund Contribution, redemption of the Convertible Bonds, rental deposit and professional expenses) would be approximately HK\$76 million, which will be applied towards the general working capital of the Group and for general corporate purposes. For further details, please refer to the paragraph headed “(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY – The Sale and Purchase Agreement – Consideration” above in this announcement.

Furthermore, assuming the Warrant Subscription Rights attaching to the Warrants are exercised in full, the maximum gross proceeds from the exercise of the Warrant Subscription Rights attaching to the Warrants in full at the exercise price of HK\$0.19 per Warrant Share will be approximately HK\$110,500,000, which will be applied as general working capital of the Group and for general corporate purposes.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios for the Company in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Furthermore, as one or more applicable percentage ratios for the Company in respect of the Investment exceeds 25% but less than 100%, the Investment constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, save for the Convertible Bonds and the share options outstanding and not yet exercised under the Share Option Scheme, the Company does not have any securities with subscription rights. Assuming (i) full exercise of the Warrant Subscription Rights attaching to the Warrants; and (ii) no Shares are further issued and repurchased, an aggregate of 581,578,947 Shares will be issued, which represent (a) approximately 16.56% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 14.21% of the total number of Shares in issue as enlarged by the issue of the Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the issue of the Warrants and the Warrant Shares are subject to the approval of the Shareholders. The Warrant Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

As one or more applicable percentage ratio in respect of the lease under the Tenancy Agreement based on the value of the right-of-use asset recognised by the Group is more than 5% but below 25%, the lease under the Tenancy Agreement constitutes a discloseable transaction of the Company, and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Disposal, the Investment or the issue of the Warrants. As such, no Shareholder would be required to abstain from voting on the resolutions to approve the Disposal, the Investment, the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares and the transactions contemplated thereunder at the EGM.

GENERAL

The EGM will be held and convened by the Company for the purpose of considering and, if thought fit, approving the Disposal, the Investment, the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares and the transactions contemplated thereunder.

A circular containing, among others, (i) further information on the Disposal, the Investment and the terms and conditions of the Warrants, (ii) other information as required under the Listing Rules and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on 21 April 2022.

Completion of each of the Disposal, the Investment and the issue of the Warrants is conditional upon the satisfaction and/or waiver (as applicable) of the relevant conditions precedent. Furthermore, the entering into of the Tenancy Agreement is conditional upon completion of the Disposal. Accordingly, the Disposal, the Investment, the issue of the Warrants and the entering into of the Tenancy Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Apex Frame”	Apex Frame Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company, principally engaging in property holding, leasing and provision of property management and maintenance services in respect of the Property in Hong Kong
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank Facility”	the HK\$450,000,000 bank facility to be obtained by the Fund for the purpose of acquiring the Sale Share pursuant to the Sale and Purchase Agreement
“Bank Loan”	the term loan facilities made available to Apex Frame and HFL by a bank pursuant to the relevant facility agreements (as amended and supplemented) and where the context shall so require, the outstanding amount of the principal sum and any interest accrued thereon
“Board”	the board of Directors

“Bonjour Investment”	Bonjour Investment Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, and a limited partner of the Fund
“Business Day(s)”	day(s) (excluding Saturdays) on which banks are generally open for normal banking business in Hong Kong
“Closing Date”	the date of first closing of the Fund, upon which the Limited Partners shall make their first batch of capital contribution to the Fund; the Closing Date shall be the Completion Date
“Company”	Bonjour Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 653)
“Completion”	the completion of the Disposal
“Completion Date”	the date of Completion of the Disposal (in any event not later than the Longstop Date)
“Conditional Deed of Waiver”	a conditional deed of waiver entered into between the Company, the Target Company, Apex Frame, Mr. Chen Jianwen (the chairman of the Board, an executive Director and a controlling Shareholder) and the Subscriber on 28 March 2022, pursuant to which the Subscriber has, among other things, conditionally consented to the Disposal and waived its rights and claims under the Deed of Undertaking
“Consideration”	the consideration for the Disposal, being HK\$900,000,000
“Convertible Bonds”	the 8% secured and guaranteed convertible bonds due 2026 in the aggregate principal amount of HK\$129,500,000 issued by the Target Company to the Subscriber on 9 April 2021, guaranteed by the Company and convertible into Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“CRCI”	CR Capital Investment (Cayman) Limited, a company incorporated in the Cayman Islands, a limited partner of the Fund and is wholly-owned by CRCM
“CRCM”	China Resources Capital Management Limited, a company incorporated in Hong Kong with limited liability and an investment management company indirectly owned and controlled by the CR Group

“CR Group”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“Deed of Undertaking”	the deed of undertaking dated 9 April 2021 entered into between the Company, the Target Company, Apex Frame, Mr. Chen Jianwen and the Subscriber, pursuant to which the Subscriber was granted a right of first refusal for the sale of the Property and/or the shares of Apex Centric and Apex Frame, and certain co-development rights in respect of the Property, details of which are set out in the announcement of the Company dated 1 April 2021
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share from the Company to the Fund
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the Disposal, the Investment, the issue of the Warrants and the Specific Mandate for the issuance of the Warrant Shares and the transactions contemplated thereunder
“Exercise Period”	the period commencing on the date of issue of the Warrants (being the Completion Date) and ending on 9 April 2026 (both days inclusive)
“FEC”	Far East Consortium International Limited (遠東發展有限公司*) (stock code: 35), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Fund”	CR Business Innovation Investment Fund L.P., an exempted limited partnership established and registered in the Cayman Islands
“Fund Consultant”	a person appointed and designated by the General Partner as business innovation consultant of the Fund with the unanimous consent of the Limited Partners from time to time
“Fund Documents”	the constitutive and governing documents and agreements in relation to the Fund, which include the Subscription Agreement and the Limited Partnership Agreement

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 May 2021 to allot and issue up to 682,513,199 Shares, being 20% of the total number of Shares in issue as at the date of the annual general meeting
“General Partner”	CR Business Innovation Investment GP Company Limited, a company incorporated in the Cayman Islands, the general partner of the Fund, and any additional or successor as the general partner of the Fund in accordance with the terms of the Limited Partnership Agreement
“Governmental Authority”	any government in Hong Kong, the Cayman Islands, the British Virgin Islands or elsewhere or political subdivision thereof, any department, agency or instrumentality of any government or political subdivision thereof; any court or arbitral tribunal; and the governing body of any securities exchange, including but not limited to the Stock Exchange
“Group”	the Company and its subsidiaries
“HFL”	Hop Fung Lung Limited (formerly known as Bonjour Cosmetic Wholesale Center Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Independent Valuer”	Dudley Surveyors Limited
“Investment”	the investment in the Fund by Bonjour Investment pursuant to the Subscription Agreement and the Limited Partnership Agreement
“Investment Committee”	the investment committee of the Fund
“Limited Partners”	collectively, Bonjour Investment and CRCI, being limited partners of the Fund; and each a Limited Partner
“Limited Partnership Agreement”	the amended and restated limited partnership agreement of the Fund dated 28 March 2022, as may be amended or supplemented from time to time

“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	31 May 2022
“Outstanding Principal Amount”	the outstanding principal amount of the Convertible Bonds as at 28 March 2022, being HK\$110,500,000
“Partner(s)”	the General Partner and/or any of the Limited Partners
“Partnership Act”	the Exempted Limited Partnership Act (Revised) of the Cayman Islands
“Permitted Transferee”	<p>in relation to any Partner or former Partner:</p> <ul style="list-style-type: none"> (a) a wholly owned subsidiary undertaking or the parent undertaking of such Partner or a wholly owned subsidiary of such Partner’s parent undertaking; (b) a replacement trustee or replacement trustees of such Partner which holds its interest of such Partner which holds its interest on trust for one or more beneficial owners provided that there is no change in beneficial ownership of the Partner’s interest in the Fund; and (c) any custodian or bare nominee of such Partner provided there is no change in beneficial ownership of the Partner’s interest in the Fund
“PRC”	the People’s Republic of China and for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property”	ALL THOSE pieces or parcels of ground situated lying and being at Tsuen Wan, New Territories, Hong Kong and respectively registered in the Land Registry as LOT NO. 458 IN DEMARCATION DISTRICT NO. 443 AND LOT NO. 488 UB DENARCATION DISTRICT NO.443 TOGETHER with the messuages erections and buildings thereon now known as NOS. 36-42 and NOS. 44-50 WANG WO TSAI STREET, Tsuen Wan, New Territories, Hong Kong
“Right of First Refusal”	the Subscriber’s right of first refusal to purchase the Property and/or the shares of Apex Frame and/or the share of the Target Company under the Deed of Undertaking

“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and the Fund on 28 March 2022 in relation to the Disposal
“Sale Share”	one ordinary share of the Target Company, representing the entire issued share capital of the Target Company, wholly and beneficially owned by the Company
“Seed Project”	the acquisition of the Property by way of purchasing the Sale Share of its indirect holding company, the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted by a shareholders’ resolution at the annual general meeting of the Company on 24 May 2019
“Shareholder(s)”	holder(s) of Share(s)
“Special Limited Partner”	any person that is designated by the General Partner as a “Special Limited Partner”, and in the absence of any such designation, references to “Special Limited Partner” shall mean the General Partner
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to authorise the Directors to issue the Warrants and the Warrant Shares upon exercise thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Karfond Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of FEC
“Subscription Agreement”	with respect to each of Bonjour Investment and CRCI, the subscription agreement completed and executed by it as a deed in connection with its admission as limited partner to the Fund, which has been accepted by the General Partner
“Target Company”	Apex Centric Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Target Group”	the Target Company and Apex Frame

“Temporary Investment”	investments in cash and cash equivalents (including short-term investments in money market funds, bank accounts and other money market instruments) by the Fund in accordance with the Limited Partnership Agreement
“Tenancy Agreement”	the tenancy agreement to be entered into between the Company (or its subsidiary/affiliate) and the Fund in respect of the lease of the Property for the Group’s continued use as its office premises upon Completion
“Trading Day(s)”	a day when the Stock Exchange is open for dealing business
“Warrant(s)”	a total of 581,578,947 unlisted warrants conferring rights to subscribe for 581,578,947 Warrant Shares at the exercise price of HK\$0.19 per Warrant Share (subject to adjustment events set out in and in accordance with the terms and conditions of the Warrants), at any time during the Exercise Period
“Warrantholder(s)”	holder(s) of the Warrants
“Warrant Share(s)”	the new Shares to be issued by the Company upon the exercise of the Warrant Subscription Rights
“Warrant Subscription Rights”	the rights of the Subscriber to subscribe for Warrant Shares upon and subject to the terms and conditions of the Warrants
“%”	per cent

By Order of the Board
Bonjour Holdings Limited
Chen Jianwen
Chairman and Executive Director

Hong Kong, 28 March 2022

As at the date of this announcement, the board of Directors comprised Mr. Chen Jianwen, Mr. Wan Yim Keung, Daniel and Ms. Chiu Lai Kuen, Susanna as executive Directors; Mr. Kwok Chi Shing, Mr. Lee Kwun Kwan and Mr. Yan Sherman Chuek-ning as independent non-executive Directors.

* *For identification purposes only*