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Guan Chao Holdings Limited

冠轆控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1872)

PROPOSED SHARE CONSOLIDATION

Financial Adviser



**DILIGENT
CAPITAL**

Diligent Capital Limited

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK\$0.01 each be consolidated into one (1) Consolidated Share of HK\$0.10 each.

The Share Consolidation is conditional upon, among other things, (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution in relation to the Share Consolidation at the EGM.

GENERAL

The EGM will be convened and held for the Shareholders to consider, if thought fit, approve, among other things, the Share Consolidation. The Circular containing, among other things, (i) further details in relation to the Share Consolidation and (ii) the notice of the EGM, is expected to be despatched to the Shareholders on or before 8, May 2024.

Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions of the Share Consolidation”. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK\$0.01 each be consolidated into one (1) Consolidated Share of HK\$0.10 each.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares with par value of HK\$0.01 each, of which 900,000,000 Shares have been issued and are fully paid or credited as fully paid.

Assuming that no further Shares will be issued or repurchased from the date hereof until the date of the EGM, immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares with par value of HK\$0.10 each, of which 90,000,000 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

As at the date of this announcement, there are outstanding 90,000,000 Share Options entitling the holders thereof to subscribe for up to an aggregate of 90,000,000 Shares under the Share Option Scheme.

The Company will make further announcement(s) as and when appropriate on any adjustments to be made as a result of the Share Consolidation to the exercise price and the aggregate number of Shares to be allotted and issued upon exercise of the subscription rights attaching to the above outstanding share options.

Save as disclosed above, the Company does not have any other derivatives, options, warrants, other securities, conversion rights, or similar rights that are convertible or exchangeable into Shares or Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 27, May 2024.

As at the date of this announcement, none of the conditions above had been fulfilled.

Application for listing of the Consolidated Shares

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective and the Consolidated Shares which may be issued pursuant to the exercise of the outstanding options granted or which may be granted under the Share Option Schemes.

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

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

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be allocated to the Shareholders, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a securities firm as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

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

Details of the odd lots arrangement will be set out in the Circular.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may during the period from Monday, 27 May 2024 to Wednesday, 4 July 2024 (both days inclusive), submit share certificates for the Shares (in green colour) to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company for new share certificates for the Consolidated Shares (in red colour). Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may be allowed by the Stock Exchange from time to time) for each share certificate for the Shares cancelled or each new share certificate issued for the Consolidated 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 2, July 2024, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in red colour in order to distinguish them from the share certificates for the Shares which are in green colour.

NO CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 5,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 5,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.074 per Share (equivalent to the theoretical closing price of HK\$0.74 per Consolidated Share) as quoted on the Stock Exchange as at the date of the Announcement, (i) the value per board lot of 5,000 Shares is HK\$370; and (ii) the estimated value per board lot of 5,000 Consolidated Shares would be HK\$3,700 assuming that the Share Consolidation becomes effective.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to 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 Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Since May 2023, the share price of the Company has been trading at or below HK\$0.1, and the closing price of the Shares as at the date of this announcement was HK\$0.074 per Share. The value of each existing board lot has been less than HK\$2,000. Based on the closing price of HK\$0.074 per Share as at the date of this announcement and the existing board lot size of 5,000 Shares, the Board resolved to propose the Share Consolidation, resulting in HK\$0.74 per Consolidated Share and HK\$3,700 per board lot of 5,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules.

The Board considers that the proposed Share Consolidation would bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. In view of the above reasons, the Board considers that the Share Consolidation is justifiable, notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

The Board believes that the Share Consolidation will not have any material adverse effect on the Group’s financial position or result in a change in the relative rights of the Shareholders.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is set out below.

All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable is subject to the satisfaction of all conditions of the Share Consolidation and is therefore for indicative purpose only. Any subsequent changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

<i>Event(s)</i>	<i>Time and Date</i>
Expected date of despatch of the circular, the notice of the EGM and the form of proxy of the EGM	Wednesday, 8 May 2024
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:30 p.m. on Thursday, 16 May 2024
Closure of the register of members for determining the entitlement to attend and vote at the EGM	Friday, 17 May 2024 to Thursday, 23 May 2024 (both days inclusive)
Latest date and time for lodging the forms of proxy for the EGM	10:00 a.m. on Tuesday, 21 May 2024
Expected date and time of the EGM	10:00 a.m. on Thursday, 23 May 2024
Publication of announcement of poll results of the EGM	Thursday, 23 May 2024

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation

<i>Event(s)</i>	<i>Time and Date</i>
Effective date of the Share Consolidation	Monday, 27 May 2024
First day for free exchange of existing share certificates for new share certificates of the Consolidated Shares	Monday, 27 May 2024
Dealings in the Consolidated Shares commence	9:00 a.m. on Monday, 27 May 2024
Original counter for trading in Shares in board lots of 5,000 Shares (in the form of existing share certificates) temporarily closes.	9:00 a.m. on Monday, 27 May 2024
Temporary counter for trading in Consolidated Shares in board lots of 500 Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 27 May 2024
Original counter for trading in Consolidated Shares in board lots of 5,000 Shares (in the form of new share certificates for Consolidated Shares) re-opens	9:00 a.m. on Tuesday, 11 June 2024
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences	9:00 a.m. on Tuesday, 11 June 2024
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 11 June 2024

Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares4:00 p.m. on Tuesday, 2 July 2024

Temporary counter for trading Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes4:10 p.m. on Tuesday, 2 July 2024

Parallel trading in the New Shares (in form of new share certificate(s) and existing share certificate(s)) ends4:10 p.m. on Tuesday, 2 July 2024

Last date and time for free exchange of share Certificates for the new share certificates of the Consolidated Shares4:30 p.m. on Thursday, 4 July 2024

GENERAL

The EGM will be convened and held for the Shareholders to consider, if thought fit, approve, among other things, the Share Consolidation. The Circular containing, among other things, (i) further details in relation to the Share Consolidation and (ii) the notice of the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 8 May 2024.

Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions of the Share Consolidation”. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Board” the board of Directors

“CCASS” the Central Clearing and Settlement System established and operated by the HKSCC

“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Circular”	the circular of the Company to be despatched to the Shareholders containing, among other things, (i) further details of the Share Consolidation, and (ii) the notice of the EGM
“Company”	Guan Chao Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 1872)
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve (among other things) the Share Consolidation
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Shares be consolidated into one (1) Consolidated Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Options”	the options granted pursuant to the Share Option Scheme, i.e. the 90,000,000 outstanding share options granted by the Company pursuant to the Share Option Scheme as at the date of this announcement
“Share Option Scheme”	the share option scheme adopted by the Company on 1 February 2019

By Order of the Board
Guan Chao Holdings Limited
Tan Shuay Tarnng Vincent
Chairman and Executive Director

Hong Kong, 16 April 2024

As at the date of this announcement, the Board comprises Mr. Tan Shuay Tarnng Vincent, Ms. Ng Hui Bin Audrey and Ms. Beng Lee Ser Marisa as executive Directors; Mr. Raymond Wong as non-executive Director; and Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken as independent non-executive Directors.