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WANJIA GROUP HOLDINGS LIMITED

萬嘉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 401)

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(IV) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARES FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE**

Financial Adviser to the Company



INCUC Corporate Finance Limited

Underwriter of the Rights Issue



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

(I) PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

(II) 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 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 20,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Share Consolidation having become effective, the Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised share capital from HK\$20,000,000 divided into 400,000,000 Consolidated Shares to HK\$50,000,000 divided into 1,000,000,000 Consolidated Shares by creating an additional 600,000,000 unissued Consolidated Shares.

(IV) PROPOSED RIGHTS ISSUE

Conditional upon the Share Consolidation and the Increase in Authorised Share Capital becoming effective and the approval by the Independent Shareholders at the EGM, the Board proposes to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.192 per Rights Share, to raise not less than approximately HK\$71.708 million before expenses (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than approximately HK\$72.028 million before expenses (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders on or before the Record Date) by way of issuing not less than 373,481,424 Rights Shares and not more than 375,145,424 Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

The estimated net proceeds from the Rights Issue will be not less than approximately HK\$69.094 million (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than approximately HK\$69.402 million (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders, on or before the Record Date). Details of the use of proceeds are set out in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this announcement.

The Irrevocable Undertaking

Power King is the legal and beneficial owner of 11,201,475 Existing Shares (equivalent to 2,240,295 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 1.20% of the entire issued share capital of the Company as at the date of this announcement. Power King has given an irrevocable undertaking in favour of the Company and the Underwriter, (i) not to dispose of any of the 11,201,475 Existing Shares or 2,240,295 Consolidated Shares (as the case may be) registered in the name of Power King and to remain as the legal and beneficial owner of those 11,201,475 Existing Shares or 2,240,295 Consolidated Shares (as the case may be) up to and including the Latest Lodging Time; and (ii) to subscribe for a total of 154,621,903 Rights Shares, which comprises (a) 4,480,590 Rights Shares, representing its full entitlement under the Rights Issue; and (b) 150,141,313 Rights Shares by way of excess application.

Optionholders’ Undertakings

As at the date of this announcement, there are outstanding Share Options for subscription of 64,840,000 Existing Shares under the Share Option Scheme, of which each of the Excluded Options Holders has given an irrevocable undertaking in favour of the Company and the Underwriter not to exercise any of the Share Options granted to him/her up to and including the Record Date, which amounted to an aggregate of 60,680,000 Share Options. Mr. Wang, one of the Excluded Option Holders, holds 6,400,000 Share Options as at the date of the announcement which can be exercised to subscribe for 6,400,000 Existing Shares at the exercise price of HK\$0.135 per Existing Share.

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

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

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

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll, in accordance with Rule 7.19A of the Listing Rules. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority shareholders’ approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting the ordinary resolution to approve the Rights Issue at the EGM.

As at the date of this announcement, the Company does not have any controlling Shareholders. Power King, a company wholly-owned by Ms. Yung, an executive Director, is the legal and beneficial owner of 11,201,475 Existing Shares (equivalent to 2,240,295 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 1.20% of the entire issued share capital of the Company. Each of Ms. Yung and Mr. Wang (the spouse of Ms. Yung and an executive Director) is deemed to be interested in the 11,201,475 Existing Shares beneficially owned by Power King. Save for Ms. Yung and Mr. Wang, none of the Directors and the chief executive of the Company and their respective associates are interested in any Existing Share. As such, Power King, being Ms. Yung's associate, shall abstain from voting at the EGM in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote, taking into account the recommendations of the Independent Financial Adviser which will be appointed by the Company. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A circular containing, among other things, (i) further details of (a) the Share Consolidation, (b) the Change in Board Lot Size, (c) the Increase in Authorised Share Capital and (d) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Tuesday, 31 December 2019.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Independent Shareholders at the EGM and upon the Share Consolidation and the Increase in Authorised Share Capital becoming effective, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

(I) PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. As none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of the necessary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) 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; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on the next business day immediately following the fulfillment of the above conditions.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company amounted to HK\$20,000,000 divided into 2,000,000,000 Existing Shares, of which 933,703,560 Existing Shares had 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 Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$20,000,000 divided into 400,000,000 Consolidated Shares of HK\$0.05 each, of which 186,740,712 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses 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 Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are outstanding Share Options for subscription of 64,840,000 Existing Shares under the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the outstanding Share Options. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Further details in respect of the odd lots arrangement will be set out in the Circular.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

The new share certificates for the Consolidated Shares will be issued in light blue colour in order to distinguish them from the existing light pink colour.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

(II) 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 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 20,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.056 per Existing Share (equivalent to the theoretical closing price of HK\$0.280 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$280; (ii) the value of each board lot of 5,000 Consolidated Shares would be HK\$1,400 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 20,000 Consolidated Shares would be HK\$5,600 assuming that the Change in Board Lot Size had also been effective.

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

(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Share Consolidation having become effective, the Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised share capital from HK\$20,000,000 divided into 400,000,000 Consolidated Shares to HK\$50,000,000 divided into 1,000,000,000 Consolidated Shares by creating an additional 600,000,000 unissued Consolidated Shares.

Reasons for the Share Consolidation, the Change in Board Lot Size and Increase in Authorised Share Capital

Under 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 issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to 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 30 August 2019 (the “**Guideline**”), the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of this announcement, the closing price of each Existing Share is HK\$0.056, with a board lot size of 5,000 Existing Shares, the Company is trading under HK\$2,000 per board lot.

The Existing Shares has been constantly traded below HK\$1.00 for the past few years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000.

In order to accommodate growth of the Group and to provide the Company with greater flexibility to raise funds by the Rights Issue, the Board proposed the Increase in Authorised Share Capital.

Therefore, the Board believes the Share Consolidation, the Change in Board Lot Size and the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole.

(IV) PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Share Consolidation and the Increase in Authorised Share Capital having become effective, with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	: Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	: HK\$0.192 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	: Approximately HK\$0.185 per Rights Share
Number of Shares in issue as at the date of this announcement	: 933,703,560 Existing Shares

Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	: 186,740,712 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: Not less than 373,481,424 Rights Shares (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than 375,145,424 Rights Shares (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders on or before the Record Date)
Aggregate nominal value of the Rights Shares	: Not less than HK\$18,674,071.20 (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than HK\$18,757,271.20 (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders on or before the Record Date)
Total number of Consolidated Shares in issue upon completion of the Rights Issue	: Not less than 560,222,136 Consolidated Shares (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than 562,718,136 Consolidated Shares (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders on or before the Record Date)

Number of Rights Shares being undertaken by Power King	: 154,621,903 Rights Shares, comprising (i) 4,480,590 Rights Shares, representing its full entitlement under the Rights Issue; and (ii) 150,141,313 Rights Shares by way of excess application
Gross proceeds from the Rights Issue	: not less than approximately HK\$71.708 million before expenses (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than approximately HK\$72.028 million before expenses (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders on or before the Record Date)
Right of excess applications	: Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are 64,840,000 outstanding Share Options, which entitle holders thereof to subscribe for 64,840,000 Existing Shares under the Share Option Scheme. The exercise price of the Share Options is HK\$0.135 per Existing Share. Save for the aforesaid, the Company has no outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert into or exchange for Shares as at the date of this announcement.

Assuming no Shares are issued or repurchased on or before the Record Date, 373,481,424 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 200.00% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 66.67% of the total number of issued Consolidated Shares as enlarged immediately upon completion of the Rights Issue.

Assuming no Shares are issued or repurchased, other than as a result of the issue of new Shares upon exercise of the outstanding Share Options in full by the Option Holders, from the date of this announcement up to and including the Record Date, not more than 375,145,424 Rights Shares will be allotted and issued upon completion of the Rights Issue, representing approximately 200.89% of the existing issued share capital of the Company and approximately 66.96% of the issued share capital of the Company as enlarged by the issue of the Rights Shares and the issue of new Shares upon full exercise of the outstanding Share Options.

The Subscription Price

The Subscription Price of HK\$0.192 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 31.43% to the theoretical closing price of HK\$0.280 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 29.93% to the theoretical closing price of HK\$0.274 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0548 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 32.63% to the average closing price of approximately HK\$0.285 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 11.93% to the theoretical ex-rights price of approximately HK\$0.221 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 62.72% to the net asset value of the Company of approximately HK\$0.515 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the unaudited net asset value attributable to owners of the Company of approximately HK\$96,181,000 as at 30 September 2019 and 186,740,712 Consolidated Shares assuming the Share Consolidation has become effective.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the market price of the Existing Shares under the prevailing market conditions, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the section headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds", in this announcement. The Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders at the EGM of ordinary resolution(s) to approve (a) the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue; and (b) the Increase in Authorised Share Capital;
- (ii) the Share Consolidation and the Increase in Authorised Share Capital having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;

- (v) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares by no later than the first day of their dealings;
- (vi) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance;
- (vii) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms;
- (viii) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (ix) compliance with and performance of all undertakings and obligations under the Irrevocable Undertaking by Power King in favour of the Company and the Underwriter;
- (x) compliance with and performance of all undertakings and obligations under the Optionholders' Undertakings by Excluded Options Holders in favour of the Company and the Underwriter; and
- (xi) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the Latest Time for Termination, or such other date as the Company and the Underwriter may agree, the Rights Issue will not proceed.

Status of the Rights Shares

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 22 January 2020.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Monday, 20 January 2020, and the Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 21 January 2020.

Subject to the Share Consolidation and the Increase in Authorised Share Capital having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Closure of register of members

The register of members of the Company will be closed from Thursday, 23 January 2020 to Friday, 31 January 2020 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

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

Rights of Overseas Shareholders (if any)

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

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

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders. For the avoidance of doubt, the Excluded Shareholders (if any) will be entitled to vote at the EGM.

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

Application for the Rights Shares

The PALs and the EAFs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders. Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and

- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders.

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

For those beneficial owners of Consolidated Shares whose Consolidated Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 22 January 2020.

Pursuant to the Irrevocable Undertaking, Power King has indicated that it will subscribe for 150,141,313 Rights Shares by way of excess application. Please refer to the section headed "The Irrevocable Undertaking" below for more details.

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 25 February 2020, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Thursday, 25 February 2020 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 25 February 2020, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Consolidated Shares held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

The Irrevocable Undertaking

Power King is the legal and beneficial owner of 11,201,475 Existing Shares (equivalent to 2,240,295 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 1.20% of the entire issued share capital of the Company as at the date of this announcement. Power King has given an irrevocable undertaking in favour of the Company and the Underwriter, (i) not to dispose of any of the 11,201,475 Existing Shares or 2,240,295 Consolidated Shares (as the case may be) registered in the name of Power King and to remain as the legal and beneficial owner of those 11,201,475 Existing Shares or 2,240,295 Consolidated Shares (as the case may be) up to and including the Latest Lodging Time; and (ii) to subscribe for a total of 154,621,903 Rights Shares, which comprises (a) 4,480,590 Rights Shares, representing its full entitlement under the Rights Issue; and (b) 150,141,313 Rights Shares by way of excess application.

Save as disclosed above, the Company has not received any other irrevocable commitments to accept or reject the Rights Issue as at the date of this announcement.

Optionholders' Undertakings

As at the date of this announcement, each of the Excluded Option Holders has given an irrevocable undertaking in favour of the Company and the Underwriter not to exercise the Share Option granted to him/her up to and including the Record Date, which amounted to an aggregate of 60,680,000 Share Options. Mr. Wang, one of the Excluded Option Holder, holds 6,400,000 Share Options as at the date of the announcement which can be exercised to subscribe for 6,400,000 Existing Shares at the exercise price of HK\$0.135 per Existing Share.

Application for listing

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

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

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING ARRANGEMENT

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Underwriting Agreement

Date	:	6 December 2019
Issuer	:	The Company
Underwriter	:	Great Roc Capital Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 and Type 4 regulated activities under the SFO, whose ordinary course of business includes underwriting of securities
Number of Rights Shares	:	Not less than 373,481,424 Rights Shares and not more than 375,145,424 Rights Shares
Number of Underwritten Shares	:	not less than 218,859,521 Rights Shares (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than 220,523,521 Rights Shares (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders, on or before the Record Date)
Underwriting Commission	:	2.5% of the aggregate Subscription Price in respect of the Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 and Type 4 regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Underwriter and its associates do not hold any Existing Shares, the Underwriter and its ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as defined under the Listing Rules.

The Underwriter shall receive an underwriting commission of 2.5% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares and shall be entitled to deduct part or all of the underwriting commission, out-of-pocket expenses and any other fees and expenses which the Company has agreed to pay to it from any amount to be paid by such Underwriter under the Underwriting Agreement. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue.

The terms of the Underwriting Agreement, including the underwriting commission of 2.5%, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. Having considered (i) the underwriting commission offered by the Underwriter is comparable to that offered by other financial institutions; and (ii) the experience and financial resources of the Underwriter for underwriting of such securities, the Directors (excluding the members of the Independent Board Committee who will form their views after considering the advice of the Independent Financial Adviser) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

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

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospect of the Group as a whole; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,
- (viii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice (the "**Termination Notice**") in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 933,703,560 Existing Shares in issue. The following tables set out the possible changes in the shareholding structure of the Company arising from the Share Consolidation and Rights Issue, for illustrative purpose only.

(1) Assuming no outstanding Share Options having been exercised on or before the Record Date

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue, and (iii) immediately after completion of the Rights Issue, assuming full acceptance by all the Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than Power King.

	(i) No. of Existing Shares		(ii) No. of Consolidated Shares		(iii) No. of Consolidated Shares		(iv) No. of Consolidated Shares	
	Approximate %		Approximate %		Approximate %		Approximate %	
Director's interest								
Power King (<i>Note 1</i>)	11,201,475	1.20	2,240,295	1.20	6,720,885	1.20	156,862,198	28.00
Public Shareholders								
New Hope International	54,914,804	5.88	10,982,960	5.88	37,948,880	5.88	10,982,960	1.96
(Hong Kong) Limited (<i>Note 2</i>)	867,587,281	92.92	173,517,457	92.92	520,552,371	92.92	173,517,457	30.97
Other public Shareholders								
The Underwriter	-	-	-	-	-	-	218,859,521	39.07
Total	933,703,560	100.00	186,740,712	100.00	560,222,136	100.00	560,222,136	100.00

(2) Assuming full exercise of the outstanding Share Options by the Option Holders on or before the Record Date

Set out below is the shareholding structure of the Company (a) as at the date of this announcement, (b) immediately after full exercise of the outstanding Share Options by the Option Holders on or before the Record Date, (c) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (d) immediately after completion of the Rights Issue, assuming full acceptance by the Qualifying Shareholders (including the Option Holders); and (e) immediately upon completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders (including the Option Holders) other than Power King.

	(a) No. of Existing Shares		(b) No. of Existing Shares		(c) No. of Consolidated Shares		(d) No. of Consolidated Shares		(e) No. of Consolidated Shares	
	Approximate %		Approximate %		Approximate %		Approximate %		Approximate %	
Director's interest										
Power King (Note 1)	11,201,475	1.20	11,201,475	1.19	2,240,295	1.19	6,720,885	1.19	156,862,198	27.88
Public Shareholders										
Option holders other than the Excluded Option Holders	-	-	4,160,000	0.44	832,000	0.44	2,496,000	0.44	832,000	0.15
New Hope International	54,914,804	5.88	54,914,804	5.86	10,982,960	5.86	32,948,880	5.86	10,982,960	1.95
(Hong Kong) Limited (Note 2)	867,587,281	92.92	867,587,281	92.51	173,517,457	92.51	520,222,371	92.51	173,517,457	30.84
Other public Shareholders	-	-	-	-	-	-	-	-	220,523,521	39.18
The Underwriter	933,703,560	100.00	937,863,560	100.00	187,572,712	100.00	562,718,136	100.00	562,718,135	100.00
Total										

Notes:

1. Power King is wholly-owned by Ms. Yung, an executive Director. Ms. Yung is deemed to be interested in the Shares owned by Power King. Mr. Wang, an executive Director, is the spouse of Ms. Yung. Mr. Wang is deemed to be interested in the Shares in which Ms. Yung is interested.
2. New Hope International (Hong Kong) Limited is interested in 54,914,804 Existing Shares. The issued share capital of New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Company Limited which is in turn owned as to 51% by New Hope Group Company Limited and 49% by Tibet Hengye Feng Industrial Company Limited. Both New Hope Group Company Limited and Tibet Hengye Feng Industrial Company Limited are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the Shares in which New Hope International (Hong Kong) Limited is interested.
3. Pursuant to the Underwriting Agreement, the Underwriter undertakes with the Company that:
 - (i) the sub-underwriter(s) and/or the subscribers procured by the Underwriter for any Underwritten Shares which have not been taken up on the terms of the Prospectus Documents, would be independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
 - (ii) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
 - (iii) the Underwriter will not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue; and
 - (iv) each of the sub-underwriter(s) or each of the ultimate subscribers or purchasers procured by the Underwriter or the sub-underwriter(s) will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue.
4. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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

The Company is an investment holding company. The Group is principally engaged in pharmaceutical wholesale and distribution business and hemodialysis treatment and consultancy service business in the PRC.

The Board considers that the Rights Issue represents an opportunity to raise additional funding to strengthen the Group's financial position by relieving the financial burden and provide working capital to the Group to meet any financial obligations of the Group without additional interest burden.

As noted from the interim report for the six months ended 30 September 2019 published on 28 November 2019, the Group recorded net current liabilities position. Considering other borrowings of approximately HK\$67.1 million, consisting of (i) a secured loan from an independent third party of HK\$60 million which is due on 28 June 2020 (the “**Principal Loan**”); and (ii) several unsecured loans amounted to approximately HK\$10.3 million due to Shareholders, Director or independent third parties which are repayable on demand, and the monthly interest payment of approximately HK\$940,000 accrued thereon has brought great pressure to the financial position of the Company.

With reference to the Company's financial position consisting of a relatively low cash position and a high gearing ratio of the Company as well as high interest cost burden, the Board has been exploring ways to repay the Principal Loan and reduce the borrowing level. Currently, the Company's monthly interest expense amounts to approximately HK\$940,000, consisting of approximately HK\$900,000 for the payment of interest of the Principal Loan and approximately HK\$40,000 for the payment of interest of the loan to Shareholders and/or Directors. The Company had preliminary discussion with some banks for the possibility to obtain a bank loan to repay the Principal Loan. However, due to the high gearing and the poor financial performance of the Group, the interest rate of the potential loans preliminarily offered by the banks is even higher than that of the Principal Loan. Given the lender of the Principal Loan has no intention to further extend the loan repayment date, the Board considers that (i) the outcome of the discussions with the lender is unfavourable; and (ii) the Group is unable to obtain further debt financing at more favourable interest rates. The Directors are of the view that the current interest expense per month is a huge burden on the cash position of the Company and is detrimental to operations of the Company. The Board considers that debt

financing is not feasible from the Company's perspective and alternative fund raising methods had to be adopted to improve the financial position of the Company. The Directors believe that the Rights Issue, being an equity financing, is the suitable way to raise funds without additional interest burden, and could also be used for repayment of the Principal Loan which can greatly reduce the monthly interest payment and significantly reduce the gearing ratio of the Company. The gearing ratio (calculated by borrowings over equity attributable to owners of the Company) of the Company was approximately 73.10% as at 30 September 2019. Assuming the Rights Issue to repay the Principal Loan had taken place as at 30 September 2019, the gearing ratio is expected to be reduced to approximately 7.38%.

The estimated net proceeds from the Rights Issue will not be less than approximately HK\$71,708 million (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than approximately HK\$72,028 million before expenses (assuming 832,000 new Consolidated Shares having been allotted and issued upon full exercise of the outstanding Share Options by the Option Holders, on or before the Record Date), of which (i) approximately HK\$63 million is intended for repayment of loans, consisting of the Principal Loan in the amount of HK\$60 million and the unsecured loans in the amount of approximately HK\$3 million, which will be due in first quarter of 2020, to relieve the financial burden of the Company; and (ii) the remaining amount for general working capital of the Company.

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
23 August 2019	Placing of Shares under general mandate	HK\$7,956,000	Working capital of the Group	Working capital of the Group (Approximately HK\$5.45 million has been utilised as at the date of this announcement)

EXPECTED TIMETABLE

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

Event	Date (Hong Kong time)
Expected despatch date of the Circular, proxy form and the notice of the EGM	Tuesday, 31 December 2019
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 9 January 2020
Closure of register of members (both days inclusive)	Friday, 10 January 2020 – Thursday, 16 January 2020

Event	Date (Hong Kong time)
Latest time for lodging proxy forms for the EGM	10:00 a.m. on Tuesday, 14 January 2020
Record date for attendance and voting at the EGM	Thursday, 16 January 2020
Expected time and date of the EGM to approve the Share Consolidation and the Rights Issue	10:00 a.m. on Thursday, 16 January 2020
Announcement of the poll results of the EGM	Thursday, 16 January 2020
Register of members re-opens	Friday, 17 January 2020
Effective date of the Share Consolidation	Monday, 20 January 2020
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Monday, 20 January 2020
Original counter for trading in the Existing Shares in board lots of 5,000 Existing Shares (in the form of existing share certificates in light pink colour) temporarily closes	9:00 a.m. on Monday, 20 January 2020
Temporary counter for trading in board lots of 1,000 Consolidated Shares (in the form of existing share certificates in light pink colour) opens	9:00 a.m. on Monday, 20 January 2020

Event	Date (Hong Kong time)
First day of free exchange of existing share certificates for new share certificates in light blue colour for the Consolidated Shares.	Monday, 20 January 2020
Last day of dealings in the Consolidated Shares on cum-rights basis relating to the Rights Issue	Monday, 20 January 2020
First day of dealings in the Consolidated Shares on ex-rights basis relating to the Rights Issue	Tuesday, 21 January 2020
Latest time for the Shareholders to lodge transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 22 January 2020
Closure of register of members for the Rights Issue (both days inclusive)	Thursday, 23 January 2020 – Friday, 31 January 2020
Record date for the Rights Issue	Friday, 31 January 2020
Register of members of the Company re-opens	Monday, 3 February 2020
Despatch of Prospectus, PAL and EAF	Monday, 3 February 2020
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares.	9:00 a.m. on Wednesday, 5 February 2020
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates in light blue colour) re-opens	9:00 a.m. on Wednesday, 5 February 2020

Event	Date (Hong Kong time)
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in light pink colour in board lots of 1,000 Consolidated Shares and new share certificates in light blue colour in board lots of 20,000 Consolidated Shares) commences	9:00 a.m. on Wednesday, 5 February 2020
First day of dealings in nil-paid Rights Shares	Wednesday, 5 February 2020
Latest time for splitting the PALs	4:30 p.m. on Friday, 7 February 2020
Last day of dealing in nil-paid Rights Shares	Wednesday, 12 February 2020
Latest time for acceptance of and payment for the Rights Shares and application of excess Rights Shares.	4:00 p.m. on Monday, 17 February 2020
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 18 February 2020
Announcement of results of the Rights Issue	Monday, 24 February 2020
Temporary counter for trading in board lots of 1,000 Consolidated Shares (in the form of existing share certificates in light pink colour) closes	4:10 p.m. on Tuesday, 25 February 2020
Parallel trading in Consolidated Shares (represented by both existing share certificates in light pink colour in board lots of 1,000 Consolidated Shares and new share certificates in light blue colour in board lots of 20,000 Consolidated Shares) ends.	4:10 p.m. on Tuesday, 25 February 2020

Event	Date (Hong Kong time)
Despatch of share certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Tuesday, 25 February 2020
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:10 p.m. on Tuesday, 25 February 2020
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 26 February 2020
Last day for free exchange of existing share certificates in light pink colour for new share certificates in light blue colour for the Consolidated Shares	Thursday, 27 February 2020

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares, the Consolidated Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares or the Consolidated Shares.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A(1) of the Listing Rules, where Independent Shareholders' approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the issuer and their respective associates shall abstain from voting the ordinary resolution to approve the Rights Issue at the EGM.

As at the date of this announcement, the Company does not have any controlling Shareholders. Power King, a company wholly-owned by Ms. Yung, an executive Director, is the legal and beneficial owner of 11,201,475 Existing Shares (equivalent to 2,240,295 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 1.20% of the entire issued share capital of the Company. Each of Ms. Yung and Mr. Wang (the spouse of Ms. Yung and an executive Director of the Company) is deemed to be interested in the 11,201,475 Existing Shares beneficially owned by Power King. Save for Ms. Yung and Mr. Wang, none of the Directors and the chief executive of the Company and their respective associates are interested in any Existing Share. As such, Power King, being Ms. Yung's associate, shall abstain from voting at the EGM in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote, taking into account the recommendations of the Independent Financial Adviser which will be appointed by the Company. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A circular containing, among other things, (i) further details of (a) the Share Consolidation; (b) the Change in Board Lot Size, (c) the Increase in Authorised Share Capital, and (d) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (vi) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Tuesday, 31 December 2019.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Independent Shareholders at the EGM and upon the Share Consolidation and the Increase in Authorised Share Capital becoming effective, the Prospectus containing further information regarding, among other things, the Rights Issue, are expected to be despatched to the Qualifying Shareholders on or before Monday, 3 February 2020. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Excluded Shareholders for their information only.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Articles”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Existing Shares to 20,000 Consolidated Shares
“Circular”	the circular to be despatched to the Shareholders by the Company, relating to, among other things, the Rights Issue
“Company”	Wanjia Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company immediately following and arising from the Share Consolidation becoming effective
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, Increase in Authorised Share Capital and the Rights Issue

“Excluded Option Holders”	collectively, Mr. Chen Jinshan, Mr. Wang, and certain employees, who hold in aggregate 60,680,000 Share Options
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	upon the Share Consolidation having become effective, an increase in the authorised share capital of the Company from HK\$20,000,000 divided into 400,000,000 Consolidated Shares to HK\$50,000,000 divided into 1,000,000,000 Consolidated Shares by creating an additional 600,000,000 unissued Consolidated Shares
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man, being all of the independent non-executive Directors, which has been established to give recommendation to the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue

“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Irrevocable Undertaking”	the irrevocable undertaking given by Power King in favour of the Company and the Underwriter as described in the section headed “Irrevocable Undertaking”
“Last Trading Day”	6 December 2019, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Lodging Time”	4:30 p.m. on Wednesday, 22 January 2020 or such other date as the Underwriter and the Company may agree, being the latest time for the Shareholders to lodge transfer of Consolidated Shares in order to qualify for the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on Monday, 17 February 2020, being the latest time for acceptance and payment of the Rights Shares, or such other date as the Company may determine and notify the Underwriter in writing
“Latest Time for Termination”	4:00 p.m. on Tuesday, 18 February 2020 or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Jia Jun, being an executive Director and spouse of Ms. Yung
“Ms. Yung”	Ms. Yung Ka Lai, being an executive Director and spouse of Mr. Wang
“Option Holders”	holders of the outstanding Share Options, other than the Excluded Option Holders
“Optionholders’ Undertaking(s)”	the undertaking executed by each of the Excluded Option Holders, whereby each of them irrevocably undertook, represented and warranted to the Company that he/she will not exercise such Share Options held by him/her up to and including the Record Date
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Posting Date”	Monday, 3 February 2020 or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
“Power King”	Power King Investment Development Limited, a company established in British Virgin Islands, which is the legal and beneficial owner of 11,201,475 Existing Shares or 2,240,295 Consolidated Shares (as the case may be) up to and including the Latest Lodging Time, and is wholly-owned by Ms. Yung

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Friday, 31 January 2020, being the record date to determine entitlements to the Rights Issue
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of not less than 373,481,424 Rights Shares and not more than 375,145,424 Rights Shares at the Subscription Price on the basis of two (2) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued under the Rights Issue
“Settlement Date”	the date being the fifth business day following (but excluding) the Latest Time for Acceptance or such later date as the Company and the Underwriter may agree
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) or Consolidated Share(s) (as the case may be)
“Share Consolidation”	the consolidation of every five (5) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05 each
“Share Option(s)”	the 64,840,000 outstanding share options of the Company to subscribe for 64,840,000 Existing Shares at the exercise price of HK\$0.135 per Existing Share granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 24 September 2013
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.192 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed to this term under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Great Roc Capital Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 and Type 4 regulated activities under the SFO, whose ordinary course of business includes underwriting of securities

“Underwriting Agreement”	the underwriting agreement dated 6 December 2019 and entered into among the Company, the Underwriter and Power King in relation to the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter of not less than 218,859,521 Rights Shares and not more than 220,523,521 Rights Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Wanjia Group Holdings Limited
Wang Jia Jun
Executive Director

Hong Kong, 6 December 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Jinshan, Mr. Wang Jia Jun and Ms. Yung Ka Lai and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.