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## **Progressive Path Group Holdings Limited**

### **進昇集團控股有限公司**

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

**(Stock Code: 1581)**

## **(I) PROPOSED SHARE CONSOLIDATION; (II) PROPOSED CHANGE IN BOARD LOT SIZE; AND (III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

### **PROPOSED SHARE CONSOLIDATION**

The Company proposes to implement the Share Consolidation on the basis that every five (5) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 1,037,500,000 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 change in the number of Shares in issue from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each, of which 207,500,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

No Shareholder is involved or interested in or has a material interest in the Share Consolidation and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting in favour of the resolution to approve the Share Consolidation and the transactions contemplated thereunder by way of poll at the EGM.

**Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.**

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

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective.

### **PROPOSED RIGHTS ISSUE**

The Company proposes to raise gross proceeds of up to approximately HK\$54.0 million (assuming full subscription under the Rights Issue) by issuing up to 207,500,000 Rights Shares at the Subscription Price of HK\$0.26 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 the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

The maximum net proceeds from the Rights Issue, after deducting all relevant expenses, are estimated to be approximately HK\$52.0 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.25. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 71.8% (or approximately HK\$37.3 million), for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK\$14.7 million) for general working capital of the Group.

There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. Any Unsubscribed Rights Shares and ES Unsold Rights Shares, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this announcement, will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights issue will proceed on a non-underwritten basis, any 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, or may result in the non-compliance by the Company of the Public Float Requirement under Rule 8.08 of the Listing Rules. 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 (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

The Rights Issue is only available to 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 be a Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Wednesday, 13 July 2022.

The last day of dealing in the Consolidated Shares on cum-rights basis is Monday, 11 July 2022. The Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 12 July 2022.

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 24 May 2022 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees on a best effort basis. For details of the Placing Agreement and the Compensatory Arrangements, please refer to the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this announcement. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; and (ii) they are Independent Third Parties.

## **THE IRREVOCABLE UNDERTAKING**

As at the date of this announcement, Profit Gold, being a Controlling Shareholder, directly holds 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the date of this announcement). Profit Gold is a company wholly-owned by Mr. Wu, the chairman of the Board and an executive Director of the Company. On 24 May 2022, the Company received from Profit Gold the Irrevocable Undertaking, pursuant to which Profit Gold has irrevocably undertaken to the Company, among other things, that it:

- (i) shall not sell, transfer or otherwise dispose of the Shares held by it during the period from the date of the Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive);
- (ii) shall accept and subscribe, and procure its nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which it is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of Rights Shares to be subscribed by Profit Gold under the Rights Issue will be scaled down to the extent that Profit Gold and its associate(s) will not trigger a general offer obligation under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and
- (iii) shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Irrevocable Undertaking given by Profit Gold, the Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

## **LISTING RULES IMPLICATIONS**

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders by way of poll at the EGM on 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, Profit Gold, being a Controlling Shareholder, directly holds 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the date of this announcement). Profit Gold is a company wholly-owned by Mr. Wu, the chairman of the Board and an executive Director of the Company. Accordingly, Profit Gold, Mr. Wu and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

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 7.27B of the Listing Rules.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the Placing. A circular containing, among other things, (i) the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 15 June 2022.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Wednesday, 29 June 2022.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the independent financial adviser to be appointed by the Company. In this connection, the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable. An announcement will be made by the Company upon the appointment of the independent financial adviser.

The Company will despatch the Prospectus Documents containing, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Thursday, 21 July 2022. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

**The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 12 July 2022. Dealings in the Rights Shares in nil-paid form in the new board lot size of 10,000 Rights Shares are expected to take place from Monday, 25 July 2022 to Monday, 1 August 2022 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement below.**

**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 Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).**

### **PROPOSED SHARE CONSOLIDATION**

The Company proposes to implement the Share Consolidation on the basis that every five (5) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share.

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

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and

(iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on 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\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 1,037,500,000 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 change in the number of Shares in issue from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each, of which 207,500,000 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 in accordance with the Company's articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

### **Listing Application**

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

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

## **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares of the Company regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

## **Other securities of the Company**

As at the date of this announcement, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

## **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Further details in respect of the odd lots matching arrangement will be set out in the circular to be despatched by the Company to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

## **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Monday, 11 July 2022 to 4:30 p.m. on Tuesday, 16 August 2022 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, 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 colour of the new share certificates for the Consolidated Shares will be announced by the Company in due course.

**Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.**

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

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.090 per Existing Share (equivalent to the theoretical closing price of HK\$0.450 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of 5,000 Existing Shares is HK\$450; (ii) the value of each board lot of 5,000 Consolidated Shares would be HK\$2,250 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$4,500 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

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

#### **Reasons for the Share Consolidation and the Change in Board Lot Size**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the date of this announcement, the closing price of the Existing Share was HK\$0.090 per Share, with a board lot size of 5,000, the existing board lot value is less than HK\$2,000. The Directors consider that the proposed Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the expected value per board lot and increase the value of each board lot of the Consolidated Shares to over HK\$2,000. As such, it would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

Accordingly, the Board considers that the Share Consolidation and the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the date of this announcement, save as disclosed in this announcement, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation and the Change in Board Lot Size are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules, as and when appropriate.

## PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$54.0 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 207,500,000 Rights Shares at the Subscription Price of HK\$0.26 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Details of the Rights Issue are set out below:

### Rights Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,037,500,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	207,500,000 Consolidated Shares
Number of Rights Shares	:	up to 207,500,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregated nominal value of the Rights Shares	:	up to HK\$10,375,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	415,000,000 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Profit Gold has undertaken to take up an aggregate of 122,199,000 Rights Shares under its assured entitlement (representing approximately 58.89% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Irrevocable Undertaking

As at the date of this announcement, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case maybe.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 207,500,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 50% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this announcement, will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are 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 are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any 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, or may result in the non-compliance by the Company of the Public Float Requirement under Rule 8.08 of the Listing Rules. 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 (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

## Subscription Price

The Subscription Price of HK\$0.26 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 42.22% to the theoretical closing price of approximately HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 39.95% to the theoretical average closing price of approximately HK\$0.433 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0866 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 26.76% to the theoretical ex-rights price of approximately HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.11%, represented by the theoretical diluted price of approximately HK\$0.355 per Consolidated Share to the theoretical benchmarked price of HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.090 per Existing Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of this announcement of approximately HK\$0.0866 per Existing Share); and
- (v) a discount of approximately 72.69% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.952 (based on the consolidated net asset value of the Company as at 30 September 2021 of approximately HK\$197.6 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.25.

The Subscription Price was determined by the Company with reference to, among others, (i) the recent closing price of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this announcement.

Whilst the Subscription Price represents a discount of approximately 72.69% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.952 (based on the consolidated net asset value of the Company as at 30 September 2021 of approximately HK\$197.6 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000), the Board is of the view that the net asset value per Consolidated Share may not be an appropriate factor in determining the Subscription Price taking into consideration that based on the closing price of HK\$0.090 per Existing Share as at the date of this announcement, the Existing Shares have been traded at a discount of approximately 52.6% to the net asset value per Existing Shares of approximately HK\$0.190 (based on the consolidated net asset value of the Company as at 30 September 2021 of approximately HK\$197.6 million and the total number of issued Existing Shares). In addition, the price of the Existing Shares has been in an overall downward trend in the past six months. Under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Existing Shares, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price so as to encourage the Shareholders to participate in the Rights Issue.

The Directors consider that the discount of the Subscription Price as compared to the market price range is reasonable taking into consideration the followings:

- (i) the prevailing market conditions and economic sentiment in Hong Kong. The Hong Kong economy has been adversely affected by the fifth wave outbreak of COVID-19 since early 2022. The Hang Seng Index, which represents the most widely quoted indicator of the performance of the Hong Kong stock market, dropped from around 25,000 points in January 2022 to around 20,000 points in May 2022. Battered by the fifth wave of outbreak of COVID-19, the Hong Kong economy recorded a marked deterioration in the first quarter of 2022, with real gross domestic product (GDP) contracting by 4.0% year-on-year. Further, the volatility of the Hong Kong stock market has soared recently in light of the rates hikes in the United States, which is widely believed to have a negative impact on the global economy and financial markets;
- (ii) the discount in the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group; and

(iii) based on arm's length negotiation with the Placing Agent, the Directors understand that the discount of the Subscription Price would help to secure sufficient investors' interests in the Rights Shares, taking into consideration (a) the general downward trend in the share price of companies principally engaged in the Hong Kong construction industry with an operating scale comparable to the Group that are listed on the Main Board of the Stock Exchange; (b) the level of discount in the subscription price in respect of rights issues completed within the past six months by companies listed on the Main Board of the Stock Exchange with market capitalisation between HK\$60.0 million to HK\$100.0 million and a net asset value of HK\$50.0 million or above. In this regard, two listed issuers were identified which match with the selection criteria and their rights issues represent a discount of approximately 20.83% and 23.23% to their respective theoretical diluted price per share, respectively; and (c) the deterioration in the macro-environments as explained above.

The Board considers, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders 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 historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of the Consolidated Share(s) (with the relevant share certificates) for registration with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 pm on Wednesday, 13 July 2022.

The last day of dealing in the Shares on cum-rights basis is Monday, 11 July 2022. The Shares will be dealt with on an ex-rights basis from Tuesday, 12 July 2022.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders**

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). As at the date of this announcement, there is one Overseas Shareholder, namely Profit Gold (being a Controlling Shareholder), with registered address located in the British Virgin Islands, which is interested in 610,995,000 Shares, representing approximately 58.89% of the total number of the existing issued Shares. Profit Gold will not be excluded from the Rights Issue.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

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

The register of members of the Company will be closed from Thursday, 30 June 2022 to Thursday, 7 July 2022 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM.



The register of members of the Company will be closed from Thursday, 14 July 2022 to Wednesday, 20 July 2022 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

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

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

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. There will be no excess application arrangements in relation to the Rights Issue.

### **No fractional entitlements to the Rights Shares**

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, 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 arising from the Rights Issue 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 Rights Issue.

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue 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.

## **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall 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 after the date of allotment of the Rights Shares in their fully-paid form.

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

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 19 August 2022. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Friday, 19 August 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 24 May 2022 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period 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 those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 11 August 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

### **Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares**

Details of the Placing Agreement are summarised as follows:

Date : 24 May 2022 (after trading hours)

Issuer : The Company

Placing Agent : Tiger Faith Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; and (ii) they are Independent Third Parties.

Placing Period : The period commencing from the third Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance.

- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 1.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.
- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
  - (ii) the Share Consolidation having become effective;

- (iii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (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 of the Placing Agreement; and
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the conditions (other than those set out in paragraphs (i) to (iii) above) by notice in writing to the Company.

In the event that the above condition precedents have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company 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 conditions. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (a) are not Shareholder; and (b) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

### **Application for listing of the Rights Shares**

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

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 10,000 Rights Shares.

## **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be 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.

## **Stamp duty and other applicable fees**

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

## **Taxation**

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

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the passing of all the necessary resolution(s) at the EGM to approve the Share Consolidation, the Rights Issue, the Placing and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (b) the Share Consolidation and the Change in Board Lot Size having become effective;

- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares;
- (f) compliance with and performance of all undertakings and obligations of Profit Gold under the Irrevocable Undertaking in all material respects;
- (g) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (h) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed.

### **The Irrevocable Undertaking**

As at the date of this announcement, Profit Gold, being a Controlling Shareholder, directly holds 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the date of this announcement). Profit Gold is a company wholly-owned by Mr. Wu, the chairman of the Board and an executive Director of the Company. On 24 May 2022, the Company received from Profit Gold the Irrevocable Undertaking, pursuant to which Profit Gold has irrevocably undertaken to the Company, among other things, that it:

- (i) shall not sell, transfer or otherwise dispose of the Shares held by it during the period from the date of the Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive);



- (ii) shall accept and subscribe, and procure its nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which it is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of Rights Shares to be subscribed by Profit Gold under the Rights Issue will be scaled down to the extent that Profit Gold and its associate(s) will not trigger a general offer obligation under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and
- (iii) shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Irrevocable Undertaking given by Profit Gold, the Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

**EXPECTED TIMETABLE**

Set out below is the expected timetable for the proposed Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing 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>Date and Time</b>
Publication of this announcement .....	Tuesday, 24 May 2022
Expected despatch date of the circular, proxy form and notice of the EGM .....	Wednesday, 15 June 2022
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Wednesday, 29 June 2022
Closure of register of members of the Company for transfer of the Shares to determine the right to attend and vote at the EGM (both days inclusive) .....	Thursday, 30 June 2022 to Thursday, 7 July 2022

Latest time for lodging proxy forms for the EGM . . . . .	3:00 p.m. on Tuesday, 5 July 2022
Record date for attendance and voting at the EGM . . . . .	Thursday, 7 July 2022
Expected date and time of the EGM to approve the Share Consolidation, the Rights Issue and the Placing . . . . .	3:00 p.m. on Thursday, 7 July 2022
Announcement of the poll results of the EGM. . . . .	Thursday, 7 July 2022
Register of members of the Company re-opens . . . . .	Friday, 8 July 2022
Effective date of the Share Consolidation . . . . .	Monday, 11 July 2022
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Monday, 11 July 2022
Original counter for trading in Existing Shares in the board lot size of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes. . . . .	9:00 a.m. on Monday, 11 July 2022
Temporary counter for trading in the Consolidated Shares in board lot size of 1,000 Consolidated Shares (in the form of existing share certificates) opens. . . . .	9:00 a.m. on Monday, 11 July 2022
First day of free exchange of existing shares certificates for new share certificates for Consolidated Shares . . . . .	Monday, 11 July 2022
Last day of dealings in Consolidated Shares on a cum-rights basis. . . . .	Monday, 11 July 2022
First day of dealings in Consolidated Shares on an ex-rights basis . . . . .	Tuesday, 12 July 2022

Latest time for lodging transfers of Consolidated  
Shares to qualify for the Rights Issue . . . . . 4:30 p.m. Wednesday, 13 July 2022

Register of members of the  
Company closes (both dates inclusive) . . . . . Thursday, 14 July 2022 to  
Wednesday, 20 July 2022

Record Date for the Rights Issue . . . . . Wednesday, 20 July 2022

Register of members of the Company re-opens . . . . . Thursday, 21 July 2022

Expected despatch date of  
the Prospectus Documents  
(including the PAL and the Prospectus),  
and in the case of the Excluded Shareholders,  
the Prospectus only . . . . . Thursday, 21 July 2022

First day of dealings in nil-paid Rights Shares  
in the new board lot size of 10,000 Rights Shares . . . . . Monday, 25 July 2022

Original counter for trading in the Consolidated  
Shares in the board lot size of 10,000 Consolidated  
Shares (in the form of new share certificates) reopens . . . . . Monday, 25 July 2022

Parallel trading in the Consolidated Shares (in  
the form of both existing share certificates  
and new share certificates) commences . . . . . Monday, 25 July 2022

Designated broker starts to stand in the market  
to provide matching services for odd lots of the  
Consolidated Shares . . . . . Monday, 25 July 2022

Latest time for splitting of the PALs . . . . . 4:30 p.m. on Wednesday,  
27 July 2022

Last day of dealings in  
nil-paid Rights Shares in the new  
board lot size of 10,000 Rights Shares . . . . . Monday, 1 August 2022

Latest time for lodging transfer  
documents of nil-paid Rights Shares  
in order to qualify for the Compensatory  
Arrangements . . . . . 4:00 p.m. on Thursday,  
4 August 2022

Latest time for acceptance of and payment  
for the Rights Shares . . . . . 4:00 p.m. on Thursday,  
4 August 2022

Announcement of the number of Unsubscribed  
Rights Shares and ES Unsold Rights Shares  
subject to the Compensatory Arrangements . . . . . Monday, 8 August 2022

Commencement of placing of Unsubscribed  
Rights Shares and ES Unsold Rights  
Shares by the Placing Agent . . . . . Tuesday, 9 August 2022

Latest time of placing of Unsubscribed  
Rights Shares and ES Unsold Rights Shares  
subject to Compensatory Arrangements. . . . . 4:00 p.m. on Thursday,  
11 August 2022

Latest Time for Termination . . . . . 4:00 p.m. on Friday,  
12 August 2022

Designated broker ceases to provide  
matching services for odd lots of  
the Consolidated Shares. . . . . 4:00 p.m. on Friday,  
12 August 2022

Temporary counter for trading in the  
Consolidated Shares in the board lot  
size of 1,000 Consolidated Shares (in  
the form of existing share certificates) closes . . . . . 4:10 p.m. on Friday,  
12 August 2022

Parallel trading in Consolidated Shares  
(represented by both existing share  
certificates and new share certificates) ends . . . . . 4:10 p.m. on Friday,  
12 August 2022

Latest time for free exchange of existing  
share certificates for new share certificates . . . . . 4:30 p.m. on Tuesday,  
16 August 2022

Announcement of the allotment results  
of the Rights Issue (including  
results of the placing of Unsubscribed  
Rights Shares and 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, 18 August 2022

Despatch of share certificates of  
fully-paid Rights Shares and refund cheques,  
if any, in respect of  
wholly or partially unsuccessful applications. . . . . Friday, 19 August 2022

Expected first day of dealings  
in fully-paid Rights Shares in the new board lot  
size of 10,000 Rights Shares commence . . . . . 9:00 a.m. on Monday,  
22 August 2022

Payment of Net Gain to relevant No  
Action Shareholders (if any) . . . . . Monday, 5 September 2022

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

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended, amended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange 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 there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 4 August 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;  
or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 4 August 2022. Instead, the latest time for acceptance of and payment for the Rights Shares 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 of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 4 August 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 14 July 2022 to Wednesday, 20 July 2022 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

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

The Company is an investment holding company and its subsidiaries are principally engaged in (i) construction works; and (ii) the provision of construction machinery rental services.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$54.0 million and the relevant expenses would be approximately HK\$2.0 million. The net subscription price per Rights Share is expected to be approximately HK\$0.25. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$52.0 million.

The Company intends to use the net proceeds from the Rights Issue for the following purposes: (i) approximately 71.8% (or approximately HK\$37.3 million), will be used for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK\$14.7 million) will be used as the general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purposes disclosed above, i.e. (i) approximately 71.8% of the net proceeds from the Rights Issue will be used for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% of the net proceeds from the Rights Issue will be used as the general working capital of the Group. Further details of the use of proceeds will be disclosed by the Company in the announcement of results of the Rights Issue.

## **Growing demand for rental of air compressors**

According to the Company's interim report for the six months ended 30 September 2021, the Group's total revenue increased by approximately 28.7% from approximately HK\$203.6 million for the six months ended 30 September 2020 (“**HY2020**”) to approximately HK\$262.1 million for the six months ended 30 September 2021 (“**HY2021**”).

In particular, the Group's revenue derived from construction machinery rental significantly increased by approximately 62.4% from approximately HK\$108.6 million for HY2020 to approximately HK\$176.4 million for HY2021, which was mainly attributable to (i) the higher average rental price charged by the Group for its construction machinery rental services; and (ii) the substantial increase in demand for construction machinery from certain infrastructure and reclamation projects in Hong Kong, such as the Three-Runway System and Terminal 2 Complex at the Hong Kong International Airport and the Tung Chung New Town Extension.

According to the 2021–22 Budget announced by the Hong Kong government, the annual capital expenditure on infrastructure will reach approximately HK\$100 billion and approximately 14,000 transitional housing units will be introduced in the next few years. Taking into consideration the long term development of the Hong Kong construction industry in light of the 2021–22 Budget, the Directors consider that there will be an increase in demand for the Group's construction machinery rental services. In order to capture the growing demand for construction machinery rental services in Hong Kong, it is part of the Group's business strategy to enhance the diversity of its machinery fleet in order to strengthen its service capacity and enhance its market position in Hong Kong.

Recently, the Group has received enquiries from a number of customers for rental of air compressors to be used in different building construction projects. As at the date of this announcement, the Group did not own any air compressors, and this has hindered the Group's ability in fulfilling its customers' demand for air compressors rental services. While the Group has not entered into any memorandum of understanding, contract or agreement with its customer in respect of air compressor rental services, the Directors consider that there is an imminent need for the Group to expand the diversity of its rental fleet through the acquisition of air compressors in light of the growing demand for rental of air compressors arising from certain sizeable construction projects in Hong Kong. The Directors believe that the enhancement of machinery fleet will enable the Group to cater to the demand of different building construction projects in Hong Kong and thereby capture the increasing demand for construction machinery rental services. Should the Rights Issue proceed according to the expected timetable as set out in the section headed “Expected Timetable” in this announcement, the Directors anticipate that the Group will commence its air compressors rental services by the fourth quarter of 2022.

## **Benefits of acquisition of air compressors over sub-leasing from third-party machinery rental services providers**

The Group owned a fleet of construction machinery for the provision of construction machinery rental services. Over the years, the Group has continued to expand the scale and selection of its machinery fleet so as to enhance its competency in fulfilling its customers' needs and requirements as different types of construction machinery are generally required at different stages and for different scope of construction works. In respect of the Group's construction machinery rental services, a large majority of construction machinery rented by the Group to its customers were self-owned construction machinery. The Group has on occasions sub-leased construction machinery from third-party machinery rental services providers to supplement its service capacity when its self-owned machinery has been under deployment or unavailable. The Directors consider that it is in the interest of the Group to adhere to its previous practice in giving priority to renting its self-owned construction machinery over sub-leased construction machinery to its customers.

Based on the aforesaid and in light of the growing demand for rental of air compressors, the Directors consider that it is in the interest of the Group to maintain its own air compressors for the provision of air compressors rental services as compared to sub-leasing from third-party machinery rental services providers taking into account the followings:

- (i) third-party machinery rental services providers generally factor in a profit margin in their fees charged to the Group for the provision of machinery rental services, thereby eroding the room of the Group in charging a mark-up for sub-leasing such machinery to its customers. Hence, the Directors are of the view that it is more cost-effective for the Group to acquire its own air compressors in providing air compressors rental services so as to maximise its profitability, while maintaining a competitive pricing for the provision of air compressors rental services; and
- (ii) based on past experience, the Group would sometimes be required by its customers to deploy the rented machinery within a relatively tight timeframe. The Directors believe that the acquisition of air compressors can increase the Group's flexibility in machinery deployment and reduce the risk of unavailability of air compressors from third-party machinery rental services providers, thereby facilitating the Group in fulfilling its customers' project schedule.

## **Funding needs of the Group**

According to the 2021 Interim Report, the Group's bank balances decreased by approximately 26.2% from approximately HK\$16.8 million as at 31 March 2021 to approximately HK\$12.4 million as at 30 September 2021; while the Group's interest-bearing liabilities increased by approximately 26.8%, from approximately HK\$114.3 million as at 31 March 2021 to approximately HK\$144.9 million as at 30 September 2021. Accordingly, the Group's gearing ratio increased from approximately 59.5% as at 31 March 2021 to approximately 73.3% as at 30 September 2021.



Taking into consideration the Group's bank balances and gearing ratio, the Directors consider that it is financially prudent for the Group to strengthen its general working capital reserve through equity financing in the form of the Rights Issue. Part of the net proceeds from the Rights Issue will be used as general working capital of the Group to support its daily operating expenses which comprise, amongst others, labour costs, cost of materials and consumables, subcontracting charges, rental expenses and other miscellaneous expenses for its daily operations.

As aforementioned, it is part of the Group's business strategies to expand its rental fleet through the acquisition of air compressors in order to strengthen its service capacity and capture the increase in demand for construction machinery rental services. In view of the Group's cash and cash equivalents of approximately HK\$12.4 million as at 30 September 2021, the Directors consider that there is limited room for the Group to finance the acquisition of air compressors with its existing internal resources. Further, debt financing is not a preferred alternative as it will further increase the indebtedness and interest burden of the Group.

### **Rights Issue as the preferred fund raising activity of the Group**

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking, for illustration purposes only:

	As at the date of this announcement		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all remaining Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Profit Gold Global Limited ( <i>Note 1</i> )	610,995,000	58.89	122,199,000	58.89	244,398,000	58.89	244,398,000	58.89
Independent places	-	-	-	-	-	-	85,301,000	20.55
Other public Shareholders	426,505,000	41.11	85,301,000	41.11	170,602,000	41.11	85,301,000	20.55
<b>Total</b>	<b>1,037,500,000</b>	<b>100.00</b>	<b>207,500,000</b>	<b>100.0</b>	<b>415,000,000</b>	<b>100.00</b>	<b>415,000,000</b>	<b>100.00</b>

### Notes:

- Profit Gold Global Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wu.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

## **FUND RAISING EXERCISE IN THE PAST 12 MONTHS**

The Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the date of this announcement.

## **LISTING RULES IMPLICATIONS**

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding 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, Profit Gold, being a Controlling Shareholder, directly holds 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the date of this announcement). Profit Gold is a company wholly-owned by Mr. Wu (being the chairman of the Board and an executive Director). Accordingly, Profit Gold, Mr. Wu and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

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 7.27B of the Listing Rules.

## **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the independent financial adviser to be appointed by the Company. In this connection, the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable. An announcement will be made by the Company upon appointment of the independent financial adviser.

## GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the Placing. A circular containing, among other things, (i) the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 15 June 2022.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Wednesday, 29 June 2022.

The Company will despatch the Prospectus Documents containing, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Thursday, 21 July 2022. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

## **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 12 July 2022. Dealings in the Rights Shares in nil-paid form in the new board lot size of 10,000 Rights Shares are expected to take place from Monday, 25 July 2022 to Monday, 1 August 2022 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement above.**

**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 Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).**

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the 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 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 5,000 Existing Shares to 10,000 Consolidated Shares
“Company”	Progressive Path Group Holdings Limited (進昇集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose issued shares are listed on Stock Exchange (stock code: 1581)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1) (b) of the Listing Rules as described in the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company after the Share Consolidation becoming effective

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Rights Issue and the Placing
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) 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)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Irrevocable Undertaking”	a letter of irrevocable undertaking executed by Profit Gold in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertaking” in this announcement
“Last Trading Day”	Tuesday, 24 May 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 4 August 2022 or such later time or date as may be determined by the Company, being the latest time for acceptance of the offer of and payment for the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the latest time for the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Wing Hang (胡永恆), being the chairman of the Board and an executive Director
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent and/or its sub-placing agent(s) under the Placing Agreement) 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, and/or the Excluded Shareholders (if any)

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis 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 Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Tiger Faith Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 24 May 2022 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and ES Unsold Rights Shares
“Placing Period”	the period commencing from the third Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the fifth Business day after the Latest Time for Acceptance
“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
“Profit Gold”	Profit Gold Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and PAL



“Prospectus Posting Date”	Thursday, 21 July 2022 or such other date as may be determined by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Excluded Shareholders
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“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, 20 July 2022 or such other date as may be determined by the Company, being the date for determining entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	207,500,000 Consolidated Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	proposed consolidation of the issued and unissued Existing Shares in the share capital of the Company on the basis of five (5) Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of issued Share(s) or the Consolidated Share(s) as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.26 per Rights Share

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this announcement
“%”	per cent.

By order of the Board  
**Progressive Path Group Holdings Limited**  
**Wu Wing Hang**  
*Chairman and Executive Director*

Hong Kong, 24 May 2022

*As at the date of this announcement, the executive Directors are Mr. Wu Wing Hang and Mr. Chan Tak Ming; and the independent non-executive Directors are Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai.*