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Wing Fung Group Asia Limited

榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8526)

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND CHANGE IN USE OF PROCEEDS FROM THE LISTING

Placing Agent



THE PLACING

The Board is pleased to announce that on 22 October 2021 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 75,000,000 Placing Shares, to not less than six (6) Placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$0.144 per Placing Share.

The Placing Price of HK\$0.144 per Placing Share represents (i) a discount of approximately 14.8% to the closing price of HK\$0.169 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 10.6% to the average of the closing prices per Share of approximately HK\$0.161 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

The maximum number of 75,000,000 Placing Shares represents (i) approximately 13.07% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the completion of the Placing).

The Placing Shares will be allotted and issued under the General Mandate. The allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

Assuming all the Placing Shares are subscribed for in full, upon completion of the Placing, the aggregate gross proceeds from the Placing will be approximately HK\$10.8 million and the aggregate net proceeds will be approximately HK\$10.1 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.135 per Placing Share. The Company intends to use such net proceeds as general working capital of the Group.

CHANGE IN USE OF PROCEEDS FROM THE LISTING

As at the date of this announcement, the Board resolved to change the use of the unutilised Net Proceeds of approximately HK\$2.0 million, which was originally allocated for the employment of additional staff and provision of relevant training and leasing of a new office and employment of additional staff in Macau, to the general working capital of the Group.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE PLACING

The Board is pleased to announce that on 22 October 2021 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 75,000,000 Placing Shares, to not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$0.144 per Placing Share. The principal terms of the Placing Agreement are set out below:

The Placing Agreement

Date: 22 October 2021 (after trading hours of the Stock Exchange)

Parties: Issuer: The Company

Placing Agent: Brilliant Norton Securities Company Limited

The Placing Agent has been appointed to place up to 75,000,000 Placing Shares at the Placing Price of HK\$0.144 on a best effort basis, to not less than six Placees.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placees

The Placing Shares are expected to be placed, on a best effort basis, to not less than six (6) Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company.

Placing Shares

The maximum number of 75,000,000 Placing Shares under the Placing represents (i) 13.07% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the completion of the Placing). The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$750,000.

Placing Price

The Placing Price of HK\$0.144 per Placing Share represents:

- (i) a discount of approximately 14.8% to the closing price of HK\$0.169 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 10.6% to the average of the closing prices per Share of HK\$0.161 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole. After taking into account all related costs, fees, expenses and commission of the Placing, the net issue price of the Placing Shares is approximately HK\$0.135 per Share.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Placing Commission

The Placing Agent will charge the Company a placing commission of 5% of the aggregate Placing Amount. The Placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent by reference to the prevailing market rates charged by other placing agents. The Directors consider that the terms of the Placing, including the Placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit of up to 20% of the then total number of issued share capital of the Company of 574,000,000 Shares as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 114,800,000 new Shares. Up to the date of this announcement, no Share has been allotted and issued under the General Mandate. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

Conditions of the Placing

The Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, the Placing Shares.

If the above conditions are not fulfilled by 12 November 2021 (or such later date as may be agreed between the Company and the Placing Agent), the Placing will be terminated and the Placing will not proceed and all rights, obligations and liabilities of the parties thereto shall cease and terminate and the Placing Agent shall be released from all obligations pursuant to the Placing Agreement and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach.

Completion of the Placing

Completion of the Placing shall take place on the third (3rd) Business Day after the fulfilment of the conditions as set out in paragraph headed “Conditions of the Placing” above (or such later date as may be agreed between the parties) or such other date as the Company and the Placing Agent may agree in writing.

Application for listing

The Company will make an application to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Termination

The Placing Agent may terminate the Placing Agreement by notice in writing given to the Company prior to 10:00 a.m. on the Completion Date upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent’s absolute opinion would materially affect the success of the Placing; or

- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would materially affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may materially affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any material litigation or claim being instigated against any member of the Group, which has or may have an effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would materially affect the success of the Placing; or
- (e) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (f) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (g) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Notwithstanding anything contained in the Placing Agreement, the Company may terminate the Placing Agreement without any liability to the Placing Agent, by notice in writing given to the Placing Agent at any time prior to 10:00 a.m. on the Completion Date if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

If notice is given pursuant to the termination clauses above, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination and liabilities under the Placing Agreement in relation to commissions and expenses.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group are principally engaged in the provision of supply, installation and fitting-out services of mechanical ventilation and air-conditioning system for buildings for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau.

Assuming that the Placing Shares are fully placed under the Placing Agreement, the gross proceeds from the Placing will be approximately HK\$10.8 million, and the net proceeds from the Placing will be approximately HK\$10.1 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.135 per Placing Share.

The Company intends to use such net proceeds as general working capital of the Group.

As set out in the interim report of the Company for the six months ended 30 June 2021 (“**Interim Report**”), the Group has been facing challenges brought by fierce competition in securing tenders for future projects and a rising raw material costs, subcontracting charges and labour costs brought by the continuing effect of the novel coronavirus (COVID-19). In light of the instability of the global economy and local business environment, the Board is of the view that it is important to enable the Group to have greater financing flexibility to replenish its cash reserve in a timely and efficient manner to sustain the smooth operations of the Group during the global economic downturn. As mentioned in the announcement of the Company dated 15 October 2021, the Company is expected to record a net loss of not less than HK\$18.0 million for the nine months ended 30 September 2021 (“**2021Q3**”) which is primarily attributable to unexpected prolonged completion of the Group’s projects causing an overrun of project cost and a drop in number of ongoing projects undertaken by the Group which were revenue generating during 2021Q3. It is anticipated that the factors that contributed to the net loss of the Group for 2021Q3 would linger and may continue to impact the cash flow of the Group in short term. After reviewing the latest financial position of the Group and assessing the Group’s potential financing options, the Board considers that the Placing is a suitable financing option to raise capital in an efficient manner without any interest burden and incurs comparable costs when compared with other means of financing. The Placing can at the same time help enhance the liquidity of the Shares.

The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations of the Group and will strengthen the Group’s liquidity position.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately upon completion of the Placing (assuming all the Placing Shares are issued and allotted and there is no change in the issued share capital of the Company from the date of this announcement up to the completion of the Placing) are set out below:

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Wing Fung Capital Limited (<i>Note</i>)	332,250,000	57.88%	332,250,000	51.19%
The Placees	—	—	75,000,000	11.56%
Other public Shareholders	<u>241,750,000</u>	<u>42.12%</u>	<u>241,750,000</u>	<u>37.25%</u>
Total	<u>574,000,000</u>	<u>100.00%</u>	<u>649,000,000</u>	<u>100.00%</u>

Note:

The 332,250,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and is wholly owned by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is our executive Director, Chairman and Chief Executive Officer and the controlling shareholder of the Company.

CHANGE IN USE OF PROCEEDS FROM THE LISTING

Reference is made to the Prospectus and the Interim Report. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus and the Interim Report.

As disclosed in the Prospectus, the actual net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) (the “**Net Proceeds**”) of approximately HK\$27.2 million was intended to be used for (i) acquisition of performance bond for new projects, (ii) employment of additional staff and provision of relevant training, (iii) leasing of a new office and employment of additional staff in Macau and (iv) working capital.

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$2.0 million. For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Net Proceeds from the Listing” below, the Board has resolved to change the use of the unutilised Net Proceeds as follows:

Use of Net Proceeds	Approximate actual amount		Unutilised Net Proceeds as at the date of this announcement	Revised allocation of unutilised Net Proceeds		Estimated timeline for utilisation of the unutilised Net Proceeds
	Allocation of Net Proceeds according to the Prospectus	Proceeds up to the date of this announcement		HK\$ million	HK\$ million	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Acquisition of performance bond for new projects	7.2	7.2	—	—	—	
Employment of additional staff and provision of relevant training	17.4	16.3	1.1	—	—	
Leasing of a new office and employment of additional staff in Macau	2.4	1.5	0.9	—	—	
Working capital	0.2	0.2	—	2.0	100.0	31 December 2021
Total	27.2	25.2	2.0	2.0	100.0	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS FROM THE LISTING

As mentioned in the section headed “Reasons for the Placing and Use of Proceeds”, the Board is of the view that it is important to enable the Group to have greater financing flexibility to replenish its cash reserve in a timely and efficient manner to sustain the smooth operations of the Group during the global economic downturn.

Under ongoing uncertainties over the severity and duration of the COVID-19 pandemic, and the trajectory of the recovery of the construction and related industries in Hong Kong and Macau, the Board is cautious in making any further expansion of the Group’s business, and takes a prudent view in deferring the expansion of the Group’s operation in particular in Macau, and adopting a cautious approach in working capital management for the time being. The Board is of the view that the current priority should be to focus on consolidating its existing operations, reserving its cash allocation for the purpose of working capital and strengthening its liquidity position.

The Board considers that the change in the use of Net Proceeds will allow the Company to deploy its financial resources more efficiently and provide more buffer to cope with the economic uncertainty in the future and therefore, is in the best interest of the Company and the Shareholders as a whole and it will not have any material adverse effect on the existing business and operations of the Group. The Board will continuously assess the

plans for use of the Net Proceeds, and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance of the Group.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore 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 when used herein:

“AGM”	the annual general meeting of the Company held on 8 June 2021
“Board”	the board of Directors of the Company
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Wing Fung Group Asia Limited, a company incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8526)
“Completion Date”	the date which is the third (3rd) Business Days after the fulfilment of the condition set out in the Placing Agreement (or such later date as may be agreed between the Company and the Placing Agent)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	party(ies) who is (are) not connected persons of the Company and is (are) third party(ies) independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Last Trading Day”	22 October 2021, being the last trading day of the Shares on the Stock Exchange immediately before the entering into of the Placing Agreement
“Listing”	the listing of the Shares on GEM on 27 February 2018 by way of share offer
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 75,000,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Brilliant Norton Securities Company Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 22 October 2021 in relation to the Placing
“Placing Amount”	the total aggregate amount of money (total monetary value) derived from multiplying the Placing Price by the actual number of Placing Shares actually subscribed for by the Placees procured by the Placing Agent

“Placing Price”	HK\$0.144 per Placing Share
“Placing Share(s)”	up to 75,000,000 new Shares to be placed pursuant to the Placing Agreement
“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
“Prospectus”	the prospectus of the Company dated 12 February 2018
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“%”	per cent.

By order of the Board of
Wing Fung Group Asia Limited
Chung Chi Keung
Chairman, Chief Executive and Executive Director

Hong Kong, 22 October 2021

As at the date of this announcement, the executive Directors are Mr. Chung Chi Keung and Ms. Lai Suk Fan; and the independent non-executive Directors are Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM's website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.wingfunggroup.com.