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## **WEALTH GLORY HOLDINGS LIMITED**

**富譽控股有限公司**

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

**(Stock Code: 8269)**

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE AND CHANGE IN BOARD LOT SIZE**

**Underwriter to the Rights Issue**



**Sorrento Securities Limited**

#### **PROPOSED RIGHTS ISSUE**

On 24 August 2020 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite 513,585,000 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

The Board proposed to raise gross proceeds of approximately HK\$41.1 million on the basis of five (5) Rights Shares for every two (2) Shares held on the Record Date by issuing 513,585,000 Rights Shares at the Subscription Price of HK\$0.08 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be approximately HK\$39.2 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date and an underwriting fee for underwriting all the Rights Shares). The Company intends to apply the net proceeds from the Rights Issue for (i) the repayment of bonds and other borrowings; (ii) the expansion of sale channels in various third-party department stores and chain stores in the PRC; (iii) the development of new products; (iv) the marketing activities and use of third-party intellectual properties; and (v) general working capital of the Group.

### **Optionholder's Undertakings and the Underwriting Agreement**

As at the date of this announcement, each of the holders of the Share Options (including two Directors) has signed an Optionholder's Undertaking not to exercise any and all of the Share Options granted to him/her from the date of the Optionholder's Undertaking to the close of business on the Record Date.

### **GEM Listing Rules implications**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder and no Directors and chief executive is interested in any Shares, accordingly all Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). An independent financial adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

## **CHANGE IN BOARD LOT SIZE**

The Boards propose that, subject to the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 30,000 Shares with effect from 9:00 a.m. on Monday, 30 November 2020. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots, if any.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from an 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 Wednesday, 30 September 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 5 November 2020.

## **WARNING OF THE RISKS OF DEALING IN THE 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 paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.**

## PROPOSED RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$41.1 million on the basis of five (5) Rights Shares for every two (2) Shares held on the Record Date by issuing 513,585,000 Rights Shares at the Subscription Price of HK\$0.08 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 24 August 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

### Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every two (2) Shares held at the close of business on the Record Date
Subscription Price	:	HK\$0.08 per Rights Share
Number of Shares in issue as at the date of this announcement	:	205,434,000 Shares
Number of Rights Shares	:	513,585,000 Rights Shares with an aggregate nominal value of HK\$12,326,040, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	719,019,000 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised	:	Approximately HK\$41.1 million before expenses
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 (i) 17,119,650 outstanding Share Options, which are exercisable during the period from 13 March 2019 to 12 March 2021 at the exercise price of HK\$0.36 each; and (ii) 20,543,400 outstanding Share Options, which are exercisable during the period from 22 April 2020 to 21 April 2022 at the exercise price of HK\$0.24 each.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 250.00% of the Company's issued share capital as at the date of this announcement and approximately 71.43% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

### **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 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 at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 28 October 2020.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 28 October 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 16 October 2020 to Thursday, 22 October 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 29 October 2020 to Wednesday, 4 November 2020 (both dates inclusive) for determining the entitlements to the Rights Issue.

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

**Basis of provisional allotments**

The basis of the provisional allotment shall be five (5) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

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

**Rights of Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses and stamp duty, of more than HK\$100 will be paid on pro-rata basis (rounded down to the nearest cent) to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.08 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.



The Subscription Price represents:

- (a) a discount of approximately 11.1% to the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 3.6% to the theoretical ex-rights price of approximately HK\$0.083 per Share based on the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 12.1% to the average of the closing prices of approximately HK\$0.091 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 12.1% to the average of the closing prices of HK\$0.091 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 82.5% to the audited net asset value per Share of approximately HK\$0.457 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$ 93,827,000 as at 31 March 2020 as disclosed in the annual report of the Company for the year ended 31 March 2020 and 205,434,000 Shares in issue as at the date of this announcement).

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising possible dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 71.43%. The theoretical dilution effect of the Rights Issue is approximately 8.50% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by an independent financial adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue assuming an underwriting fee for underwriting all the Rights Shares) is estimated to be approximately HK\$0.076.

### **Status of Rights Shares**

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

### **Fractions of the Rights Shares**

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

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Friday, 27 November 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Friday, 27 November 2020 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Thursday, 19 November 2020.



The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (c) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 30,000 Rights Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Monday, 30 November 2020 to Monday, 21 December 2020 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details in respect of the odd lots arrangement will be set out in the circular of the Company to be despatched by the Company in relation to the Rights Issue.

### **THE UNDERWRITING AGREEMENT**

On 24 August 2020 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares.

Date	:	24 August 2020 (after trading hours)
Underwriter	:	Sorrento Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and their ordinary course of business includes underwriting of securities.
		To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties.
Number of Rights Shares to be underwritten by the Underwriter	:	513,585,000 Rights Shares, being the maximum number of the Rights Shares (the “ <b>Untaken Shares</b> ”) not taken up by Qualifying Shareholders assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Commission	:	The Underwriter will receive 2.50% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm’s length negotiations 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 conditions.

Pursuant to the Underwriting Agreement, the Underwriter irrevocably undertakes to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations, (i) the Underwriter and parties acting in concert (within the meaning of the Takeovers Code) will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter in respect of performing its obligations hereunder; (ii) The Underwriter shall and shall cause its sub-underwriters to procure subscribers independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the GEM Listing Rules are complied with; (iii) none of the persons to be procured by it to subscribe for the Untaken Shares will be holding 10% or more of the total issued shares of the Company immediately after completion of the Rights Issue; and (iv) it shall use its reasonable endeavours to ensure that its sub-underwriters and subscribers for the Untaken Shares are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company and its connected persons or their respective associates (as defined in the GEM Listing Rules).

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by an independent financial adviser) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **The Optionholder's Undertakings**

As at the date of this announcement, each of the holders of the Share Options (including two Directors) has signed an Optionholder's Undertaking not to exercise any and all of the Share Options granted to him/her from the date of the Optionholder's Undertaking to the close of business on the Record Date.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

A. there shall be:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere after the signing of the Underwriting Agreement;

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a financial, political, military, industrial, economic or other nature;
- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
- (vi) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
- (vii) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (viii) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days (as defined in the GEM Listing Rules);
- (ix) the Company's application to the GEM Listing Committee of the Stock Exchange for the permission for the listing of, and permission to in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange;
- (x) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in taxation or fiscal or monetary policy or foreign exchange controls or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong or elsewhere); or
- (xi) the circular and/or 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 GEM Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which is or are in the reasonable opinion of the Underwriter:

- (i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group taken as a whole;
- (ii) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares to be taken up; or
- (iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue; or

B. the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served on or before the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Company shall not be liable to pay any underwriting commission.

**If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.**

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the date of despatch of the Prospectus Documents;
- (b) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Latest Time for Termination;
- (c) the delivery to the Stock Exchange for authorisation and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the date of despatch of the Prospectus Documents;

- (d) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by the Prospectus Posting Date;
- (e) the execution and delivery of the Optionholder's Undertakings on the date of the Underwriting Agreement;
- (f) there being no breach of the undertakings and obligations of the Company under the Underwriting Agreement by the Latest Time for Termination; and
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. None of the parties to the Underwriting Agreement may waive any of the above conditions except condition (f) above.

If the above conditions are not satisfied in whole or in part by the respective dates set out above (or such other time and/or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall be terminated and (save in respect of any provisions relating to, among other matters, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party and the Rights Issue will not proceed.

## **CHANGE IN BOARD LOT SIZE**

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 30 August 2019, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical ex-rights price of approximately HK\$0.083 per Share (calculated based on the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is approximately HK\$830.

Therefore, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 30,000 Shares with effect from 9:00 a.m. on Monday, 30 November 2020 such that the estimated market value of each proposed new board lot would be HK\$2,700 (based on the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the Last Trading Day). The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

To alleviate the difficulties in trading odd lots of the Shares arising from the Change in Board Lot Size, the Company will appoint an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Monday, 30 November 2020 to 4:00 p.m. on Monday, 21 December 2020 (both dates inclusive). Further details in respect of the matching services will be set out in the Prospectus.



All existing share certificates in board lot of 10,000 shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size 10,000 shares to new share certificate in board lot size of 30,000 shares is necessary.

Since the Change in Board Lot Size (i) would enable the Company to comply with the trading requirements; (ii) may save the transaction and registration costs incurred by the Shareholders and potential investors; and (iii) represents an increase by a small integral multiple of existing board lot which would not lead to any exchange of share certificates or parallel trading, the Board believes that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

## **EXPECTED TIMETABLE**

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Event</b>	<b>2020</b>
Announcement of the Rights Issue . . . . .	Monday, 24 August
Expected despatch date of circular with notice and form of proxy for the EGM . . . . .	on or before Wednesday, 30 September
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM . . . . .	4:00 p.m. on Thursday, 15 October
Closure of register of members of the Company for attending and voting at the EGM (both days inclusive) . . . . .	Friday, 16 October to Thursday, 22 October
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	11:00 a.m. on Tuesday, 20 October
Record date for determining attendance and voting at the EGM . . . . .	Thursday, 22 October
<b>Expected date and time of the EGM . . . . .</b>	<b>11:00 a.m. on Thursday, 22 October</b>

**Event****2020****Announcement of poll results of the EGM . . . . . Thursday, 22 October**

Register of members re-open . . . . . Friday, 23 October

Last day of dealings in Shares on a cum-rights basis . . . . . Friday, 23 October

First day of dealings in Shares on an ex-rights basis . . . . . Tuesday, 27 October

Latest time for the Shareholders to lodge transfer of  
Shares in order to qualify for the Rights Issue . . . . . 4:00 p.m. on Wednesday, 28 OctoberClosure of register of members of the Company for the  
Rights Issue (both dates inclusive) . . . . . Thursday, 29 October to  
Wednesday, 4 NovemberRecord Date for determining entitlements to  
the Rights Issue . . . . . Wednesday, 4 November

Register of members of the Company re-opens . . . . . Thursday, 5 November

Despatch of Prospectus Documents . . . . . Thursday, 5 November

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Monday, 9 November

Latest time for splitting the PAL(s) . . . . . 4:00 p.m. on Wednesday, 11 November

Latest time of dealings in nil-paid Rights Shares . . . . . 4:00 p.m. on Monday, 16 November

**Latest time for acceptance of, and payment for,  
the Rights Shares and application for and  
payment for excess Rights Shares . . . . . 4:00 p.m. on Thursday, 19 November**Latest time to terminate the Underwriting Agreement  
and for the Rights Issue to become unconditional . . . . . 4:00 p.m. on Friday, 20 November

**Event****2020**

Announcement of results of the Rights Issue . . . . . Thursday, 26 November

Refund cheques, if any, to be despatched (if the  
Rights Issue is terminated and in respect of  
unsuccessful or partially successful application for  
excess Rights Shares) . . . . . Friday, 27 November

Share certificates for fully paid Rights Shares to be despatched . . . . . Friday, 27 November

Designated broker starts to stand in the market to  
provide matching services for odd lots of Shares . . . . . 9:00 a.m. on Monday, 30 November

Commencement of dealings in fully-paid  
Rights Shares . . . . . 9:00 a.m. on Monday, 30 November

Effective date of the Change in Board Lot Size from  
10,000 Shares to 30,000 Shares . . . . . 9:00 a.m. on Monday, 30 November

Last day for the designated broker to provide  
matching services for odd lots of Shares . . . . . 4:00 p.m. on Monday, 21 December

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

## SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 205,434,000 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders:

	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders	
	Number of Shares	Approx.% (note 1)	Number of Shares	Approx.% (note 1)	Number of Shares	Approx.% (note 1)
Mr. Shan Zumao	10,280,000	5.00	35,980,000	5.00	10,280,000	1.43
Public Shareholders	195,154,000	95.00	683,039,000	95.00	195,154,000	27.14
Underwriter (note 2)	—	—	—	—	513,585,000	71.43
<b>Total</b>	<b>205,434,000</b>	<b>100.00</b>	<b>719,019,000</b>	<b>100.00</b>	<b>719,019,000</b>	<b>100.00</b>

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter irrevocably undertakes to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations, (i) the Underwriter and parties acting in concert (within the meaning of the Takeovers Code) will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter in respect of performing its obligations hereunder; (ii) The Underwriter shall and shall cause its sub-underwriters to procure subscribers independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the GEM Listing Rules are complied with; (iii) none of the persons to be procured by it to subscribe for the Untaken Shares will be holding 10% or more of the total issued shares of the Company immediately after completion of the Rights Issue; and (iv) it shall use its reasonable endeavours to ensure that its sub-underwriters and subscribers for the Untaken Shares are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company and its connected persons or their respective associates (as defined in the GEM Listing Rules).

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

## REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in (i) trading of natural resources and commodities; (ii) trading of trendy fashion merchandises and other consumer products; (iii) money lending; and (iv) investment in securities in Hong Kong.

For the three years ended 31 March 2020, the Group recorded (i) revenue of approximately HK\$86.5 million, HK\$96.7 million and HK\$66.2 million respectively; (ii) operating expenses (being administrative expenses and other expenses) of approximately HK\$17.6 million, HK\$19.5 million and HK\$16.4 million respectively; and (iii) finance costs of approximately HK\$4.1 million, HK\$1.3 million and HK\$0.8 million respectively. As a result, the Group recorded loss for the year of approximately HK\$59.8 million, HK\$18.2 million and HK\$19.9 million respectively for the corresponding year. During the first three months ended 30 June 2020, the Group recorded (i) unaudited revenue of approximately HK\$18.2 million as compared to approximately HK\$27.3 million for the same period in 2019; and (ii) unaudited loss for the period of approximately HK\$3.1 million as compared to approximately HK\$1.4 million for the same period in 2019. Notwithstanding the impact of PRC-US trade conflict and more recently the COVID-19 outbreak on Hong Kong, the Group was able to maintain its results at comparable level. Revenue attributable to the trading of consumer products amounted to approximately 51.3%, 38.1%, 54.3% and 38.6% of total revenue of the Group for each of the three years ended 31 March 2020 and the first three months ended 30 June 2020. As mentioned in the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”) and the first quarterly report of the Company for the three months ended 30 June 2020, the Group will continue to develop its existing business either via organic growth or by acquisition of related businesses if appropriate and to switch more resources to the sales of consumer products and trendy fashion merchandises segment which has a great potential on its business performance. Meanwhile, the Board will also utilize its business connections to identify other investment opportunities in order to diversify its existing business for enhancing its shareholder’s return.

Therefore, the Company proposes to raise equity capital by the Rights Issue to supplement its operation needs and particularly for its consumer product business. It is estimated that the Company will raise a gross proceeds of approximately HK\$41.1 million from the Rights Issue and the relevant expenses would be approximately HK\$1.9 million, which include underwriting commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$39.2 million (equivalent to a net price of approximately HK\$0.076 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:-

- (i) approximately HK\$13.1 million (or approximately 33.5% of the total net proceeds) for the repayment of bonds in principal amount of HK\$10.0 million and other unsecured borrowing at the value of approximately HK\$3.1 million;
- (ii) approximately HK\$9.7 million (or approximately 24.7% of the total net proceeds) for the expansion of sales channels in various third-party department stores and chain stores in the PRC;

- (iii) approximately HK\$4.4 million (or approximately 11.1% of the total net proceeds) for the development of new merchandises and other consumer products;
- (iv) approximately HK\$4.0 million (or approximately 10.2% of the total net proceeds) for the marketing activities and use of third-party intellectual properties; and
- (v) approximately HK\$8.0 million (or approximately 20.5% of the total net proceeds) for general working capital of the Group.

### **Repayment of bonds and other unsecured borrowing**

As set out in the 2020 Annual Report, the Group (i) had other unsecured borrowings of approximately HK\$3.0 million as at 31 March 2020 bearing interest rate of 8.0% per annum and payable within one year; and (ii) had issued an unsecured bond to an independent third party with principal amount of HK\$10.0 million and with coupon rate of 5.33% per annum which has been fully prepaid. During the year ended 31 March 2020, the relevant finance costs incurred by the Group was approximately HK\$748,000. Since the implied cost of capital of the Rights Issue of approximately 4.6% (being the total estimated expenses of the Rights Issue as percentage of gross proceeds assuming an underwriting fee for underwriting all the Rights Shares) is lower than the aforesaid interest rate of the unsecured borrowings, the Company considers that it is economically justifiable to obtain equity financing to repay such borrowings in order to save finance costs. Since the unsecured bond will be due in May 2021 and the Company will be required to repay the principal to subscriber unless extension of the maturity is mutually agreed. Having taken into account of its cash position and financial performance, the Company consider that it is necessary to obtain financing in advance to prepare for full repayment. The Rights Issue can facilitate the need of the Group in this respect at a lower cost. Furthermore, given the gearing ratio of the Company increased from approximately 9.0% for the year ended 31 March 2019 to approximately 11.5% for the year ended 31 March 2020, the repayment of both bond and other borrowings by using proceeds from the Rights Issue would bring positive effect to the gearing ratio of the Company.

### **Expansion of sales channels in various third-party department stores and chain stores in the PRC**

As set out in the 2020 Annual Report, the Group has already started to increase the sale channels, provide a flexible credit terms to customers and add a new profit sharing sales model to attract the dealers and maximise its profit. The Group has sold its products to over various points-of-sale run by third-party retailers in the PRC. The Group intends to leverage this established sales network and reputation of retail chain stores and department stores to expeditiously expand the coverage of the Group's products to capture any market opportunities by increasing the number of points-of-sale run by third-party dealers to around 65 points-of-sales (the "POS") including nationwide department stores, kids wear chain stores, household product chain stores, trendy jewellery and accessories stores etc. located in Beijing, Shanghai, Nanjing, Chongqing, Guangzhou, Wuhan, Zhengzhou and other cities in Jiangsu Province, Sichuan Province, Shaanxi Province, Inner Mongolia etc.



As at the date of this announcement, the Company is still in negotiation with the relevant dealers in respect of the sale arrangement of the Group's products at their POS, such as sharing of income generated from sales of the Group's products, credit terms and administrative work, and the finalisation of which depends on, among other things, the mix and availability of products of the Group to be placed at the POS and the marketing effort of the Group. Subject to the future market condition and ongoing review of the performance at the POS, the Company plans to sell products of existing styles at the POS in the first six months of cooperation and once the new bag products (details of which are disclosed in paragraph headed "Development of new merchandises and other consumer products") become available after development and production, a mix of both existing and new bag products will be made available for sale at the POS.

Since the Company may launch new bag products with various interactive functions subject to the results of research and development, the Company considers that it is necessary to prepare for the display of small computers and interactive electronic devices supported by online system to (i) attract customers' attention by allowing them to play interactive online games and command robots at the POS as well as to enhance the Group's product image; (ii) add more innovative elements to the Group's marketing activities at shopping malls and department stores of the relevant POS when necessary; and (iii) enhance the features and playability of certain new bag products since certain new products will be designed for children. The Company expects to respectively incur approximately HK\$4.0 million for engaging third-party to develop and/or provide the relevant online system and games and approximately HK\$2.1 million for initial setup costs for electronic devices at the POS. Such development cost of online system is estimated based on the third-party quotations available to the Group.

The Company believes that with the abovementioned promotional effort and information technology elements at the POS together with the marketing effort to be made by the Group (details of which are disclosed in paragraph headed "Marketing activities and use of third-party intellectual properties") would facilitate the negotiation between the Group and dealers on sales arrangement for initially around next eighteen months which the Company considers beneficial to the its operation.

On the other hand, the Company also plans to expand its sales network to some other retail places in the PRC by offering around 50 smart vending machines for sale of its products. The Company expects to incur approximately HK\$3.6 million for purchase of these machines and provision of relevant system based on the third-party quotations available to the Group.

### **Development of new merchandises and other consumer products**

The Group is engaged in design, manufacture, produce, market, sales and distribution of bags, storage cases for electronic accessories and components, trendy fashion apparels and accessories in Hong Kong and Asia markets. Therefore, the success of the Group depends on its ability to continuously develop marketable products, particularly bags, and launch via appropriate sales channels. By leveraging the experience of the Group in design and production of traditional bag products, the Company intends make use of information and communication technology to enhance features of its new bag products. The Company expects to develop over ten products with different features/functions in the coming year and incur development cost approximately HK\$4.4 million. Such development cost is estimated based on the third-party quotations available to the Group and the expected salary of in-house designer to be employed.

Such new bag products mainly include (i) backpacks for children with certain electronic devices and sensors connecting to relevant system which would enable users to download contents for more features and enhancement to playability; (ii) backpacks with GPS tracking function for elderly, children and even hikers; (iii) functional bags with electronic devices such as camera for outdoor and water sport activities; and (iv) traditional bag products and accessories. Subject to further negotiation, the Company may produce certain of aforesaid new products under the brand names of third-parties. Currently, the Group has targeted a multinational electronics manufacturer of, among others, smart devices, for the Group's potential new sport related bag products and an Italian sportswear manufacturer for the Group's potential traditional bag products. The Board considers that by (i) continuous research and development to add more features and technology to its products, the Group could maintain its competitiveness in the market; and (ii) serving bigger customers with international brands, the Group could give confidence to other customers on the Group's product quality.

Based on the quotations obtained by the Company, it is expected to take around six months for development of the abovementioned new products. The Company will from time to time assess the market condition and determine its production plan of new products.

### **Marketing activities and use of third-party intellectual properties**

To cope with the development of the Group's new products and along with the expansion of sales channels through the POS and smart vending machines, the Group will need to put more marketing effort for increase of its brand awareness. The Company expects to spend approximately HK\$4.0 million to engage third-parties to (i) carry out marketing activities in Greater China area for up to three years; (ii) provide multimedia contents for the Group to apply in its new products and promotion; and (iii) authorise the use of their intellectual properties, such as popular cartoon characters, by the Group.

### **General working capital**

During the year ended 31 March 2020, the average monthly expenses for rent, salary and relevant mandatory contribution and other office expenses was approximately HK\$420,000 while the monthly purchase in relation to consumer products was approximately HK\$2.0 million in late 2019. As set out in the 2020 Annual Report, the total trade receivables of the Group increased from approximately HK\$20.8 million as at 31 March 2019 to approximately HK\$33.7 million as at 31 March 2020 and the Group allows an average credit period of 30 days to its customers from trading of consumer products business. The receivables turnover day of the Group in relation to its consumer product business (calculated as average trade receivables over revenue relevant to consumer product business times the number of days in respective financial year/quarter) increase significantly from approximately 91.8 days as at 31 March 2019 to approximately 130.6 days as at 31 March 2020. For the first three months ended 30 June 2020, the receivables turnover day of the Group in relation to its consumer product business further increased to approximately 155.3 days.

Having considered (i) the settlement of customers may continue to be delayed as affected by the COVID-19 in near future; (ii) international brand or sizeable customers generally have larger bargaining power and may generally require for longer credit period; (iii) the planned expansion of the Group at retail level will require the Group to maintain additional inventories at the POS; and (iv) the current financial position of the Group, the Board is of the view that it is necessary to secure the financial resources to support the operation of the Group and apply approximately HK\$5.0 million and approximately HK\$3.0 million of the net proceeds from the Rights Issue for its general working capital requirement on the aforesaid overheads in the coming 12 months and the expected inventory costs for few months respectively.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

## **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

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

## **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

Pursuant to the terms of the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

## **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder and no Directors and chief executive is interested in any Shares, accordingly all Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). An independent financial adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from an 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 Wednesday, 30 September 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 5 November 2020.

## **WARNING OF THE RISKS OF DEALING IN SHARES AND 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 paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 27 October 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 9 November 2020 to Monday, 16 November 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the 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 Shares.

## DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“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 10,000 Shares to 30,000 Shares, subject to the completion of the Rights Issue
“Company”	Wealth Glory Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8269)

“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares 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
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue



“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	21 August 2020, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4: 00 p.m. on Thursday, 19 November 2020 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 20 November 2020, being the latest time for the termination of the Underwriting Agreement, or such later date as the Company and the Underwriters may agree in writing
“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 24 August 2020 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the close of business on the Record Date
“Overseas Letter”	a letter from the Company to the Excluded Shareholders, if any, explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, and 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 Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)

“Record Date”	Wednesday, 4 November 2020 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	513,585,000 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.024 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 26 September 2010
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Sorrento Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 24 August 2020 in relation to the underwriting arrangement in respect of the Rights Issue

“Underwritten Shares”	513,585,000 Rights Shares, being the maximum number of the Rights Shares not taken up by Qualifying Shareholders assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“US”	the United States of America
“%”	per cent

By Order of the Board  
**Wealth Glory Holdings Limited**  
**Tse Sing Yu**  
*Executive Director*

Hong Kong, 24 August 2020

*As at the date of this announcement, the Board comprises five Directors, including two executive Directors, namely, Ms. Lin Su and Mr. Tse Sing Yu and three independent non-executive Directors, namely, Mr. Tam Chak Chi, Mr. Liu Yongsheng and Mr. Chan Ka Hung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at [www.wealthglory.com](http://www.wealthglory.com).*