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LUEN WONG GROUP HOLDINGS LIMITED

聯旺集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8217)

(1) PROPOSED SHARE CONSOLIDATION; AND (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE

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 four (4) issued and unissued Existing Shares of par value HK\$0.04 each into one (1) Consolidated Share of par value of HK\$0.16 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. Currently, the Shares are traded on the Stock Exchange in the board lot size of 10,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

As at the date of this announcement, the authorised share capital of the Company is HK\$80,000,000 divided into 2,000,000,000 Existing Shares of HK\$0.04 each, of which 402,480,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$80,000,000 divided into 500,000,000 Consolidated Shares of HK\$0.16 each, of which 100,620,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

PROPOSED RIGHTS ISSUE

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\$0.26 per Rights Share, to raise gross proceeds of approximately HK\$52.3 million before expenses (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date), by way of the Rights Issue of 201,240,000 Rights Shares to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders two Rights Shares in nil-paid form for every one Consolidated Share in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses will be approximately HK\$49.9 million (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date), which are intended to be applied in following manners: (i) approximately HK\$39.9 million for repayment of an amount due to the Former Shareholder; and (ii) approximately HK\$10.0 million for acquiring surety bond for the new projects of the Group.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

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 for not exercising the Share Options granted to him/her on or before the Record Date.

THE PLACING AGREEMENT

On 2 August 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

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 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 such, Mr. So Kwok Hung, Ms. Yu Xiao, Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the date of this announcement, Mr. So Kwok Hung, Ms. Yu Xiao, Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao, whose are the Directors of the Company, taken together, in aggregate, hold 15,600,000 Existing Shares, representing approximately 3.88% of the existing issued share capital of the Company.

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. An independent financial adviser will be 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, and as to voting.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation and the Rights Issue and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Share Consolidation and 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 Friday, 20 August 2021.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, a 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) are expected to be despatched to the Qualifying Shareholders on Friday, 24 September 2021.

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

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

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Pursuant to the Company’s constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares will be placed to independent places under the Unsubscribed Arrangements. Any Unsubscribed Rights Shares not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled 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 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).

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 four (4) issued and unissued Existing Shares of par value of HK\$0.04 each into one (1) Consolidated Share of par value of HK\$0.16 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution 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 ordinary 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 GEM Listing Rules to effect the Share Consolidation; and
- (iii) the GEM 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 Monday, 13 September 2021, being the second 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 is HK\$80,000,000 divided into 2,000,000,000 Existing Shares of HK\$0.04 each, of which 402,480,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$80,000,000 divided into 500,000,000 Consolidated Shares of HK\$0.16 each, of which 100,620,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit 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.

Currently, the Shares are traded on the Stock Exchange in the board lot size of 10,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

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 which may arise.

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 arrangements will be set out in the circular to be despatched to the Shareholders in relation to, among others, the Share Consolidation.

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 period from Monday, 13 September 2021 to Friday, 22 October 2021, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to 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 delivery, trading and settlement purposes.

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

Listing and Dealings

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

REASONS FOR THE SHARE CONSOLIDATION

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK0.01 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 1 October 2020 (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\$0.080, with a board lot size of 10,000 Existing Shares, the Existing Shares are trading under HK\$2,000 per board lot.

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 will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000.

As at the date of this announcement, save for the proposed Share Consolidation and the proposed Rights Issue, the Company does not have any intention to carry out any other corporate actions or arrangements in the coming 12 months that may affect the trading in the Shares (including share consolidation, share subdivision and change in board lot size).

The Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposed to raise up to approximately HK\$52.3 million on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date by issuing 201,240,000 Rights Shares at the Subscription Price of HK\$0.26 per Rights Share (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date).

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Existing Shares in issue as at the date of this announcement	:	402,480,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	100,620,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 201,240,000 Rights Shares with an aggregate nominal value of HK\$32,198,400, assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	Up to 301,860,000 Consolidated Shares, assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date
Amount to be raised	:	Up to approximately HK\$52.3 million before expenses, assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date

As at the date of this announcement, there are 65,520,000 outstanding Share Options, details of the outstanding Share Options are set out below:

Date of grant	Exercisable period	Exercise price (HK\$)	Number of outstanding Share Options as at the date of this announcement
11 July 2019	five years from the date of grant	0.404	28,080,000
12 July 2021	five years from the date of grant	0.09	37,440,000

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 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 by the 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) or Consolidated Shares on or before completion of the Rights Issue.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

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 for not exercising the Share Options granted to him/her on or before the Record Date.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.26 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee 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:

- (i) a discount of approximately 18.8% to the theoretical closing price of HK\$0.320 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.080 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 7.1% to the theoretical ex-rights price of approximately HK\$0.280 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.080 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 14.9% to the theoretical closing price of HK\$0.3056 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0764 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the Last Trading Day;
- (iv) a discount of approximately 19.0% to the theoretical closing price of approximately HK\$0.3208 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0802 per Existing Share as quoted on the Stock Exchange for the 10 consecutive trading days prior to and excluding the Last Trading Day;
- (v) a premium of approximately 5.6% over the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.2461 (after taking into account the effect of the Share Consolidation) based on the consolidated net asset value of the Company as at 31 March 2021 of approximately HK\$24,760,000 and the number of issued Existing Share on the Last Trading Day, which was 402,480,000;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 12.5%, represented by the theoretical diluted price of approximately HK\$0.280 per Consolidated Share to the theoretical benchmarked price of HK\$0.320 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.080 per Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.0766 per Share).

The Subscription Price was determined by the Company with reference to, among other things, (i) the recent market price of the Existing Shares since 1 June 2021 and up to the Last Trading Day, the average of which was approximately HK\$0.0948 per Existing Share; (ii) the discount with reference to the rights issue exercises announced by companies listed on the Stock Exchange since 1 June 2021 and up to the Last Trading Day, which ranged from 4.1% to 65.0%; (iii) the prevailing market conditions; (iv) the loss attributable to owners of the Company of approximately HK\$13.1 million for the financial year ended 31 March 2021; (v) the amount of funds and capital needs; and (vi) the reasons for the Rights Issue as set out in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in this announcement. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group. The Directors are of the view that the Subscription Price of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders.

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 66.67%. The theoretical dilution effect of the Rights Issue is approximately 12.5% 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 the 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) is estimated to be approximately HK\$0.2481, if fully subscribed.

Basis of provisional allotments

The basis of the provisional allotment shall be 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.

The PAL 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. 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.

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 transfer documents of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Union Registrars Limited 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. (Hong Kong time) on Wednesday, 15 September 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis for the Rights Issue is Monday, 13 September 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 14 September 2021.

Subject to the Share Consolidation 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 Prospectus Posting Date and will despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders for their information only.

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.**

As at the date of this announcement, the Company has not received any undertaking from any Shareholders of the Company of any intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue.

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. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

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.

As at the date of this announcement, there are one and six Shareholders with registered address in Macau and the PRC, respectively (as shown on the register of members of the Company).

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL 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 during the period from 9:00 a.m. on Tuesday, 28 September 2021 to 4:00 p.m. on Wednesday, 6 October 2021 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis 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 Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Status of 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 or any other applicable fees and charges in Hong Kong.

Fractions of the Rights Shares

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

Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Wednesday, 27 October 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

THE PLACING AGREEMENT

On 2 August 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date : 2 August 2021 (after trading hours)

Issuer : the Company

Placing Agent : Suncorp Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates.

Placing price of the Unsubscribed Rights Shares and/or and the ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price.

The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of placement.

Commission : 2.50% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement

The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.

- Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies) and who will not become substantial shareholders of the Company after completion of the Rights Issue.
- Ranking of Unsubscribed Rights Shares and the ES Unsold Rights Shares : Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
 - (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;
 - (iii) the Share Consolidation becoming effective;
 - (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
 - (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company. As at the date of this announcement, none of the above conditions precedent may be waived by the Company or the Placing Agent.

Termination : The Placing Arrangement shall end on 27 October 2021 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within six Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Company and the Placing Agent and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing

The Company will apply to the GEM 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. The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares, i.e. 10,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any stock exchange other than the Stock Exchange.

Rights Shares will be eligible for admission in CCASS

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.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their 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.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

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, 29 October 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares. If the Rights Issue is terminated, refund cheques are expected to be posted on Friday, 29 October 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation and the Rights Issue, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Share Consolidation becoming effective;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant 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);
- (d) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (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 Prospectus Posting Date;
- (e) 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.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE

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

Event	2021
Announcement of the Share Consolidation and the Rights Issue	Monday, 2 August
Expected despatch date of circular with notice and form of proxy for the EGM	on or before Friday, 20 August
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM	4:00 p.m. on Thursday, 2 September
Closure of register of members of the Company for attending and voting at the EGM (both days inclusive)	Friday, 3 September to Thursday, 9 September
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Tuesday, 7 September
Record date for determining attendance and voting at the EGM	Thursday, 9 September
Expected date and time of the EGM	11:00 a.m. on Thursday, 9 September
Announcement of poll results of the EGM	Thursday, 9 September
Register of members re-opens	Friday, 10 September
The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue.	
Effective date of the Share Consolidation	Monday, 13 September
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Monday, 13 September
Original counter for trading in the Existing Shares, in board lots of 10,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 13 September
Temporary counter for trading in the Consolidated Shares, in board lots of 2,500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 13 September
First day for the free exchange of existing share certificates of the Shares into new share certificates of the Consolidated Shares commences	Monday, 13 September

Last day of dealings in the Consolidated Shares on a cum-rights basis for the Rights Issue	Monday, 13 September
First day of dealings in Consolidated Shares on an ex-rights basis for the Rights Issue	Tuesday, 14 September
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 15 September
Closure of register of members of the Company for the Rights Issue (both dates inclusive)	Thursday, 16 September to Thursday, 23 September
Record Date for determining entitlements to the Rights Issue	Thursday, 23 September
Register of members of the Company re-opens	Friday, 24 September
Despatch of Prospectus Documents for the Rights Issue	Friday, 24 September
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 28 September
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 28 September
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 28 September
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 28 September
Latest time for splitting of PAL	4:00 p.m. on Thursday, 30 September
Latest time of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 6 October
Latest time for logging transfer documents of nil-paid Rights Shares in order to qualify for payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	4:00 p.m. on Monday, 11 October
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 11 October
Announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares subject to the Compensatory Arrangements	Tuesday, 19 October

- Commencement of placing of Unsubscribed Rights Shares
and the ES Unsold Rights Shares by the Placing Agent Wednesday, 20 October
- Designated broker ceases to stand in the market to
provide matching services for the sale and purchase of
odd lots of the Consolidated Shares 4:00 p.m. on Wednesday, 20 October
- Temporary counter for trading in board lots of
2,500 Consolidated Shares (in the form of existing share
certificates) closes 4:10 p.m. on Wednesday, 20 October
- Parallel trading in the Consolidated Shares (in the form of
new and existing share certificates) ends 4:10 p.m. on Wednesday, 20 October
- Latest time for free exchange of existing share certificates
for new share certificates for the Consolidated Shares 4:00 p.m. on Friday, 22 October
- Latest time of placing of the Unsubscribed Rights Shares
and the ES Unsold Rights Shares by the Placing Agent Wednesday, 27 October
- Latest time for the Rights Issue and placing of the
Unsubscribed Rights Shares and ES Unsold Rights Shares
to become unconditional Wednesday, 27 October
- Announcement of results of the Rights Issue (including results
of the placing of the Unsubscribed Rights Shares and
the ES Unsold Rights Shares and the amount of the
Net Gain per Unsubscribed Rights Share and
per ES Unsold Rights Share under the
Compensatory Arrangements) Thursday, 28 October
- Refund cheques, if any, to be despatched
(if the Rights Issue does not proceed) On or before Friday, 29 October
- Certificates for fully paid Rights Shares to be despatched Friday, 29 October
- Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on Monday, 1 November
- Payment of Net Gain to relevant No Action Shareholders
(if any) or Excluded Shareholders (if any) Tuesday, 23 November

All times and dates in this announcement refer to Hong Kong local times and dates.

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

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
 2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
 3. a “black” rainstorm warning
- (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE” above may be affected. Announcement will be made by the Company in such event.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 402,480,000 Shares in issue. The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Share Consolidation and Rights Issue which are for illustrative purpose only.

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 no further issue or repurchase of Shares or Consolidated Shares up to completion of the Rights Issue save for the Rights Shares:

	As at the date of this announcement		Immediately after completion of the Rights Issue					
			Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		Assuming all Shareholders take up their respective allotment of Rights Shares in full		Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx.% (note)	Number of Consolidated Shares	Approx.% (note)	Number of Consolidated Shares	Approx.% (note)	Number of Consolidated Shares	Approx.% (note)
Mr. So Kwok Hung	3,120,000	0.78	780,000	0.78	2,340,000	0.78	780,000	0.26
Ms. Yu Xiao	3,120,000	0.78	780,000	0.78	2,340,000	0.78	780,000	0.26
Mr. Wong Chi Kan	3,120,000	0.78	780,000	0.78	2,340,000	0.78	780,000	0.26
Ms. Lao In lam	3,120,000	0.78	780,000	0.78	2,340,000	0.78	780,000	0.26
Mr. Liao Honghao	3,120,000	0.78	780,000	0.78	2,340,000	0.78	780,000	0.26
Public Shareholders	386,880,000	96.10	96,720,000	96.10	290,160,000	96.10	96,720,000	32.04
Independent placees	-	-	-	-	-	-	201,240,000	66.66
Total	402,480,000	100.00	100,620,000	100.00	301,860,000	100.00	301,860,000	100.00

Notes:

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.

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 Company is an investment holding company. The Group is principally engaged in the provision of civil engineering works and investment holding.

As mentioned in the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”), the Group’s revenue was generated from the provision of civil engineering works and provision of decoration and renovation works. The total revenue of the Group decreased by approximately HK\$186.6 million from approximately HK\$354.9 million for the year ended 31 March 2020 to approximately HK\$168.3 million for the year ended 31 March 2021. Such decrease was mainly due to few large construction projects reaching completion stage and the construction industry in Hong Kong has been negatively impacted by the outbreak of COVID-19 which caused some construction sites closing temporarily to prevent construction workers from being infected by the contagious disease. The loss for the year decreased by approximately HK\$42.4 million from approximately HK\$55.6 million for the year ended 31 March 2020 to approximately HK\$13.1 million for the year ended 31 March 2021. Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and will put efforts to evaluate the feasibility of obtaining necessary licenses to carry out civil engineering works and related operations in other countries, such as Japan and Thailand.

As set out in the 2021 Annual Report, the Group recorded bank balances and cash of approximately HK\$15.6 million and total borrowings (comprising bond payables and lease liabilities) of approximately HK\$12.4 million as at 31 March 2021. Besides, the Group had an amount due to the Former Shareholder of approximately HK\$95.0 million, which is unsecured, interest-free and repayable on demand, as at 31 March 2021.

The Board considers that the Rights Issue represents an opportunity for the Company to repay the amount due to the Former Shareholder and supplement its principal business activities and operation needs. It is estimated that the Company will raise up to approximately HK\$52.3 million from the Rights Issue and the relevant expenses would be approximately HK\$2.4 million, which includes placing 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\$49.9 million (equivalent to a net price of approximately HK\$0.2481 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\$39.9 million (or approximately 79.96% of the total net proceeds) for the repayment of an amount due to the Former Shareholder; and
- (ii) approximately HK\$10.0 million (or approximately 20.04% of the total net proceeds) for acquiring surety bond for the new projects of the Group.

Repayment of an amount due to the Former Shareholder

The Former Shareholder lent approximately HK\$100.0 million and approximately HK\$32.9 million to the Group in December 2017 and January 2018, respectively. The Company applied the borrowings from the Former Shareholder for business operations and general working capital of the Group, in which (i) approximately HK\$129.4 million was applied for operation-related expenditure including but not limited to subcontracting costs and surety bonds; and (ii) approximately HK\$3.5 million was applied for general working capital including but not limited to rental expenses, staff costs, professional fee and other operating expenses.

The Group repaid part of the outstanding balance by its internal resources during the period from January 2021 to March 2021.

As at 31 March 2021, the Group still had an outstanding amount due to the Former Shareholder of approximately HK\$95.0 million, which is repayable on demand. On 14 July 2021, the Company received a notice of repayment from the Former Shareholder, which required the Company to repay the entire balance of the amount due to the Former Shareholder by 31 December 2021 for its financial needs. After negotiation between the Company and the Former Shareholder, they mutually agreed to have the Company repay an amount of HK\$40.0 million to the Former Shareholder by 31 December 2021 (the “**Repayment Day**”) with the remaining balance of approximately HK\$55.0 million being unsecured, interest-free and repayable upon further notice by the Former Shareholder (the “**Notice**”). Further, they mutually agreed that the Notice will not be made on or before 31 July 2022. Thus, the Company intends to apply approximately HK\$39.9 million from the Rights Issue for partial repayment of the amount due to the Former Shareholder. The Company expects to settle the remaining balance of the amount due to the Former Shareholder by internal resources generated/to be generated from its operating activities.

Acquiring surety bond for the new projects of the Group

The Company intends to apply approximately HK\$10.0 million from the Rights Issue for acquiring surety bonds for three new projects located in Fo Tan, Kai Tak and Stanley, which are expected to be completed in six months, seven months and 13 months, respectively, with total contract sum of approximately HK\$130.0 million.

According to each of the contracts, the Company is required to provide guarantee for the performance of contract works in the form of surety bond, also known as performance or demand bond, which amounts to 10% of the projects’ total contract sum, amounting to approximately HK\$13.0 million in aggregate. Therefore, the Company intends to apply approximately HK\$10.0 million from the net proceeds of the Rights Issue for the procurement of surety bonds pursuant to these new projects, while the remaining balance of approximately HK\$3.0 million will be settled by its internal resources. Save for the surety bonds, the Directors considered there are no other conditions related to significant financial needs for these new projects.

If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than HK\$39.9 million, all of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of an amount due to the Former Shareholder. If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is more than HK\$39.9 million, HK\$39.9 million of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of an amount due to the Former Shareholder and the remaining net proceeds will be utilised for acquiring surety bond for the new projects of the Group. As at the date of the announcement, the Company has no intention to conduct further fundraising activities in near future.

While the Group had cash and cash equivalents of approximately HK\$15.6 million and trade receivables of approximately HK\$67.9 million as at 31 March 2021 as shown in 2021 Annual Report, the Group generally maintained a significant portion of such cash and cash equivalents for its monthly operational expenses to support its operations, including but not limited to site equipment rental of approximately HK\$1.2 million per month, staff costs of approximately HK\$3.0 million per month, rental expenses of approximately HK\$50,000 per month and other general and administrative expenses of approximately HK\$450,000 per month. Having considered current cash and cash equivalents and trade receivables of the Group against its expected monthly operational expenses, the Directors are of the view that the Company has sufficient working capital for its operation in the coming 12 months.

Fund-raising alternatives

The Board had considered other fund-raising alternatives before resolving to the proposed Rights Issue including (i) other debt financing, and (ii) equity fund raising such as placement of new Shares and open offer. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- (i) The Board considers that the Rights Issue would give the Qualifying Shareholders the opportunity to maintain their respective prorata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Although those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders may make their shareholdings diluted, the Rights Issue requires the Independent Shareholders' approval so that the Independent Shareholders are given an opportunity to decide whether the Company shall proceed to the Rights Issue by voting for or against at the EGM to approve the Rights Issue.
- (ii) As for other debt financing, as at the date of announcement, the Board has attempted to obtain loan financing from its principal banker, and was advised that the Group does not have any material assets which the Group can charge to the banks as security, therefore, the credit line granted by the banks (if any) will not be sufficient for the Group to replace any of the borrowings. In addition, the Group has also attempted to obtain other loan financing from independent third parties, but the interest rate offered is generally over 10% per annum. The Board considers that debt financing will put pressure on the financial position of the Group, and will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations.

- (iii) As for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company and it is relatively smaller in scale as compared to fund raising through rights issue. The Company had approached a total of three securities firms in Hong Kong and explored the possibility of different equity fund raising options, such as placement of new shares and rights issue. The Placing Agent has explicitly shown an interest in carrying out a rights issue only on a best effort basis. No positive feedback was received from other securities firms given (i) the small market capitalization of the Company; (ii) the Group recorded net loss for four consecutive years ended 31 March 2021; and (iii) uncertainty on the operation of the Group as a result of the COVID-19 pandemic.
- (iv) As for open offer, similar to a right issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

As such, the Board considers that equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities.

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

The Company has conducted the following equity fund raising activity in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds as at the date of this announcement
19 August 2020	General Mandate	HK\$5.2 million	utilised as general working capital of the Group	The entire proceeds were used for general working capital of the Group

POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS

Pursuant to the terms of the Share Option Scheme and the terms, 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 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 such, Mr. So Kwok Hung, Ms. Yu Xiao, Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the date of this announcement, Mr. So Kwok Hung, Ms. Yu Xiao, Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao, who are the Directors of the Company, taken together, in aggregate, hold 15,600,000 Existing Shares, representing approximately 3.88% of the existing issued share capital of the Company.

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.

Closure of register of members

The register of members of the Company will be closed from Friday, 3 September 2021 to Thursday, 9 September 2021 (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, 16 September 2021 to Thursday, 23 September 2021 (both dates inclusive) for determining the entitlements to the Rights Issue.

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

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. An independent financial adviser will be 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, and as to voting.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation and the Rights Issue, and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Share Consolidation and 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 Friday, 20 August 2021.

Subject to the approval of the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a 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) are expected to be despatched to the Qualifying Shareholders on Friday, 24 September 2021.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Pursuant to the Company’s constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares will be placed to independent places under the Unsubscribed Arrangements. Any Unsubscribed Rights Shares not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

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
“Company”	Luen Wong Group 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: 8217)
“Companies (WUMP Ordinance)”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.26(2) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.16 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“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

“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the proposed Share Consolidation and the Rights Issue, and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“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
“Existing Share(s)/Share(s)”	share(s) of HK\$0.04 each in the share capital of the Company prior to the Share Consolidation having become effective
“Former Shareholder”	Blooming Union Investments Limited, the former shareholder of the Company and a company incorporated in British Virgin Islands with limited liability and owned as to 50% by Mr. Wong Che Kwo and 50% by Mr. Wong Wing Wah
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the placing of new shares under general mandate previously conducted by the Company as announced on 19 August 2020 and completed on 7 September 2020
“Group”	collectively, 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”	2 August 2021, being the last trading day of the Existing Shares on the Stock Exchange before the release of this announcement
“Latest Placing Date”	27 October 2021 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares
“Latest Placing Time”	6:00 p.m. on the Latest Placing Date
“Latest Time for Acceptance”	4:00 p.m. on Monday, 11 October 2021, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Long Stop Date”	28 October 2021 or such later date as may be agreed between the Placing Agent and the Company in writing
“Net Gain”	any premiums paid by the placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 2 August 2021 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 Record Date
“Overseas Letter”	a letter from the Company to the Excluded Shareholders 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

“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Suncorp Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.26(2) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 2 August 2021 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this announcement
“Placing Period”	a period commencing from the next Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Wednesday, 20 October 2021, and ending at the Latest Placing Time
“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”	collectively, the Prospectus and PAL
“Prospectus Posting Date”	the date of despatch of the Prospectus Documents
“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”	Thursday, 23 September 2021 or such other date as may be determined by the Company, 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 two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 201,240,000 Consolidated 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
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme of the Company adopted on 24 March 2016
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the consolidation of every four (4) issued and unissued Existing Shares of HK\$0.04 each into one (1) Consolidated Share of HK\$0.16 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.26 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

“Unsubscribed Arrangements”	the placement of Unsubscribed Rights Shares by the Placing Agent pursuant to the terms of the Placing Agreement, details of which are set out in the section headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements” in this announcement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

By order of the Board
Luen Wong Group Holdings Limited
So Kwok Hung
Chairman and Executive Director

Hong Kong, 2 August 2021

As at the date of this announcement, the executive Directors are Mr. So Kwok Hung and Ms. Yu Xiao and the independent non-executive Directors are Mr. Wong Chi Kan, Ms. Lao In Iam and Mr. Liao Honghao.

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 in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of GEM of the Stock Exchange’s website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.todayir.com/en/showcases.php?code=8217.