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WAI HUNG GROUP HOLDINGS LIMITED

偉鴻集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3321)

**(1) PROPOSED ISSUE OF CONVERTIBLE BOND
UNDER SPECIFIC MANDATE;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(3) CONTINUED SUSPENSION OF TRADING**

Financial Adviser to the Company

ADVENT
宏智融資

Advent Corporate Finance Limited

PROPOSED ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

On 22 September 2023 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond in the principal amount of HK\$52,000,000 due 3 years from the date of issue of the Convertible Bond at the initial Conversion Price of HK\$0.02 per Conversion Share upon Completion.

Assuming full conversion of the Convertible Bond at the Conversion Price, a maximum number of 2,600,000,000 Conversion Shares will be allotted and issued, representing approximately 515.2% of the issued share capital of the Company as at the date of this announcement and approximately 83.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to the conversion of the Convertible Bond in full at the initial Conversion Price).

Subject to the Completion, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bond will be HK\$52,000,000 and approximately HK\$51,500,000, respectively. The Company intends to use such net proceeds for the repayment of outstanding bank loans of the Group and for the settlement of such costs and expenses, including but not limited to the Professional Fees, incurred and/or to be incurred in connection with the Resumption.

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by way of ordinary resolution by the Shareholders at the EGM. No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Completion of the Subscription is subject to fulfillment or waiver (as the case may be) of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval of the Shareholders by way of ordinary resolution at the EGM for an increase in its authorised share capital from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by creating an additional 9,000,000,000 unissued Shares, such Shares shall rank *pari passu* in all respects.

GENERAL

The EGM will be convened and held for the purpose of considering, and if thought fit, approving, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the Increase in Authorised Share Capital. A circular containing, among other things, (i) further details of Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Increase in Authorised Share Capital; (ii) other information as required under the Listing Rules; and (iii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

The publication of this announcement is only for information purposes and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

LISTING RULES IMPLICATIONS

Based on the closing price of HK\$0.990 per Share on the Last Trading Day and the average of the closing prices of the Shares for the five (5) previous consecutive trading days prior to Last Trading Day of HK\$1.364 per Share, the theoretical diluted price is approximately HK\$0.178 per Share and HK\$0.238 per Share, respectively and the theoretical value dilution in respect of the Conversion Shares is approximately 82.02% and 82.55%, respectively. With reference to Rule 7.27B of the Listing Rules, the Company should not undertake a subscription that would result in a theoretical dilution effect of 25% or more within a 12-month period. However, the Subscription forms part of a rescue proposal for the Company amidst the following background: (i) the debt position

of the Company (including the substantial unpaid amounts in relation to the Debts); (ii) the loss-making position of the Company for two consecutive financial years since 2021; and (iii) the minimal net assets recorded by the Company of approximately MOP7,634,000 (equivalent to approximately HK\$7,412,000) as shown in the unaudited consolidated accounts of the Company as at 31 May 2023 and the Company is of the view that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules and the Company should be allowed to proceed with the Subscription. The Company will further seek the view of the Stock Exchange in respect of the exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 11 May 2022 and will remain suspended pending the fulfilment of all the resumption conditions stated in the Resumption Guidance.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 10 November 2023. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 10 November 2023, the Stock Exchange is entitled to delist the Company under the Listing Rules after 10 November 2023.

Where a long suspended issuer's corporate actions include equity fundraisings, the Stock Exchange would consider granting the required listing approval only if the issuer satisfies the Stock Exchange that upon completion of the equity fundraisings, the issuer will then have fulfilled all the resumption conditions/guidance, re-complied with the Listing Rules, and been eligible for trading resumption. Therefore, the Stock Exchange will not grant listing approval to a suspended issuer which has not demonstrated that taking into account the equity fundraisings, it would have sufficient operations and assets to warrant its continued listing under Rule 13.24 of the Listing Rules.

The publication of this announcement and the Completion do not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the Resumption or indicate any decision or conclusion from the Stock Exchange about the Company's fulfilment of the Resumption Guidance, including but not limited to compliance with Rule 13.24 of the Listing Rules.

The Company will disclose updates on the satisfaction of Resumption Guidance by way of announcement, as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

INTRODUCTION

On 22 September 2023 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond in the principal amount of HK\$52,000,000 due 3 years from the date of issue of the Convertible Bond at the initial Conversion Price of HK\$0.02 per Conversion Share upon Completion.

SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below.

Date: 22 September 2023 (after trading hours of the Stock Exchange)

Parties: (i) the Company, as issuer; and
(ii) Daily Charm Inc., as subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber is directly and wholly-owned by Mr. Chen Guanqi ("Mr. Chen"), a PRC citizen, each of whom is an Independent Third Party.

Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond in the principal amount of HK\$52,000,000, the subscription amount of which shall be satisfied by the Subscriber in the following manner:

- (i) as to HK\$2,000,000 (the "**First Deposit**"), as deposit and part payment of the subscription amount, shall be payable on the date of the Subscription Agreement;
- (ii) as to HK\$4,000,000 (the "**Second Deposit**", together with the First Deposit, collectively the "**Deposit(s)**"), as deposit and part payment of the subscription amount, shall be payable on the date of the submission of the Resumption Proposal, and in any event, shall not be later than 10 November 2023; and
- (iii) the remaining balance (the "**Remaining Balance**") of HK\$46,000,000 (subject to adjustment) shall be payable on the date of Completion.

Pursuant to the terms and conditions of the Subscription Agreement, the Subscriber unconditionally and irrevocably undertakes to the Company that it will directly settle the Professional Fees. In the event that the Subscriber has settled any such Professional Fees prior to the date of Completion, the Remaining Balance shall be adjusted downward such that the amount of the Remaining Balance as adjusted shall equal to the difference between HK\$46,000,000 and the actual amount of the Professional Fees settled by the Subscriber.

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions precedent:

- (i) the approval of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bond and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares, by the Shareholders at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked);
- (iii) the Increase in the Authorised Share Capital of the Company having become effective;
- (iv) the Subscription Agreement not being terminated pursuant to the terms thereof;
- (v) the Company having fulfilled all requirements as set out in the Resumption Guidance;
- (vi) the resumption of trading of the Shares on the Stock Exchange (or the obtaining of an indication from the Stock Exchange that subject to the Completion and the fulfillment of all the Resumption Guidance the trading of the Shares will be resumed);
- (vii) the net asset value attributable to the Shareholders as shown in the audited financial statements of the Company as at 31 December 2022 being a positive value;
- (viii) all representations and warranties given by the Company thereunder remain true, accurate and complete in all material respects up to and including the date of Completion, and is not misleading in any material respect;
- (ix) all necessary approvals and permissions required to be obtained by the Company in connection with the transactions contemplated under the Subscription Agreement having been obtained and continue to be valid and effective; and
- (x) all necessary approvals and permissions required to be obtained by the Subscriber in connection with the transactions contemplated under the Subscription Agreement having been obtained and continue to be valid and effective.

If any of the conditions precedent above are not fulfilled or waived (as the case may be) on or before 10 November 2023 (or such other date and time as may be agreed between the parties thereto), all obligations and liabilities of the Company and the Subscriber under the Subscription Agreement shall cease and determine and no party thereto shall have any claim against the other party save for any antecedent breach. The Company shall within three (3) Business Days after the termination of the Subscription Agreement refund the Deposit(s) paid by the Subscriber in full pursuant to the terms and conditions of the Subscription Agreement.

Completion

Subject to the fulfillment or waiver (as the case may be) of all the conditions precedent, the Completion shall take place at 4:00 p.m. on the third Business Day (or such other date and time as may be agreed in writing between the Company and the Subscriber) at the principal place of business of the Company in Hong Kong (or at such place as may be agreed between the Company and the Subscriber). The Subscriber shall pay the Remaining Balance to the Company at Completion.

ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

Convertible Bond

The principal terms of the Convertible Bond to be issued under the Subscription Agreement are set out as follows:

Issuer:	The Company
Principal amount:	HK\$52,000,000
Interest:	The Convertible Bond does not bear any interests.
Maturity Date:	The date falling on the third anniversary of the date of issue of the Convertible Bond (the “ Maturity Date ”); and if that is not a Business Day, the Business Day immediately after such date.
Conversion Period:	The period commencing from the date on which the Convertible Bond is issued to the Bondholder up to and including the Maturity Date.
Conversion right and limitation:	The Bondholder shall have the right at any time during the Conversion Period to convert all or any part (in authorised denominations) of the outstanding principal amount of Convertible Bond, so long as the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules for the minimum percentage of Shares being held by the public) of the issued Shares at the time in compliance with the Listing Rules.

Conversion price: Initially HK\$0.02 per Conversion Share, subject to usual adjustment provisions customary for convertible bond of similar kind as described in the “Conversion Price adjustments” paragraph below.

Transferability: Subject to the restricted transfer period described below, the Bondholder may assign or transfer the Convertible Bond in whole or in part to any other persons at any time during the period from the date on which the Bondholder is registered as the holder of the Convertible Bond provided that no transfer or assignment of the Convertible Bond shall be made to any connected person of the Company and its associates without the prior written approval of the Company, and compliance with the Listing Rules and all applicable laws and regulations.

The Company shall not be required to register any transfer of Convertible Bond: (i) during the period of 7 days prior to and including the date of payment of any principal amount in respect of the Convertible Bond; or (ii) after the issue of a conversion notice by the Bondholder.

Conversion Price adjustments: The initial Conversion Price shall from time to time be subject to adjustments upon the occurrence of the following:

- (i) consolidation, sub-division or reclassification of Shares;
- (ii) the Company issuing Shares credited as fully paid by capitalisation of profits or reserves;
- (iii) the Company granting the Shareholders any rights for the acquisition of the Group’s cash assets;
- (iv) the Company offering the Shareholders new Shares for subscription by way of rights, or granting Shareholders any options or warrants to subscribe for or purchase any Shares, at a price which is less than 90% of the current market price per Share on the last trading day preceding the date of announcement of the terms of the offer or grant;

- (v) the Company issuing convertible or exchangeable securities with the total effective consideration per Share at a price which is less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares;
- (vi) the Company issuing any Shares wholly for cash at a price per Share which is less than 90% of the then market price;
- (vii) the Company issuing new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares; and
- (viii) the Company making any capital distribution to the Shareholders (whether on a reduction of capital or otherwise).

Ranking of Conversion Shares: The Conversion Shares allotted and issued upon conversion of the Convertible Bond will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares.

Redemption upon maturity: Unless previously converted in accordance with the terms and conditions thereof, any outstanding Convertible Bond shall be redeemed by the Company at its principal amount on the Maturity Date.

Events of Default: If any of the event of default specified under the instrument of the Convertible Bond occurs, subject to the passing of a special resolution at the Bondholders' meeting or the approval by way of written resolution from Bondholder(s) representing not less than 75% of the total principal amount outstanding on the Convertible Bond, the Bondholder(s) shall be entitled to issue a written notice to the Company that the principal amount of outstanding Convertible Bond shall become due and payable after the issue of the said written notice.

Voting: A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being a Bondholder.

Application for listing

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares

Assuming full conversion of the Convertible Bond at the Conversion Price of HK\$0.02 per Conversion Share (subject to adjustments), a maximum number of 2,600,000,000 Conversion Shares will be allotted and issued, representing approximately 515.2% of the issued share capital of the Company as at the date of this announcement and approximately 83.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to the conversion of the Convertible Bond in full at the initial Conversion Price).

The maximum aggregate nominal value of the Conversion Shares is HK\$26,000,000 based on the nominal value of HK\$0.01 per Share.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by way of ordinary resolution by the Shareholders at the EGM.

Conversion Price

The initial Conversion Price of HK\$0.02 per Conversion Share represents:

- (i) a discount of approximately 97.98% to the closing price of HK\$0.99 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 98.44% to the average closing prices of approximately HK\$1.28 per 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 98.50% to the average closing prices of approximately HK\$1.33 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 82.55% represented by the theoretical diluted price of approximately HK\$0.238 per Share to the benchmarked price of HK\$1.364 per Share (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\$0.99 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day of HK\$1.364 per Share); and
- (v) a premium of approximately 36.05% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 31 May 2023 of approximately HK\$0.0147 per Share, calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately MOP7,634,000 (equivalent to approximately HK\$7,412,000) as at 31 May 2023 as set out in the unaudited consolidated accounts of the Company as at 31 May 2023 and 504,650,000 Shares in issue as at the date of this announcement.

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account (i) the historical prices of the Shares; (ii) the financial condition of the Group, in particular the loss-making position of the Group for the two consecutive financial years since 2021; (iii) the minimal net asset value of the Group as at 31 May 2023 of approximately MOP7,634,000 (equivalent to approximately HK\$7,412,000) as shown in the unaudited consolidated accounts of the Company as at 31 May 2023; (iv) the initial Conversion price represents a premium of approximately 36.05% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 31 May 2023; and (v) the implications to the Company in respect of the provision of immediate funds to the Company for, amongst others, repayment of outstanding indebtedness and settlement of such costs and expenses incurred or to be incurred in connection with the Resumption.

Based on the above, the Board is of the view that the terms of the Subscription (including the Conversion Price) are fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the provision of fitting-out services and repair and maintenance services.

Reference are made to the announcements of the Company dated 28 June 2022, 15 July 2022, 10 August 2022, 10 November 2022, 10 February 2023, 11 May 2023 and 10 August 2023 in relation to, among other things, the Resumption Guidance and quarterly update on the progress of the Resumption.

Since the suspension of trading of the Shares on the Stock Exchange, the Company has been exercising its best endeavours to fulfill the resumption conditions as set out in the Resumption Guidance, including but not limited to having engaged Crowe (HK) Risk Advisory Limited to conduct the forensic investigation on the relevant audit issues and working closely with the auditors of the Company to publish the outstanding financial results.

Further, since the suspension of trading of the Shares on the Stock Exchange, the banks have requested the Group to repay the outstanding loans. As such, the Group intends to raise additional funds to settle the outstanding bank loans of the Group and the Professional Fees.

Based on the Company's unaudited consolidated accounts for the year ended 31 December 2022, the Group recorded net loss of approximately MOP34.9 million (equivalent to approximately HK\$33.9 million) for the year ended 31 December 2022. The Group had been loss-making for two consecutive financial years since 2021. The Group had recorded minimal net assets of approximately MOP7,634,000 (equivalent to approximately HK\$7,412,000) as shown in the unaudited consolidated accounts of the Company as at 31 May 2023.

The Board considers that the Group is in need of external financings with a view to improving the Group's financial position, reducing its debt level (including trading and financial debts) and replenishing working capital for the Company's operations. It is the Board's view that the Subscription, under which the Subscriber is introduced as investor, represent a crucial and precious opportunity to improve the liquidity and financial position of the Group and enable it to continue as a going concern. The introduction of investor would also present a positive signal to the market and the customers, suppliers and business partners of the Group, which is conducive to the continuing operations and stability of the Company. Taking into account that the trading in the Shares has been suspended since 11 May 2022, there would be high uncertainty of the existence of an active market to trade the nil-paid rights shares or offer shares under rights issue or open offer. In view of the above, the Board considers raising funds by way of the issue of the Convertible Bond is the most cost-effective and efficient fundraising method available to the Company.

Subject to the Completion, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bond will be HK\$52,000,000 and approximately HK\$51,500,000, respectively. The Company intends to use such net proceeds for the repayment of bank loans of the Group and for the settlement of such costs and expenses, including but not limited to the Professional Fees, incurred and/or to be incurred in connection with the Resumption.

The Directors consider that the deep discount of the Conversion Price is fair and reasonable in light of the fact that:

- (i) the Directors consider that a deeper discount to the market price is necessary to attract funding for setting off the outstanding bank loans of the Group;
- (ii) pursuant to the Subscription Agreement, the conversion of the Convertible Bond is subject to restrictions as stated under the section “Principal terms of the Convertible Bonds” and the Directors consider that such mechanism is in the interest of the Company and the Shareholders; and
- (iii) the liquidity of the Shares was generally thin. During the period from 10 February 2023 to 10 May 2023, the highest daily trading volume was only 3,327,500 Shares which represents approximately 1.73% of the Shares held by the public. The average trading volume is approximately 278,983 Shares during the aforesaid period, which is only approximately 0.15% of the Shares in public hand.

By reasons of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Conversion Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, and for illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon full conversion of the Convertible Bond at the initial Conversion Price, assuming there being no other change in the issued share capital and shareholding structure of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bond:

Shareholders	As at the date of this announcement		Immediately upon full conversion of the Convertible Bond at the initial Conversion Price (assuming there being no other change in the issued share capital and shareholding structure of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bond)	
	Number of Shares	Approx. % of shareholding	Number of Shares	Approx. % of shareholding
Controlling shareholder Copious Astute Limited ("Copious Astute") (Notes 1 and 2)	312,500,000	61.92	312,500,000	10.07
The Subscriber (Note 3)	–	–	2,600,000,000	83.75 (Note 4)
Public Shareholders	192,150,000	38.08	192,150,000	6.19
Total	504,650,000	100.00	3,104,650,000	100.00

Notes:

- Copious Astute, being a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Mr. Li Kam Hung ("Mr. Li"), being the chairman of the Board, the chief executive officer of the Company and an executive Director. As such, Mr. Li is deemed, or taken to be, interested in the 312,500,000 Shares held by Copious Astute by virtue of the SFO.
- Ms. Ng Suk Fan, being the spouse of Mr. Li, is deemed, or taken to be, interested in the Shares in which Mr. Li is interested by virtue of the SFO.
- The Subscriber, being a company incorporated in the British Virgin Islands with limited liability, is directly wholly-owned by Mr. Chen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Subscriber and Mr. Chen is an Independent Third Party.

4. For illustration purposes only, under the terms of the Convertible Bond, the exercise of the conversion rights attached to the Convertible Bond shall not cause the Company to be unable to meet the public float requirements under the Listing Rules.
5. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fundraising activities during the past twelve months immediately preceding the date of this announcement.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval of the Shareholders by way of ordinary resolution at the EGM for an increase in its authorised share capital from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by creating an additional 9,000,000,000 unissued Shares, such Shares shall rank *pari passu* in all respects.

In order to facilitate the Subscription which forms part of the Resumption proposal and to accommodate subsequent business development of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposed the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

GENERAL

The EGM will be convened and held for the purpose of considering, and if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Increase in Authorised Share Capital. The Circular containing, among other things, (i) further details of the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate) and the Increase in Authorised Share Capital; (ii) other information as required under the Listing Rules; and (iii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate), and thus no Shareholders are required to abstain from voting under the Listing Rules at the EGM. No Directors have material interest in the Subscription Agreement (including the grant of the Specific Mandate) and are required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

The publication of this announcement is only for information purposes and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS

Based on the closing price of HK\$0.990 per Share on the Last Trading Day and the average of the closing prices of the Shares for the five (5) previous consecutive trading days prior to Last Trading Day of HK\$1.364 per Share, the theoretical diluted price is approximately HK\$0.178 per Share and HK\$0.238 per Share, respectively and the theoretical value dilution in respect of the Conversion Shares is approximately 82.02% and 82.55%, respectively. With reference to Rule 7.27B of the Listing Rules, the Company should not undertake a subscription that would result in a theoretical dilution effect of 25% or more within a 12-month period. However, the Subscription forms part of a rescue proposal for the Company amidst the following background: (i) the debt position of the Company (including the substantial unpaid amounts in relation to the Debts), (ii) the loss-making position of the Company for two consecutive financial years since 2021, and (iii) the minimal net assets recorded by the Company of approximately MOP7,634,000 (equivalent to approximately HK\$7,412,000) as shown in the unaudited consolidated accounts of the Company as at 31 May 2023 and the Company is of the view that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules and the Company should be allowed to proceed with the Subscription. The Company will further seek the view of the Stock Exchange in respect of the exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 11 May 2022 and will remain suspended pending the fulfilment of all the resumption conditions stated in the Resumption Guidance.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 10 November 2023. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 10 November 2023, the Stock Exchange is entitled to delist the Company under the Listing Rules after 10 November 2023.

Where a long suspended issuer’s corporate actions include equity fundraisings, the Stock Exchange would consider granting the required listing approval only if the issuer satisfies the Stock Exchange that upon completion of the equity fundraisings, the issuer will then have fulfilled all the resumption conditions/guidance, re-complied with the Listing Rules, and been eligible for trading resumption. Therefore, the Stock Exchange will not grant listing approval to a suspended issuer which has not demonstrated that taking into account the equity fundraisings, it would have sufficient operations and assets to warrant its continued listing under Rule 13.24 of the Listing Rules.

The publication of this announcement and the Completion do not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the Resumption or indicate any decision or conclusion from the Stock Exchange about the Company’s fulfilment of the Resumption Guidance, including compliance with Rule 13.24 of the Listing Rules.

The Company will disclose updates on the satisfaction of Resumption Guidance by way of announcement, as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the following meaning:

“Board”	the board of Directors
“Bondholder(s)”	a holder or holders in whose name the Convertible Bond is registered in the register in relation to the Convertible Bond
“Business Day”	any day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Circular”	the circular to be issued by the Company containing, among other things, (i) further details of the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate); (ii) other information as required under the Listing Rules; and (iii) the notice of the EGM

“Company”	Wai Hung Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 3321)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Conversion Period”	the period commencing from the date on which the Convertible Bond is issued to the Bondholder up to and including the Maturity Date
“Conversion Price”	HK\$0.02 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	Share(s) to be allotted and issued upon exercise of the Conversion Rights
“Convertible Bond”	unlisted nil coupon rate convertible bond in the principal amount of HK\$52,000,000 to be issued by the Company pursuant to the terms and conditions of the Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules

“Last Trading Day”	10 May 2022, being the last trading day of the Shares prior to the suspension of trading of the Shares from 9:00 a.m. on 11 May 2022
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bond under Specific Mandate – Convertible Bond – Maturity date” in this announcement
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Professional Fees”	the service fees and/or other costs and expenses to be charged by the legal advisers, auditors, forensic accountants and/or other professional parties to be appointed by the Company from time to time for the purpose of the Resumption
“Resumption”	the resumption of trading of the Shares on the Stock Exchange
“Resumption Guidance(s)”	the resumption guidance(s) set out by the Stock Exchange on the Company from time to time
“Resumption Proposal”	the proposal in relation to the Resumption to be submitted by the Company to the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by an ordinary resolution of the Shareholders at the EGM for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Daily Charm Inc., being a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Chen Guanqi
“Subscription”	the subscription of the Convertible Bond pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 22 September 2023 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bond
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macanese pataca, the lawful currency of the Macau Special Administrative Region of the PRC
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of Macanese pataca into Hong Kong dollars is calculated at the approximate exchange rate of MOP1.0000 to HK\$0.9709. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Wai Hung Group Holdings Limited
Mr. Li Kam Hung
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 22 September 2023

As at the date of this announcement, the Board comprises Mr. Li Kam Hung, Mr. Yu Ming Ho and Mr. Yau Yan Ming Raymond as executive Directors; Mr. Li Chun Ho as non-executive Director; and Ms. Rita Botelho dos Santos, Mr. Wu Chou Kit and Mr. Lam Chi Wing as independent non-executive Directors.