

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is made for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.*



## **ALCO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

Website: <http://www.alco.com.hk>

**(Stock Code: 328)**

### **(1) PROPOSED CAPITAL REORGANISATION; AND (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

**Financial adviser to the Company**



**Placing Agent**



#### **CAPITAL REORGANISATION**

The Board proposes to implement the Capital Reorganisation which will involve the following:

- (i) the Share Consolidation whereby every fifty (50) issued and unissued Existing Shares of par value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of par value of HK\$5.00 each (any fraction in the issued share capital of the Company which may arise from the Share Consolidation will be cancelled);
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced by
  - (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and
  - (b) cancelling the paid-up share capital of the Company to the extent of HK\$4.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$5.00 to HK\$0.01;

- (iii) the Share Subdivision whereby each of the authorised but unissued Consolidated Shares of par value of HK\$5.00 each in the authorised share capital of the Company will be subdivided into five hundred (500) authorised but unissued Adjusted Shares of par value of HK\$0.01 each;
- (iv) the Share Premium Reduction whereby the entire amount standing to the credit of the Share Premium Account will be reduced to nil; and
- (v) the transfer of all the credits arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied in full to set off the accumulated losses of the Company or be applied by the Board in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

## **PROPOSED RIGHTS ISSUE**

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of four (4) Rights Shares for every one (1) Adjusted Share held as at the Record Date at the Subscription Price of HK\$1.425 per Rights Share, to raise up to approximately HK\$90.69 million before expenses by way of issuing up to 63,645,492 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than as a result of the Capital Reorganisation).

The Company will provisionally allot to the Qualifying Shareholders four (4) Rights Shares in nil-paid form for every one (1) Adjusted Share in issue and held on the Record Date, which is currently expected to be on Monday, 20 March 2023. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

The estimated net proceeds of the Rights Issue will be approximately HK\$89.50 million (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than as a result of the Capital Reorganisation).

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

## **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this announcement (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval at the SGM, and any controlling shareholders of the Company and their 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 resolution(s) in relation to the Rights Issue at the SGM.

As at the date of this announcement, the Company has no Controlling Shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. Accordingly, no other Shareholder is required to abstain from voting at the SGM. No Shareholder has informed the Company that he/she/it intends to vote in favour of or against the proposed resolutions in connection with the Capital Reorganisation and the Rights Issue as at the date of this announcement.

## **GENERAL**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chu Hoi Kan, Mr. Lam Chi Wing and Mr. Tang Sher Kin, to advise the Independent Shareholders in respect of the Rights Issue and as to the voting action therefor.

The Circular containing, among other things, (i) details of the Capital Reorganisation; (ii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (v) other information required under the Listing Rules; and (vi) the notice of the SGM is expected to be despatched to the Shareholders on or before Friday, 10 February 2023.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES, THE ADJUSTED SHARES AND/OR THE NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation” in this announcement. Therefore, the Capital Reorganisation may or may not proceed.**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid Rights Shares. Please refer to the section headed “Proposed Rights Issue – Conditions of the Rights Issue” in this announcement.**

**Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.**

**Any Shareholder or other person contemplating transferring, selling, or purchasing Shares is advised to exercise caution when dealing in the Shares, the Adjusted Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).**

**Any Shareholder or other person dealing in the Shares, the Adjusted Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:00 p.m. on Wednesday, 26 April 2023, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.**

## **PROPOSED CAPITAL REORGANISATION**

The Board proposes to implement the Capital Reorganisation which will involve the following:

- (i) the Share Consolidation whereby every fifty (50) issued and unissued Existing Shares of par value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of par value of HK\$5.00 each (any fraction in the issued share capital of the Company which may arise from the Share Consolidation will be cancelled);
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) cancelling the paid-up share capital of the Company to the extent of HK\$4.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$5.00 to HK\$0.01;

- (iii) the Share Subdivision whereby each of the authorised but unissued Consolidated Shares of par value of HK\$5.00 each in the authorised share capital of the Company will be subdivided into five hundred (500) authorised but unissued Adjusted Shares of par value of HK\$0.01 each;
- (iv) the Share Premium Reduction whereby the entire amount standing to the credit of the Share Premium Account will be reduced to nil; and
- (v) the transfer of all the credits arising from the Capital Reduction and the Share Premium Reduction of the contributed surplus account of the Company within the meaning of the Companies Act to then be applied in full to set off the accumulated losses of the Company or be applied by the Board in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

### **Effects of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000.00 divided into 3,000,000,000 Existing Shares of par value of HK\$0.10 each, and there are 795,568,650 Existing Shares in issue which are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted, issued or repurchased prior thereto, the issued share capital of the Company will be HK\$79,556,865.00 divided into 15,911,373 Consolidated Shares of par value of HK\$5.00 each.

Any fractional Consolidated Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholder, but will be aggregated, sold and retained for the benefit of the Company to the extent possible. Thereafter, any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled.

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 Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Adjusted Shares.

Upon the Capital Reduction becoming effective, the par value of all the issued Consolidated Shares shall be reduced from HK\$5.00 each to HK\$0.01 each by cancelling the paid-up share capital to the extent of HK\$4.99 per Consolidated Share in issue, and any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation will be cancelled.

Upon the Share Subdivision becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK\$5.00 each will be subdivided into five hundred (500) authorised but unissued Adjusted Shares of par value of HK\$0.01 each.

The Adjusted Shares will rank pari passu in all respects with each other in accordance with the Bye-Laws. The issued share capital will be reduced to HK\$159,113.73 divided into 15,911,373 Adjusted Shares of par value of HK\$0.01 each.

Based on 795,568,650 Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$79,397,751.27 arising as a result of the Capital Reduction becoming effective after the Capital Reorganisation. As at the date of this announcement, the Company has a credit balance of approximately HK\$417,678,944 standing in the Share Premium Account. The credits arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and be applied in full to set off the accumulated losses of the Company or be applied by the Board in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

### **Effects of the Capital Reorganisation**

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management of financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The following tables set out the effect of the Capital Reorganisation on the share capital of the Company before and after the implementation of the Capital Reorganisation, assuming that there is no change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation.

	<b>As at the date of this announcement</b>	<b>Immediately after the Share Consolidation becoming effective</b>	<b>Immediately after the Capital Reorganisation becoming effective</b>
Par value	HK\$0.10 per Existing Share	HK\$5.00 per Consolidated Share	HK\$0.01 per Adjusted Share
Authorised share capital	HK\$300,000,000.00 divided into 3,000,000,000 Existing Shares	HK\$300,000,000.00 divided into 60,000,000 Consolidated Shares	HK\$300,000,000.00 divided into 30,000,000,000 Adjusted Shares
Issued and fully paid-up or credited as fully paid-up share capital	HK\$79,556,865.00 divided into 795,568,650 Existing Shares	HK\$79,556,865.00 divided into 15,911,373 Consolidated Shares	HK\$159,113.73 divided into 15,911,373 Adjusted Shares
Unissued share capital	HK\$220,443,135.00 divided into 2,204,431,350 Existing Shares	HK\$220,443,135.00 divided into 44,088,627 Consolidated Shares	HK\$299,840,886.27 divided into 29,984,088,627 Adjusted Shares

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation;
- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda, which include publication of a notice in relation to the Capital Reduction and Share Premium Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due, and the Listing Rules to effect the Capital Reorganisation; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.



## **Application for listing and dealings**

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted 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 Adjusted 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 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.

## **Status of the Adjusted Shares**

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

## **Free exchange of share certificates**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, on or after Thursday, 9 March 2023 until Wednesday, 19 April 2023 (both days inclusive), submit share certificates for the Existing Shares (in green colour) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in red colour) (on the basis of fifty (50) Existing Shares for one (1) Adjusted Share). Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Monday, 17 April 2023 (or such other date which may be announced by the Company) and will continue to be good evidence of legal title and may be exchanged for share certificates of the Adjusted Shares at any time in accordance with the foregoing.



## REASONS FOR THE CAPITAL REORGANISATION

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares and value per board lot. Based on the closing price of HK\$0.038 per Existing Share as quoted on the Stock Exchange as at the Last Trading Day, the value of each board lot of the Existing Shares is HK\$76 and the theoretical value of each board lot of the Adjusted Shares, assuming the Capital Reorganisation has become effective, would be HK\$3,800.

Upon the Share Consolidation becoming effective but before implementation of the Capital Reduction, the par value of the Existing Shares will be consolidated from HK\$0.10 into HK\$5.00 per Consolidated Share.

Meanwhile, the Capital Reorganisation also involves the Capital Reduction which will reduce the par value of the issued Consolidated Shares from HK\$5.00 per Consolidated Share to HK\$0.01 per Adjusted Share. Under the laws of Bermuda, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Further, the credit in the contributed surplus account arising from the Capital Reorganisation will enable the Company to reduce its accumulated losses. As such, the Board proposes to implement the Capital Reorganisation.

The Board considers that (i) the Share Consolidation will reduce the overall transaction and handling costs of dealings in the Existing Share as a proportion of the market value of each board lot, since most of the banks/securities houses will charge minimum transaction costs for each securities transaction; (ii) the Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility in possible fundraisings in the future; and (iii) the credits in the contributed surplus account of the Company arising from the Capital Reduction and the Share Premium Reduction, which will enable the Company to set off against its accumulated losses (if any) in full or by the amount of such credits and may facilitate or be applied in any future distribution to the Shareholders or be applied in any other manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws. As at the date of this announcement, the Company has no intention to carry out other corporate action in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

## **PROPOSED RIGHTS ISSUE**

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of four (4) Rights Shares for every one (1) Adjusted Share held as at the Record Date. Set out below are the details of the Rights Issue statistics.

### **Rights Issue statistics**

Basis of the Rights Issue	:	Four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$1.425 per Rights Share
Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)		Approximately HK\$1.406 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Shares in issue as at the date of this announcement	:	795,568,650 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective		15,911,373 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)

Number of Rights Shares : Up to 63,645,492 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record date other than the Capital Reorganisation becoming effective, representing (i) 400% of the total issued Adjusted Shares upon the Capital Reorganisation having become effective; and (ii) approximately 80% of the total number of issued Adjusted Shares as enlarged immediately upon completion of the Rights Issue)

The aggregate nominal value of the Rights Shares will be HK\$636,454.92

Total number of Adjusted Shares in issue upon completion of the Rights Issue : Up to 79,556,865 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than from the Capital Reorganisation becoming effective)

Gross proceeds from the Rights Issue : Approximately HK\$90.69 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than from the Capital Reorganisation becoming effective and all Rights Shares will be taken up)

The Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the date of this announcement.

Assuming no change in the number of Shares in issue on or before the Record Date, other than from the Capital Reorganisation becoming effective, the aggregate 63,645,492 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 400% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 80% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

### **The Subscription Price**

The Subscription Price is HK\$1.425 per Rights Share, which shall be payable in full by Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. According to the relevant Bermuda laws, the Company shall not issue Shares at a price below its par value.

The Subscription Price represents:

- (i) a discount of approximately 25.0% to the adjusted closing price of HK\$1.900 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.038 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 22.1% to the adjusted average closing price of HK\$1.830 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0366 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 20.2% to the adjusted average closing price of HK\$1.785 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0357 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 20.0%, represented by the theoretical diluted price of HK\$1.520 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$1.900 per Adjusted share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the five (5) previous consecutive trading days prior to the date of this announcement and taking into account the effect of the Capital Reorganisation) (after taking into account the effect of the Capital Reorganisation).

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reason for the Rights Issue, the Placing and the Use of Proceeds”, and the amount of funds the Company intends to raise under the Rights Issue.

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Company considers that the discount of the Subscription Price to the current market price (taking into account the effect of the Capital Reorganisation) will encourage them to participate in the Rights Issue.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the independent financial adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

## **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Shares together with the NQS Unsold Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Shares or NQS Unsold Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the Capital Reorganisation having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iv) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus on the website of the Stock Exchange on or before the Posting Date;

- (v) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked); and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:10 p.m. on Wednesday, 26 April 2023 (or such later date as the Company may determine), the Rights Issue will not proceed.

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

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully-paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Abacus Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Monday, 20 March 2023.

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

The register of members of the Company will be closed from Tuesday, 14 March 2023 to Monday, 20 March 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

## **Basis of provisional allotment**

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

## **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the Shares as a result of the Rights Issue, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares. Further details in respect of the arrangement of odd lot trading will be set out in the Prospectus.

Shareholders should note that the matching of the sale and purchase of odd lots of Shares is not guaranteed. Shareholders who are in any doubt about the odd lot matching arrangement are recommended to consult their own professional advisers.

To alleviate the difficulties in trading odd lots of the Shares arising from the Rights Issue, the Company will appoint an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Thursday, 23 March 2023 to 4:00 p.m. on Monday, 17 April 2023 (both dates inclusive). Holders of the Shares in odd who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker during such period. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

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

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2) (a) of the Listing Rules make enquiries regarding the feasibility of extending the offer of the Rights Issue to Overseas Shareholders, if any. If, based on the legal advice to be provided by the legal advisor of the Company, the Board considers that it would be necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.



Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, 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 to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

**Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Shares and the NQS Unsold Shares by offering the Unsubscribed Shares and the NQS Unsold Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. On 27 January 2023, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Shares and the NQS Unsold Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Prohibited Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m., on the Placing End Date, placees to subscribe for all (or as many as possible) of those Unsubscribed Shares and the NQS Unsold Shares. Any Unsubscribed Shares and the NQS Unsold Shares remain not placed after completion of the Placing 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 a 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 Non-Qualifying 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 benefit.

### **Placing Agreement for Unsubscribed Shares and the NQS Unsold Shares**

Details of the Placing Agreement are summarised below:

Date : 27 January 2023 (after trading hours)

Issuer : The Company

Placing Agent : Innovax Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, places to subscribe for the Unsubscribed Shares and NQS Unsold Shares during the Placing Period.

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

Placing Period : The period commencing from the seventh Business Day after the Latest Time for Acceptance and end at 6:00 p.m. on the twelveth Business Day after the Latest Time for Acceptance.

Commission and expenses : The Placing Agent shall be entitled to a commitment fee equal to 0.5% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

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

Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.

- Placees : The Placing 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 Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank pari passu in all respects among themselves and with the Adjusted Shares in issue at the date of completion of the Placing.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
  - (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- The Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.
- Termination : The Placing Agreement shall end on 25 April 2023 or any other date by mutual written agreement between the Placing Agent and the Company.

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

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

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

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses 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 Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed Shares and NQS Unsold Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Shares and NQS Unsold Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders.

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Friday, 5 May 2023 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Friday, 5 May 2023 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

### **No Fractional Entitlement**

The Company will not provisionally allot fractions of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expense) can be obtained. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

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

The nil-paid and fully-paid Rights Shares will be traded in board lots of 2,000 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 respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES, THE ADJUSTED SHARES AND/OR THE NIL-PAID RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation” in this announcement. Therefore, the Capital Reorganisation may or may not proceed.

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid Rights Shares. Please refer to the section headed “Proposed Rights Issue – Conditions of the Rights Issue” in this announcement.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person contemplating transferring, selling, or purchasing Shares is advised to exercise caution when dealing in the Shares, the Adjusted Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Any Shareholder or other person dealing in the Shares, the Adjusted Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:00 p.m. on Wednesday, 26 April 2023, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.

### **REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE USE OF PROCEEDS**

The Group mainly operates in Hong Kong and Taiwan and is principally engaged in designing and distribution of consumer electronic products including notebook products.

Assuming the maximum gross and net proceeds (after deducting the related expenses) from the Rights Issue are estimated to be approximately HK\$90.69 million and HK\$89.50 million, respectively. The Company currently intends to apply the net proceeds from the Rights Issue primarily for repayment of bank loans and other borrowings, and for general working capital of the Group.

The Group intends to apply the net proceeds from the proposed Rights Issue as follows:

- (i) approximately HK\$39.00 million for repayment of bank and other borrowings owed by the Group;
- (ii) approximately HK\$37.08 million for settlement of external debts; and
- (iii) approximately HK\$13.42 million for the general working capital of the Group.

In the event that there is an under subscription of the Rights Issue, the net proceeds will be prioritised and utilised as follows:

- (i) approximately HK\$26.0 million for the repayment of unsecured borrowings owed by the Group;
- (ii) to settle outstanding sums of bank and other borrowings and other external debts to the greatest extent taking into account of the respective maturity dates, interest rates and the amount overdue; and
- (iii) any remaining amount (if any) shall be applied to the general working capital of the Group.

The Board considers fund-raising for additional general working capital is essential although, on 23 September 2022, a total of 72,324,000 new shares of the Company at nominal value of HK\$0.1 each were successfully placed at the placing price of HK\$0.1 per placing share (the “**September Placing**”). The net proceeds from the September Placing, after deducting the placing commission and other related expenses of the September Placing, amounted to approximately HK\$6.98 million, of which was intended for the use for general working capital. As at the date of this announcement, the net proceeds from the September Placing had been fully utilised.

Based on the published annual report for the year ended 31 March 2022, dated 29 July 2022, of the Company, the Group incurred a loss attributable to the owners of the Company of approximately HK\$564.6 million. As at 31 March 2022, the Company had current liabilities of approximately HK\$1,093.6 million comprising of (i) trade and other payables of approximately HK\$337.4 million; (ii) bank and other borrowings of approximately HK\$285.0 million; and (iii) loans from shareholders of approximately HK\$402.0 million.



As disclosed in the interim results announcement for the six months ended 30 September 2022, the Company dated 28 November 2022, the Group incurred a loss attributable to the owners of the Company from the continuing operations of approximately HK\$48.6 million. As at 30 September 2022, the Company had current liabilities of approximately HK\$1,028.9 million comprising of (i) trade and other payables of approximately HK\$347.1 million; (ii) bank and other borrowings of approximately HK\$242.9 million; and (iii) loans from shareholders of approximately HK\$432.7 million.

As further disclosed in the supplemental announcement of the Company in relation to interim report for the period ended 30 September 2022, dated 13 January 2023, the Company is experiencing (i) dropping in revenue primarily due to the sudden pass away of our ex-chairman and change of market condition; (ii) gross loss position primarily due to instability in souring of raw materials and high purchase cost of raw materials due to small quantity of purchase; and (iii) impairment loss in relation to the discontinued operation. However, the Board is of the view that (i) the new appointment of the new chairman; (ii) the implementation of the subcontracting model; and (iii) fund raising as described in this announcement, the loss-making financial position would gradually improve.

Taking into account that the Company had a bank balance and cash of approximately HK\$9.9 million as at 30 September 2022, and the net proceeds from the September Placing has been fully utilised by the Group, the Board considers it is prudent and in the interest of the Company and the Shareholders as a whole to raise additional funds to (i) repay bank borrowings; (ii) settle external debts; and (iii) for general working capital purposes, so that the Group has sufficient financial resources to meet the financial obligations when they fall due in the following 18 months from the date of this announcement.

## **Alternative fund-raising methods considered**

The Directors (excluding the independent non-executive Directors) have considered other financing alternatives to raise funds including (i) additional debt financing; and (ii) equity fund raising such as placement of shares and open offer.

### ***(i) Debt financing***

The availability of debt financing is usually subject to the Group's existing financial positions. As at 30 September 2022, the unaudited consolidated net liabilities value of the Company was approximately HK\$0.929 per Share. Given that (a) the Group was in net liabilities position as at 30 September 2022 and has a considerable amount of outstanding bank and other borrowings and external debts; (b) the Group has a loss making financial performance; and (c) the amount of funds required for settling the outstanding sums of the Group, the Company is of the view that it is not commercially feasible for the Company to obtain further debt financing from financial institutions. Moreover, debt financing would increase the interest burden as well as driven up the gearing ratio of the Group.

### ***(ii) Other equity fund raising***

As for other fund raising, such as placement of 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. Furthermore, to raise fund from placing, substantial amount of securities must be issued and it is not uncommon that the subscriber(s) request for a relatively deeper discount to the trading price of the Shares in view of the substantial amount of securities involved. As for open offer, it is similar to a rights issue, it also offers qualifying shareholders to participate but it does not provide the Shareholders with an option to trade their rights entitlement in the open market.

Having considered the above-mentioned alternatives, the Directors (excluding the independent non-executive Directors) are of the view that the Rights Issue provides a better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its financial position without incurring additional interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution from those Shareholders who take up their entitlement under the Rights Issue in full, and thus in the interests of the Company and the Shareholders as a whole.

## **EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT**

The Company had conducted the following equity fund raising activities in the past twelve months immediately prior of the date of this announcement:

<b>Date of relevant announcements</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
29 August 2022	Placing of new shares under general mandate	Approximately HK\$6.98 million	For general working capital of the Group	For general working capital of the Group

Save as disclosed above, the Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

## **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 Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

## **EXPECTED TIMETABLE FOR THE CAPITAL REORGANISATION, THE RIGHTS ISSUE AND THE PLACING**

The expected timetable for the proposed Capital Reorganisation, the Rights Issue and the Placing is set out below:

Despatch date of the Circular, proxy form and notice of the SGM. . . . . on or before  
Friday, 10 February 2023

Latest time for lodging transfers of Shares to notice of the SGM  
qualify for attendance and voting at the SGM. . . . . 4:30 p.m. on  
Tuesday, 28 February 2023

Closure of register of members of the Company to  
determine entitlement to attend and vote at the SGM . . . . . Wednesday, 1 March 2023  
to Tuesday, 7 March 2023  
(both days inclusive)

Latest time for lodging proxy forms for the SGM. . . . . 11:00 a.m. on  
Sunday, 5 March 2023

Record date for determining attendance and voting at the SGM . . . . .	Tuesday, 7 March 2023
Expected date and time of the SGM . . . . .	11:00 a.m. on Tuesday, 7 March 2023
Announcement of poll results of the SGM . . . . .	Tuesday, 7 March 2023
Re-opening of the register of members of the Company . . . . .	Wednesday, 8 March 2023
Effective date of the Capital Reorganisation . . . . .	Thursday, 9 March 2023
Commencement of dealings in the Adjusted Shares . . . . .	9:00 a.m. on Thursday, 9 March 2023
Original counter for trading in Existing Shares in board lots of 2,000 Existing Shares temporarily closes . . . . .	9:00 a.m. on Thursday, 9 March 2023
Temporary counter for trading in the Adjusted Shares in board lots of 40 Adjusted Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Thursday, 9 March 2023
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares . . . . .	Thursday, 9 March 2023
Last day of dealings in the Adjusted Shares on a cum-rights basis . . . . .	Thursday, 9 March 2023
First day of dealings in the Adjusted Shares on an ex-rights basis . . . . .	Friday, 10 March 2023
Latest time for lodging transfers of the Adjusted Shares in order for the transferees to qualify for the Rights Issue . . . . .	4:30 p.m. on Monday, 13 March 2023
Closure of register of members to determine the entitlements to the Rights Issue . . . . .	Tuesday, 14 March 2023 to Monday, 20 March 2023 (both days inclusive)
Record Date for the Rights Issue . . . . .	Monday, 20 March 2023
Re-opening of the register of members of the Company . . . . .	Tuesday, 21 March 2023

Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only) .....	Tuesday, 21 March 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares .....	9:00 a.m. on Thursday, 23 March 2023
Original counter for Trading in the Adjusted Shares in board lots of 2,000 Adjusted Shares (in the form of new share certificates) re-opens. ....	9:00 a.m. on Thursday, 23 March 2023
Parallel trading in the Adjusted Shares (in the form of new share certificates for the Adjusted Shares and existing share certificates) commences .....	9:00 a.m. on Thursday, 23 March 2023
First day of dealings in nil-paid Rights Shares .....	Thursday, 23 March 2023
Latest time for splitting nil-paid Rights Shares .....	4:00 p.m. on Monday, 27 March 2023
Last day of dealings in nil-paid Rights Shares .....	Thursday, 30 March 2023
Latest Time for Acceptance. ....	4:00 p.m. on Tuesday, 4 April 2023
Announcement of the number of the Unsubscribed Shares and NQS Unsold Shares subject to the Placing .....	Monday, 17 April 2023
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares .....	4:00 p.m. on Monday, 17 April 2023
Temporary counter for trading in board lots of 40 Adjusted Shares (in the form of existing share certificates) closes .....	4:10 p.m. on Monday, 17 April 2023
Parallel trading in the Adjusted Shares (in the form of new share certificates for the Adjusted Shares and existing share certificates) ends. ....	4:10 p.m. on Monday, 17 April 2023

Commencement of the Placing Period (if there are any Unsubscribed Shares and NQS Unsold Shares available). . . . .	Tuesday, 18 April 2023
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares . . . . .	Wednesday, 19 April 2023
Placing End Date for the Placing . . . . .	4:00 p.m. on Tuesday, 25 April 2023
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date . . . . .	4:10 p.m. on Wednesday, 26 April 2023
Rights Issue Settlement Date and Placing completion date . . . . .	Wednesday, 3 May 2023
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain) . . . . .	Thursday, 4 May 2023
Despatch of share certificates for the Rights Shares and/or refund cheques . . . . .	Friday, 5 May 2023
First day of dealings in the fully-paid Rights Shares . . . . .	Monday, 8 May 2023
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any). . . . .	11:00 a.m. on Monday, 22 May 2023

*Notes:*

- (1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this announcement are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.
- (2) All references to times and dates are references to Hong Kong times and dates.

**EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place as scheduled if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance falls. Instead the Latest Time for Acceptance 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 the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected Timetable for the Capital Reorganisation, the Rights Issue and the Placing” in this announcement may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the excepted timetable as soon as practicable.

## EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Capital Reorganisation; and (iii) immediately after the Capital Reorganisation and the Rights Issue Completion, assuming there is no change in the issued share capital of the Company, other than as a result of the Capital Reorganisation, from the date of this announcement up to and including the Record Date:

Shareholder	As at the date of this announcement		Immediately after the Capital Reorganisation		Immediately after the Capital Reorganisation and upon the Rights Issue Completion assuming full acceptance by all Qualifying Shareholders under		Immediately after the Capital Reorganisation and upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Leung Wai Sing, Wilson (Note 1)	76,706,986	9.64	1,534,140	9.64	7,670,700	9.64	1,534,140	1.93
Mr. Webb David Michael	68,790,884	8.65	1,375,818	8.65	6,879,090	8.65	1,375,818	1.73
Ms. Lee Wing Yin	45,584,000	5.73	911,680	5.73	4,558,400	5.73	911,680	1.15
Preferable Situation Assets Limited	42,479,041	5.34	849,580	5.34	4,247,900	5.34	849,580	1.07
Placees (Note 2)	–	–	–	–	–	–	63,645,492	80.00
Other public Shareholders	562,007,739	70.64	11,240,155	70.64	56,200,775	70.64	11,240,155	14.12
	<u>795,568,650</u>	<u>100.00</u>	<u>15,911,373</u>	<u>100.00</u>	<u>79,556,865</u>	<u>100.00</u>	<u>79,556,865</u>	<u>100.00</u>



*Notes:*

1. Ex-chairman (deceased) of the Company.
2. Pursuant to the terms of the Placing Agreement, none of the placees will become a substantial shareholder of the Company immediately following the Placing.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

## **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this announcement (taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval of at the SGM, and any controlling shareholders of the Company and their 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 resolution(s) in relation to the Rights Issue at the SGM.

As at the date of this announcement, the Company has no Controlling Shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. Accordingly, no other Shareholder is required to abstain from voting at the SGM. No Shareholder has informed the Company that he/she/it intends to vote in favour of or against the proposed resolutions in connection with the Capital Reorganisation and the Rights Issue as at the date of this announcement.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chu Hoi Kan, Mr. Lam Chi Wing and Mr. Tang Sher Kin, to advise the Independent Shareholders in respect of the Rights Issue and as to the voting action therefor.

## **SGM AND INDEPENDENT SHAREHOLDERS' APPROVAL**

The SGM will be convened and held to consider and, if thought fit, approve, the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder.

The executive Directors and their respective associates and Shareholders who are involved in or interested in the Rights Issue will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue at the SGM.

## DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR

The Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL on or before Tuesday, 21 March 2023. A copy of the Prospectus will also be made available on the websites of the Company ([www.alco.com.hk](http://www.alco.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

The Circular containing, among other things, (i) details of the Capital Reorganisation; (ii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (v) other information required under the Listing Rules; and (vi) the notice of the SGM is expected to be despatched to the Shareholders on or before Friday, 10 February 2023.

## DEFINITIONS

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

“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, a Sunday, a public holiday and any day on which a tropical cyclone warning No. 8 or above or 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 in Hong Kong are open for general banking business in Hong Kong throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company as amended from time to time

“Capital Reduction”	the proposed reduction of the issued share capital of the Company by reducing the par value of each issued Consolidated Share from HK\$5.00 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$4.99 on each issued Consolidated Share and the cancellation of any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation immediately after the Share Consolidation
“Capital Reorganisation”	the proposed capital reorganisation of the share capital of the Company involving (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the Share Sub-division, (iv) the Share Premium Reduction, and (v) the transfer of all the credits arising from the Capital Reduction and Share Premium Reduction to the contributed surplus account of the Company within the meaning of the Companies Act which will be applied to reduce the accumulated losses of the Company and be applied by the Board in any other manner in accordance with the bye-laws of the Company and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in respect of, among other things, the Capital Reorganisation, the Rights Issue and the Placing
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Alco Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 328)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Shares and the NQS Unsold Shares and the Compensatory Arrangements” in this announcement

“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$5.00 each in the share capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction and the Share Subdivision
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation having become effective
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin, which has been established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	Shareholders other than (i) all executive Directors and their respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the SGM
“Independent Third Parties”	third party(ies) who are not connected persons of the Company and its subsidiaries and who are independent of the Company and connected persons of the Company
“Last Trading Day”	Friday, 27 January 2023, being the last full trading day before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 4 April 2023 (or such other time and date as may be determined by the Company), being the latest time for the acceptance of, and payment for, the Rights Shares

“Listing Committee”	the listing committee of the Stock Exchange for considering application for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Placing Shares placed by the Placing Agent under the Placing Agreement
“No Action Shareholders”	Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board, after making enquiries, consider it necessary or expedient not to offer the Rights Issue to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at close of business on the Record Date and whose address(es) as shown on such register at that time is(are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Unsubscribed Shares and the NQS Unsold Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement

“Placing Agent”	Innovax Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO
“Placing Agreement”	the placing agreement dated 27 January 2023 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing End Date”	Tuesday, 25 April 2023 or such other date as the Company may announce
“Placing Long Stop Date”	4:10 p.m. on Wednesday, 26 April 2023 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period commencing from the seventh Business Day after the Latest Time for Acceptance and ending on 6:00 p.m. on the twelfth Business day after the Latest Time for Acceptance
“Placing Share(s)”	Unsubscribed Share(s) and the NQS Unsold Share(s)
“Posting Date”	Tuesday, 21 March 2023 (or such other date as may be determine by the Company), being the date of dispatch of Prospectus Document to the Qualifying shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Monday, 20 March 2023 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

“Rights Issue”	The proposed issue of the Rights Shares on the basis of four (4) Rights Shares for every one (1) Adjusted Share held 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)”	up to 63,645,492 Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before Record Date)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Capital Reorganisation, the Rights Issue, the Placing and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every fifty (50) Existing Shares of par value of HK\$0.10 each into one (1) Consolidated Share of par value of HK\$5.00 each in the share capital of the Company
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the Share Premium Account of the Company to nil
“Share Subdivision”	the proposed subdivision of each authorised but unissued Consolidated Share of par value of HK\$5.00 into five hundred (500) Adjusted Shares of par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1.425 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)



“Unsubscribed Share(s)” the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue

“%” per cent

By order of the Board  
**Alco Holdings Limited**  
**LEI Kam Chao**  
*Chairman*

Hong Kong, 27 January 2023

*As at the date of this announcement, the Board of Directors comprises two executive Directors, namely Mr. LEI Kam Chao and Mr. CHUNG Hau Yeung, one non-executive director, namely Ms. HONG Ting and three independent non-executive Directors, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.*