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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)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that on 6 November 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of Convertible Bonds in an aggregate principal amount of RMB200,000,000 (equivalent to approximately HK\$233,923,601).

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be RMB200,000,000 (equivalent to approximately HK\$233,923,601) and approximately RMB199,529,761 (equivalent to approximately HK\$233,373,601) respectively. The Company intends to use the net proceeds for (i) future business expansion of the Group; (ii) settling the upfront cost of certain projects awarded to the Group during 2020 and projects which the Group targets to secure; and (iii) general working capital to strengthen the financial position of the Group.

Assuming all the conversion rights attaching to the Convertible Bonds in the principal amount of RMB200,000,000 (equivalent to approximately HK\$233,923,601) are exercised by the Subscriber in full, the Subscriber will be interested in 46,413,412 Shares, representing approximately 9.28% of the issued share capital of the Company as at the date of this announcement, and approximately 8.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights under the Convertible Bonds pursuant to the Subscription Agreement.

The Conversion Shares will be issued and allotted by the Company pursuant to the General Mandate upon conversion of the Convertible Bonds. Under the General Mandate, the Company is authorized to issue up to 100,000,000 Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of the Subscription Agreement.

The Subscription Agreement and the issue of Conversion Shares under the General Mandate are not subject to Shareholders' approval. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

As the Subscription Agreement is subject to the conditions precedent therein, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 6 November 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of the Convertible Bonds in an aggregate principal amount of RMB200,000,000 (equivalent to approximately HK\$233,923,601).

THE SUBSCRIPTION AGREEMENT

Information about the Subscriber

As at the date of this announcement, the Subscriber is a limited liability company established in the PRC and is principally engaged in provision of interior design and fitting out service, trading of alcoholic beverage, and development and sale of software. It is beneficially owned as to (i) 80% by Liu Zhiyong* (劉志永); (ii) 6% by Yao Hua* (姚華); (iii) 4.89% by Chen Liping* (陳麗平); (iv) 4.148% by Su Shangrun* (蘇尚潤) and (v) an aggregate of 4.962% by Long Ze* (龍澤), Zhou Xiangping* (周香平), Pan Guoqiang* (潘國強), Guan Yanci* (關艷慈), Su Xiangyun* (蘇香雲), Li Shuqiong* (李淑瓊), Chen Li* (陳莉), Rao Kuifeng* (饒奎峰), Lu Ruiming* (陸銳明), Su Shangwei* (蘇尚威), Li Hongchao* (李宏朝), Yang Lanju* (楊蘭舉), Hu Jiancheng* (胡建立), Li Li* (李莉) and Lai Meihuan* (賴美歡).

Assuming all the conversion rights attaching to the Convertible Bonds in the principal amount of RMB200,000,000 (equivalent to approximately HK\$233,923,601) are exercised by the Subscriber in full, the Subscriber will be interested in 46,413,412 Shares, representing approximately 9.28% of the issued share capital of the Company as at the date of this announcement, and approximately 8.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights under the Convertible Bonds pursuant to the Subscription Agreement.

Upon exercise of all the conversion rights attaching to the Convertible Bonds by the Subscriber in full, the Subscriber will not become a substantial shareholder (as defined in the Listing Rules) and a connected person of the Company.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and their ultimate beneficial owners are Independent Third Parties.

Conditions Precedent

Completion of the Subscription Agreement shall be subject to and conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds and the approval not having been subsequently revoked or cancelled;
- (b) the Company's warranties under the Subscription Agreement having remained true and accurate and not misleading in all respects as at Completion;
- (c) the Subscriber's warranties under the Subscription Agreement having remained true and accurate and not misleading in all respects as at Completion; and
- (d) the parties under the Subscription Agreement having obtained all necessary consents and approvals in respect of the Subscription Agreement and the transactions contemplated thereunder.

If the conditions precedent of the Subscription Agreement are not fulfilled or waived (other than condition (a) which cannot be waived by the parties) on or before the Long Stop Date, the Subscription Agreement shall lapse and none of the parties shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreement.

Manner of Payment

- 1. An amount of RMB50,000,000 shall be payable by the Subscriber to the Group within 7 days upon fulfilment or waiver (where applicable) of all the conditions precedent;
- 2. An amount of RMB50,000,000 shall be payable by the Subscriber to the Group within 14 days upon fulfilment or waiver (where applicable) of all the conditions precedent;
- 3. An amount of RMB50,000,000 shall be payable by the Subscriber to the Group within 21 days upon fulfilment or waiver (where applicable) of all the conditions precedent; and
- 4. An amount of RMB50,000,000 shall be payable by the Subscriber to the Group within 30 days upon fulfilment or waiver (where applicable) of all the conditions precedent.

Completion Date

Completion of the Subscription Agreement will take place within three Business Days upon the fulfillment of the conditions precedent and manner of payment referred to above, or such other date as the Company and the Subscriber may agree in writing. The Company shall issue the Convertible Bonds in the principal amount to the Subscriber on the Completion Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Issuer:	The Company
Subscriber:	Guangzhou Pinyuan Technology Co., Ltd.* (廣州品源科技有限公司)
Principal amount:	An aggregate principal amount of RMB200,000,000 (equivalent to approximately HK\$233,923,601)
Bond Maturity Date:	One year from the date of issue of the Convertible Bonds
Interest rate:	8% per annum
Conversion price:	HK\$5.04 per Conversion Share which, for the avoidance of doubt, shall be subject to adjustment provided in the Convertible Bonds. The Conversion Price represents: (a) a premium of approximately 1.82% to the closing price per Share of HK\$4.95 as quoted on the Stock Exchange on 6 November 2020 (being the date of the Subscription Agreement); and (b) a premium of approximately 0.08% to the average closing price per Share of HK\$5.036 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$5.03 per Conversion Share.

The Conversion Price was determined based on arm's length negotiations between the parties with reference to the prevailing market prices of the Shares as quoted on the Stock Exchange.

Adjustment events:

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of the following events:

- (a) an alteration of the nominal amount of the Shares by reason of consolidation or subdivision;
- (b) an issue of Shares credited as fully paid to Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve);
- (c) a capital distribution to Shareholders being made by the Company;
- (d) offer to the Shareholders new Shares for subscription by way of rights, or a granting the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than the market price per Share at the date of the announcement of the terms of the offer or grant;
- (e) an issue of Shares being made wholly for cash at a price less than the greater of either the closing price per Share at the date of the announcement of the terms of issue of such Shares or the Conversion Price in effect immediately prior to the date of the announcement of the terms of issue of such Shares;
- (f) an issue wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, in any case the relevant consideration per new Share initially receivable is less than the market price at the date of the announcement of the terms of issue of such securities;
- (g) modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in (f) above arises, so that the relevant consideration per new Share initially receivable is less than the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription; and
- (h) an issue of the Shares for the acquisition of any asset at a price per Share which is less than the market price at the date of the announcement of the terms of such issue.

- Conversion Shares: Based on the Conversion Price of HK\$5.04, a maximum number of 46,413,412 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds.
- Conversion period: The period commencing from (and including) the Bond Issue Date and ending on (but excluding) the fifth (5th) day prior to the Bond Maturity Date.
- Conversion rights: Holders of the Convertible Bonds shall have the right, exercisable during the Conversion Period by delivering a written notice (the “**Conversion Notice**”) to the Company, to convert the whole part of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.
- No fraction of a Share shall be issued on conversion of the Convertible Bonds. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit.
- Redemption at maturity: Unless previously purchased or converted for the Conversion Shares, the Company shall on the Bond Maturity Date redeem the outstanding principal amount of the Convertible Bonds.
- Transfer restrictions: The Bondholder may not assign or transfer the Convertible Bonds without the prior written consent of the Company. Subject to the receipt of such consent, the Convertible Bonds may be assigned or transferred to any third party which is not a connected person of the Company, subject only to compliance of the conditions hereunder and further subject to the conditions, approvals, requirements and any other provisions of or under:
- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations;
 - (b) the approval for listing in respect of the Conversion Shares; and
 - (c) all applicable laws and regulations.

Events of default: If any of the events specified below occurs, the sole remedy of the Bondholder shall be to give notice to the Company that the Convertible Bond is immediately due and payable at its principal amount then outstanding:

- (a) other than as a result of or in circumstances where an offer made to holders of Shares to acquire all or any proportion of the Shares becoming unconditional, the listing of the Shares (as a class) on the Stock Exchange ceases; or
- (b) if there is a material breach by the Company of its obligations set out in the conditions,

provided that notwithstanding the foregoing, if the Company shall fail to issue any Conversion Shares in accordance with the conditions the Bondholder shall be entitled to bring an action against the Company for either specific performance or damages.

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

Ranking: The Conversion Shares upon issue shall rank *pari passu* with all other Shares in issue at the time of issue of the Conversion Shares.

GENERAL MANDATE TO ISSUE THE CONVERTIBLE BONDS AND TO ALLOT AND ISSUE THE CONVERSION SHARES UPON CONVERSION OF THE CONVERTIBLE BONDS

At the annual general meeting of the Company held on 18 June 2020, a resolution of the Shareholders was passed to grant to the Directors a General Mandate to allot, issue and otherwise deal with new Shares not exceeding 20% of the total number of issued Shares of the Company as at the date of passing such resolution. The Company is authorized to allot and issue a maximum of 100,000,000 Shares under the General Mandate.

As at the date of this announcement, the Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of the Subscription Agreement. Upon exercise in full of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be allotted and issued under the General Mandate. Accordingly, the Subscription Agreement and the issue of Conversion Shares under the General Mandate are not subject to Shareholders' approval.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in provision of fitting-out services and repair and maintenance services in Macau.

The Directors consider raising funds by issuing Convertible Bonds provides an opportunity for the Company to enhance its working capital and financial position.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the Convertible Bonds will be RMB200,000,000 (equivalent to approximately HK\$233,923,601). The net proceeds from the issue of the Convertible Bonds, after deduction of expenses payable in connection with the issuance of the Convertible Bonds (in the amount of approximately RMB 470,239 (equivalent to HK\$550,000)), of approximately RMB199,529,761 (equivalent to approximately HK\$233,373,601) are intended to be used as follow:

- (i) proceeds of RMB100,000,000 are intended to be used for future business expansion of the Group;
- (ii) proceeds of RMB70,000,000 are intended to be used to finance the upfront cost of certain projects awarded to the Group during 2020 and projects which the Group targets to secure; and
- (iii) proceeds of RMB29,529,761 are intended to be used as general working capital to strengthen the financial position of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) for illustration purpose only, immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds (on the assumptions that the Conversion Price being HK\$5.04 and there is no further allotment of Shares from the date of this announcement other than the Conversion Shares) are as follows:

Shareholders	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds	
	No. of Shares	<i>approximate % of entire issued share capital</i>	No. of Shares	<i>approximate % of entire issued share capital</i>
<i>Director</i>				
Li Kam Hung (“ Mr. Li ”) (<i>Note 1</i>)	337,500,000	67.50%	337,500,000	61.77%
<i>Other Shareholders</i>				
Fresh Phoenix Limited (<i>Note 2</i>)	40,562,500	8.11%	40,562,500	7.42%
Yiu Li Ngor	25,715,000	5.14%	25,715,000	4.71%
Shining Holding Limited (<i>Note 2</i>)	197,500	0.04%	197,500	0.04%
Subscriber	–	–	46,413,412	8.49%
Other public Shareholders	96,025,000	19.21%	96,025,000	17.57%
Total	500,000,000	100%	546,413,412	100%

Notes:

1. The Company was held as to approximately 67.5% by Copious Astute Limited (“**Copious Astute**”). Copious Astute is held as to 100% by Mr. Li, an executive Director.
2. The Company is owned as to approximately 8.1% by Fresh Phoenix Limited, which is in turn wholly owned by Mr. Leong Lap Kun (“**Mr. Leong**”). Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Fresh Phoenix Limited.

The Company is owned as to approximately 0.04% by Shining Holding Limited, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Shining Holding Limited.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon the conversion of the Convertible Bonds.

GENERAL

Completion is subject to the satisfaction of the conditions precedent set out in the Subscription Agreement.

As the Subscription Agreement may or may not proceed, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors of the Company;
“Bond Issue Date”	the date on which the Convertible Bonds are issued, being the Completion Date unless otherwise agreed between the Company and the Subscriber;
“Bond Maturity Date”	the date falling on the first anniversary of the Bond Issue Date;
“Bondholder(s)”	holders of the Convertible Bonds;
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong;

“Company”	Wai Hung Group Holdings Limited (Stock Code: 3321), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Subscription Agreement;
“Completion Date”	the date of Completion;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Conversion Price”	the initial conversion price of HK\$5.04 per Conversion Share, subject to adjustments;
“Conversion Shares”	the Shares to be issued by the Company upon exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds;
“Convertible Bonds”	the 8% interest bearing convertible bond in an aggregate principal amount of RMB200,000,000 to be issued by the Company under the General Mandate to the Subscriber pursuant to the terms and conditions of the Subscription Agreement;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 18 June 2020 to allot, issue or deal with up to 100,000,000 Shares;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates;
“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;

“Long Stop Date”	28 February 2021;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the ordinary shares of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Guangzhou Pinyuan Technology Co., Ltd.* (廣州品源科技有限公司), a limited liability company established in the PRC;
“Subscription Agreement”	the conditional subscription agreement dated 6 November 2020 entered into between the Company and the Subscriber in respect of the subscription of Convertible Bonds;
“%”	per cent.

By order of the Board
Wai Hung Group Holdings Limited
Mr. Li Kam Hung
Chairman

Hong Kong, 6 November 2020

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

The exchange rate of RMB1.00 = HK\$0.85498 have been used for currency translation, which is the central parity rate between Renminbi and Hong Kong dollars published by the State Administration of Foreign Exchange of the PRC on 6 November 2020, being the date of the Subscription Agreement.

* for identification purpose only