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HSC Resources Group Limited

鴻盛昌資源集團有限公司

(Formerly known as WINDMILL Group Limited 海鑫集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1850)

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

Finance Adviser to the Company

ADVENT
宏智融資
Advent Corporate Finance Limited

Placing Agent

ADVENT
宏智證券(香港)
Advent Securities (Hong Kong) Limited

PROPOSED CAPITAL REORGANISATION

The Board proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the Share Consolidation whereby every five (5) issued Existing Shares of par value of HK\$0.20 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each;

- (ii) the Capital Reduction whereby (a) the total number of Consolidated Share in the issued share capital of the Company will be rounded down to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation, and (b) the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share;
- (iii) the Share Subdivision whereby immediately following the Capital Reduction, each of the authorised but unissued Existing Shares of par value of HK\$0.20 each will be subdivided into 20 Adjusted Shares of par value of HK\$0.01 each; and
- (iv) the credit arising from the Capital Reduction will be applied towards offsetting the Accumulated Losses. The balance of the credit (if any) after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles and as the Board considers appropriate.

Each of the Adjusted Shares arising from the Capital Reorganisation shall rank *pari passu* in all respects with each other in accordance with the Memorandum and Articles.

The Capital Reorganisation is conditional upon fulfillment of the conditions as set out under the paragraph headed “Conditions of the Capital Reorganisation” in this announcement.

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lots of 10,000 Existing Shares. Upon the Capital Reorganisation becoming effective, the Adjusted Shares will continue to be traded in board lots of 10,000 Adjusted Shares.

PROPOSED RIGHTS ISSUE

The Company proposes subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue at the Subscription Price of HK\$0.53 per Rights Share on the basis of four (4) Rights Shares for every one (1) Adjusted Share held on the Record Date to raise up to approximately HK\$73.27 million (before expenses) by issuing up to 138,240,000 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).

Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights 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. There will be no excess application arrangement in relation to the Rights Issue.

The estimated maximum net proceeds from the Rights Issue (after deducting the estimated expenses in relation to the Rights Issue) is expected to be up to approximately HK\$69.80 million. The Company intends to use the net proceeds from the Rights Issue in the following manner:

- (i) approximately HK\$59.33 million (representing approximately 85% of the net proceeds) to support the Group's projects, of which approximately HK\$52.35 million for the payment to contractors in the current projects, approximately HK\$1.75 million for the prepayment to the subcontractors and/or suppliers before the commencement of the forthcoming potential projects and approximately HK\$5.23 million for the initial start-up costs of the forthcoming potential projects; and
- (ii) approximately HK\$10.47 million (representing approximately 15% of the net proceeds) for general working capital of the Group, of which approximately HK\$8.38 million for the staff costs and approximately HK\$2.09 million for other office overhead.

In the event that there is an under-subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Placing Shares by offering the Placing Shares to independent Placees for the benefit of the No Action Shareholders and Non-Qualifying Shareholders. Accordingly, on Thursday, 19 December 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed, as an agent of the Company, to procure Placee(s), on a best effort basis, to subscribe for the Placing Shares during the Placing Period. The placing price of the Placing Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Placing Shares and market conditions at the time of placement.

As at the date of this announcement, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

LISTING RULES IMPLICATIONS

Capital Reorganisation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

The Capital Reduction and Share Subdivision are conditional upon, among other things, the approval by the Shareholders by way of special resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Capital Reduction and Share Subdivision, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reduction and Share Subdivision at the EGM.

Rights Issue

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, the Rights Issue is conditional upon the Shareholders' approval at the EGM, 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 EGM. As at the date of this announcement, the Company does not have any controlling Shareholders as defined under the Listing Rules. As at the date of this announcement, Mr. Li Junheng ("**Mr. Li**"), an executive Director, the chairman of the Group and the chief executive of the Company, is beneficially interested in 14,390,000 Shares. Accordingly, Mr. Li and his respective associates are required to abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the resolution(s) approving the Rights Issue and the transaction contemplated thereunder at the EGM.

The Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL MATTERS

Despatch of the Circular and Notice of EGM

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 EGM is expected to be despatched to the Shareholders on or before Friday, 24 January 2025.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES, 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 forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Accordingly, the Rights Issue may or may not proceed.

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.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares, 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 at 4:00 p.m. on Wednesday, 11 June 2025, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.

Any Shareholder or other person contemplating transferring, selling, or purchasing Existing Shares is advised to exercise caution when dealing in the Existing Shares, the Consolidated 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).

PROPOSED CAPITAL REORGANISATION

The Board proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the Share Consolidation whereby every five (5) issued Existing Shares of par value of HK\$0.20 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each;
- (ii) the Capital Reduction whereby (a) the total number of Consolidated Shares in the issued share capital of the Company will be rounded down to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation, and (b) the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share;
- (iii) the Share Subdivision whereby immediately following the Capital Reduction, each of the authorised but unissued Existing Shares of par value of HK\$0.20 each will be subdivided into 20 Adjusted Shares of par value of HK\$0.01 each; and
- (iv) the credit arising from the Capital Reduction will be applied towards offsetting the Accumulated Losses. The balance of the credit (if any) after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles and as the Board considers appropriate.

Effect of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$40,000,000 divided into 200,000,000 Existing Shares of par value of HK\$0.20 each, of which 172,800,000 Existing Shares have been issued and fully paid or credited as fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$40,000,000 divided into 4,000,000,000 Adjusted Shares of par value of HK\$0.01 each, and the aggregate nominal value of the issued share capital of the Company will be approximately HK\$345,600 (assuming that no further Existing Shares are issued or repurchased from the date of this announcement until the effective date of the Capital Reorganisation). Based on the number of the Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$34,214,400 will arise as a result of the Capital Reduction, which will be applied towards offsetting Accumulated Losses as at the effective date of the Capital Reorganisation.

Assuming no Existing Shares are issued or repurchased from the date of this announcement, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reorganisation becoming effective
Authorised share capital	HK\$40,000,000	HK\$40,000,000
Par value per share	HK\$0.2	HK\$0.01
Number of authorised shares	200,000,000	4,000,000,000
Amount of issued share capital	HK\$34,560,000	HK\$345,600
Number of issued shares	172,800,000	34,560,000
Amount of unissued share capital	HK\$5,440,000	HK\$39,654,400
Number of unissued shares	27,200,000	3,965,440,000

Note: The above share capital structure of the Company is for illustration purpose only.

The Adjusted Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders, save that fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares 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 Consolidated Shares regardless of the number of share certificates held by such holder. 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 advisor 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.

Currently, the Existing Shares are traded on the Stock Exchange in the board lot size of 10,000 Shares. Upon the Capital Reorganisation becoming effective, the board lot size for trading in the Adjusted Shares will remain as 10,000 Adjusted Shares.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group, save for any fractional Adjusted Shares will not be allocated to the Shareholders who may otherwise be entitled. The Directors are of the view that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Capital Reorganisation at the EGM;
- (ii) if required under the Companies Act an order being made by the Court confirming the Capital Reduction;
- (iii) if applicable, the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Reorganisation;
- (iv) if required under the Companies Act, registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute containing the particulars required by the Companies Act with respect to the Capital Reduction;
- (v) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Capital Reorganisation; and
- (vi) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisers to the Company (as to the Cayman Islands law), if required under the Companies Act, will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed (if applicable).

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

On 11 March 2024, the Cayman Islands government issued the Companies (Amendment) Act, 2024 (the “**Amendment Act**”). The Amendment Act seeks to amend the Companies Act to address various matters, including the streamlining of the share capital reduction process. The Amendment Act introduces a new alternative method for share capital reduction in addition to the existing court-sanctioned procedure. A Cayman Islands exempted company, such as the Company, may reduce its share capital by a special resolution of members supported by a solvency statement from its directors. The solvency statement must be made no more than 30 days before the date of the special resolution for reducing share capital. The effective date of the Amendment Act is yet to be announced as of the date of the announcement. If the Amendment Act becomes effective before the Capital Reorganization takes effect, subject to compliance with the solvency requirement as described and any other applicable requirements, the Company may no longer be required to obtain the approval of the Court for the Capital Reduction. If this becomes the case, the Company will make further announcement on the implication of such changes to the Capital Reorganisation.

Odd Lots Arrangements and Matching Services

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares arising from the Capital Reorganisation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Adjusted Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the Circular.

Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its 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, 15 May 2025 to 4:00 p.m. on Wednesday, 4 June 2025 (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.

Exchange of Share Certificates

Subject to the Capital Reorganisation having become effective, Shareholders may, on or after Tuesday, 29 April 2025 and until Friday, 6 June 2025 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited 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 Adjusted Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Adjusted Shares will be issued in another colour in order to distinguish them from the existing share certificate.

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 and all necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange upon the Capital Reorganisation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, 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 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 Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the Adjusted 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.

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, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” (the “**Guide**”) 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\$0.1 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 board lot value should be greater than HK\$2,000.

For the past 3 months, the share price of the Company has been trading at or close to HK\$0.1, and the closing price of the existing Shares as of the date of this announcement is HK\$0.14 per Share. The value of each existing board lot has been less than HK\$2,000. Based on the closing price of HK\$0.14 per Share as of the date of this announcement and the existing board lot size of 10,000 Shares, the Board resolved to propose the Share Consolidation, resulting in HK\$0.70 per Consolidated Share (which will be higher than the extremity of HK\$0.10 as mentioned in the Guide) and HK\$7,000 per board lot of 10,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules that the expected board lot value will be greater than HK\$2,000.

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 minimum transaction costs 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.

Under the Companies Act and the Memorandum and Articles, the Company may not issue Shares at a discount to the nominal value of such Shares. In order to facilitate possible fundraising activities in the future, it is necessary to implement the Capital Reorganisation to lower the par value of the Shares, giving greater flexibility to the Company to issue new Shares in the future. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Subdivision, the nominal value of the Consolidated Shares will be HK\$1.00 per Consolidated Share. The Capital Reduction and the Share Subdivision will keep the nominal value of the Adjusted Shares at a lower level of HK\$0.01 per Adjusted Share, which allows greater flexibility in the pricing for any issue of new Shares in the future.

The credit arising from the Capital Reduction will enable the Company to set off its Accumulated Losses. The balance of the credit (if any) after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles and as the Board considers appropriate. It will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

The Board is of the opinion that the proposed Capital Reorganisation will give greater flexibility to the Company to (i) conduct fundraising exercise to raise capital; (ii) declare dividends; and/or (iii) undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

As at the date of this announcement, save as disclosed in this announcement, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation; and (iii) the Company does not have any concrete fundraising plan for the upcoming 12 months.

In view of the above reasons, the Directors are of the view that the Capital Reorganisation is in the best interests of the Company and its Shareholders as a whole.

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. Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares, the Adjusted Shares and/or nil-paid Rights Shares of the Company. If they are in doubt, they should consult their professional advisers.

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. Details of the Rights Issue are set out below:

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\$0.53 per Rights Share
Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.101 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	:	172,800,000 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	34,560,000 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 (Shares to be issued pursuant to the Rights Issue)	:	Up to 138,240,000 Adjusted Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	Up to 172,800,000 Adjusted Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds from the Rights Issue	:	Up to approximately HK\$73.27 million before expenses (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)

The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into 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 the Capital Reorganisation becoming effective, the aggregate 138,240,000 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 Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

As at the date of this announcement, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.53 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 24.29% to the theoretical closing price of HK\$0.7 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.14 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 23.19% to the theoretical average closing price of approximately HK\$0.69 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.138 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 23.36% to the theoretical average closing price of approximately HK\$0.6915 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.1383 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) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 19.43%, represented by the theoretical diluted price of approximately HK\$0.564 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK\$0.70 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 Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of this announcement and adjusted for 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 “Reasons for the Rights Issue 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, minimising dilution impact.

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 Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights 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.

There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

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 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 EGM 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) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vi) 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);

- (vii) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect;
- (viii) 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; and
- (ix) 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 Placing completion date, 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 the Placing completion date.

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:00 p.m. on Wednesday, 11 June 2025 (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, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

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 Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Friday, 2 May 2025.

Subject to the Capital Reorganisation becoming effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholder for their information only.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is Tuesday, 29 April 2025, and the Adjusted Shares will be dealt with on an ex-rights basis from Wednesday, 30 April 2025.

Rights of the 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. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

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, under the laws of relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. 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.

The Company will send the Prospectus and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only but will not send the PAL to them.

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 the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 6 May 2025 to Monday, 12 May 2025 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of Provisional Allotments

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, 15 May 2025 to 4:00 p.m. on Wednesday, 4 June 2025 (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.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights 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 Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights 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 19 December 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights 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 Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than Tuesday, 10 June 2025, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights 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):

- (i) for No Action Shareholders, 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
- (ii) for Non-Qualifying Shareholders, 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 or Non-Qualifying 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 Shareholders and Non-Qualifying Shareholders 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 Rights Shares and the NQS Unsold Rights Shares

On 19 December 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best-effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are summarised below:

Date : 19 December 2024 (after trading hours)

Issuer : The Company

Placing Agent : Advent Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights 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 Tuesday, 3 June 2025 and end at 4:00 p.m. on Tuesday, 10 June 2025.

Commission and Expenses : The Placing Agent shall be entitled to a commission fee equal to 1.5% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent.

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) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

- 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
 - (iii) 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.

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.

Termination : The Placing Agreement shall end on Friday, 13 June 2025 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.

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 Rights Shares and NQS Unsold Rights 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 Rights Shares and NQS Unsold Rights 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.

No Fractional Entitlement to the Rights Shares

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.

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 Thursday, 19 June 2025 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 Thursday, 19 June 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

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 10,000 Shares.

Subject to the granting of the listing of, and the 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 their nil-paid and fully-paid forms with their board lot size being the same (i.e. 10,000) as their underlying Shares 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 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. 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.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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.

Reasons for the Rights Issue and the Use of Proceeds

The Group is a registered fire service installation contractor engaged in installation, maintenance, repair or inspection of fire safety systems for more than 30 years in Hong Kong. Fire safety systems mainly consist of fire alarm systems, water and gas expression systems, fire hydrant and hose reel systems, emergency lighting systems and portable fire equipment. The Group's services mainly include (i) design, supply and installation of fire safety systems and other engineering and construction related aspects for buildings under construction or re-development (the “**Installation Projects**”); (ii) maintenance and repair of fire safety systems for built premises (the “**Maintenance Projects**”); and (iii) trading of fire service accessories including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier. The net proceeds of the Rights Issue (after deduction of expenses) are expected to amount to approximately HK\$69.80 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Group intends to further strengthen its market position in the fire safety system industry in Hong Kong including but not limited to strengthen the financial position by the Rights Issue, which will enable the Company to expand its capital base so that it is able to undertake more sizeable fire safety system projects. The Directors also consider that it is in the interests of the Company and its Shareholders to raise capital to meet the Group's funding requirements by way of the Rights Issue, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company.

As at the date of this announcement, the Group is currently working on 12 fire safety system projects in Hong Kong. These 12 existing projects consists of (i) 10 Installation Projects; and (ii) 2 Maintenance Projects which have been commenced and are expected to contribute approximately HK\$292.59 million and HK\$14.51 million of revenue to the Group respectively in FY2025. The contract period of the aforesaid 10 Installation Projects ranges from 3 months to 2 years, while the time required for the actual completion of the work varies significantly depending on various factors including the master construction progress of the relevant project. Revenue from Installation Projects are recognized by reference to the percentage of completion of individual project. As compared to Installation Projects, Maintenance Projects tend to be relatively long-term and stable. The contract period of the aforesaid 2 existing Maintenance Projects is approximately 2 years.

Apart from the current projects, the Group has submitted 7 tenders of potential fire safety system projects with the aggregated contract sum of approximately HK\$308 million. Once the aforesaid tenders are successfully accepted by the potential clients, the potential projects will be commenced by second quarter of 2025 the earliest.

As at 30 November 2024, the balance of cash and cash equivalents of the Group amounted to approximately HK\$11.57 million. Despite the Company's continuous efforts in safeguarding its working capital by requesting its customers to pay promptly and continuously follow up with outstanding payments from customers, the Group has encountered increased frequency of delayed payments by customers which is mainly attributable to the economic downturn and the prevailing high interest rate environment, which in turn exerted pressure on the working capital of the Group. As disclosed in the annual report of the Company for the year ended 30 April 2024, the proceeds from the rights issue that completed on 28 June 2023 were fully utilized as intended. Approximately 85% of such proceeds were used to support the fire safety systems projects of the Group and the remaining 15% of the proceeds were used for the general working capital of the Group. The financial effect of which was reflected on the substantial increase in the Group's revenue and cost of sales for the year ended 30 April 2024 as compared to those for the year ended 30 April 2023. Taking into consideration the Group's immediately available working capital, the Board considers that the Group has an imminent funding needs for its business expansion and daily operation.

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$69.80 million from the Rights Issue as follows:

- (i) approximately HK\$59.33 million (representing approximately 85% of the net proceeds) to support the Group's projects, of which approximately HK\$52.35 million for the payment to contractors in the current projects, approximately HK\$1.75 million for the prepayment to the subcontractors and/or suppliers before the commencement of the forthcoming potential projects and approximately HK\$5.23 million for the initial start-up costs of the forthcoming potential projects; and
- (ii) approximately HK\$10.47 million (representing approximately 15% of the net proceeds) for general working capital of the Group, of which approximately HK\$8.38 million for the staff costs and approximately HK\$2.09 million for other office overhead.

In the event that the Rights Issue is undersubscribed and the Placing Shares are not fully placed, the net proceeds will be reduced and utilised on a pro rata basis as set out above.

The Company has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new Shares and open offer. Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market and accordingly, Shareholders must either participate in the offer or lose the benefit of any discount at which the new shares are offered.

In view of the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the independent financial adviser) considers that as compared to raising fund by other means, raising funds by way of the Rights Issue, which will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro rata shareholding interests in the Company and dealing with the Shares, is an appropriate fundraising method and is fair, cost effective, efficient and beneficial to the Company and its shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Capital Reorganisation; (iii) immediately after the Capital Reorganisation and completion of the Rights Issue assuming full acceptance by Qualifying Shareholders; and (iv) immediately after the Capital Reorganisation and completion of the Rights Issue assuming (a) nil subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

- (i) 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:

Shareholders	As at the date of this announcement		Immediately after the Capital Reorganisation		Immediately after the Capital Reorganisation and completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders		Immediately after the Capital Reorganisation and completion of the Rights Issue assuming (a) nil subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Li Junheng (Note 1)	14,390,000	8.33	2,878,000	8.33	14,390,000	8.33	2,878,000	1.67
Placees (Note 2)	–	–	–	–	–	–	138,240,000	80.00
Other public Shareholders	158,410,000	91.67	31,682,000	91.67	158,410,000	91.67	31,682,000	18.33
Total	<u>172,800,000</u>	<u>100.00</u>	<u>34,560,000</u>	<u>100.00</u>	<u>172,800,000</u>	<u>100.00</u>	<u>172,800,000</u>	<u>100.00</u>

Notes:

- As at the date of this announcement, the Company has no controlling Shareholder as defined under the Listing Rules. Mr. Li Junheng, the executive director, the chairman of the Group and the chief executive of the Company and his respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.
- Pursuant to the terms of the Placing Agreement, the Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies). None of the placees will become a substantial Shareholder of the Company immediately following the Placing and therefore will not trigger any obligation to make a mandatory general offer under the Takeovers Code.

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.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the placing of new shares under general mandate completed on 17 April 2024, the Company has not conducted any equity fundraising activities in the past 12 months immediately before the date of this announcement.

Date of initial announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
17 April 2024	Placing 28,800,000 Shares at the placing price of HK\$0.67 each under General Mandate	HK\$18.517 million	Approximately HK\$3.0 million as repayment of shareholders loan(s), approximately HK\$11.0 million for business expansion and the remainder for general working capital.	As at the date of this announcement, all net proceeds have been utilised as intended.

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 AND THE RIGHTS ISSUE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable.

Event**Year 2025**

Expected despatch date of circular together with
notice and the form of proxy for the EGM on or before
Friday, 24 January

Latest time and date for lodging transfers document
in order to qualify for attendance and voting
at the EGM 4:30 p.m. on
Wednesday, 12 February

Closure of register of members of the Company
for attending the EGM (both days inclusive) Thursday, 13 February to
Wednesday, 19 February

Latest time and date for lodging forms of proxy
for the EGM 11:00 a.m. on
Monday, 17 February

Record date for determining attendance and
voting at the EGM Wednesday, 19 February

Expected date and time of the EGM 11:00 a.m.,
Wednesday, 19 February

Announcement of results of the EGM Wednesday, 19 February

Register of members of the Company re-opens Thursday, 20 February

**The following events are conditional on the fulfilment of the conditions relating to the
implementation of the Capital Reorganisation and the Rights Issue and therefore the
dates are tentative only:**

Effective date of the Capital Reorganisation Tuesday, 29 April

Commencement of dealings in the Adjusted Shares 9:00 a.m. on
Tuesday, 29 April

Original counter for trading in Existing Shares
in board lot of 10,000 Existing Shares (in the
form of existing share certificates) temporarily closes 9:00 a.m. on
Tuesday, 29 April

Event**Year 2025**

Temporary counter for trading in the Adjusted Shares in board lot of 2,000 Adjusted Shares (in the form of existing share certificates) open	9:00 a.m. on Tuesday, 29 April
First day of free exchange of existing share certificates for the Existing Shares for new share certificates for the Adjusted Shares	Tuesday, 29 April
Last day of dealings in the Adjusted Shares on a cum-rights basis relating to the Rights Issue	Tuesday, 29 April
First day of dealings in the Adjusted Shares on an ex-rights basis relating to the Rights Issue	Wednesday, 30 April
Latest time for the Shareholders to lodge transfer documents of Adjusted Shares in order to be qualified for the Rights Issue.	4:30 p.m. on Friday, 2 May
Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive)	Tuesday, 6 May to Monday, 12 May
Record date for the Rights Issue	Monday, 12 May
Register of members the Company re-opens	Tuesday, 13 May
Expected despatch date of the Prospectus Documents to Qualifying Shareholders, and in the case of the Non-Qualifying Shareholders, the Prospectus only	Tuesday, 13 May
First day of dealing in nil-paid Rights Shares in board lot of 10,000 Adjusted Shares	9:00 a.m. on Thursday, 15 May
Designated broker starts to stand in the market to provide matching services for odd lot of the Adjusted Shares	9:00 a.m. on Thursday, 15 May

Event**Year 2025**

Original counter for trading in the Adjusted Shares in board lot of 10,000 Adjusted Shares (in the form of new share certificates) reopens	9:00 a.m. on Thursday, 15 May
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 2,000 Adjusted Shares and new share certificates in board lots of 10,000 Adjusted Shares) commences	9:00 a.m. on Thursday, 15 May
Latest time for splitting the PAL	4:30 p.m. on Monday, 19 May
Last day of dealing in nil-paid Rights Shares in board lot of 10,000 Adjusted Shares	Thursday, 22 May
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Tuesday, 27 May
Latest Time for Acceptance of and payment for the Rights Shares.	4:00 p.m. on Tuesday, 27 May
Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 2 June
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Rights Shares available)	Tuesday, 3 June
Designated broker ceases to provide matching services for odd lot of the Adjusted Shares	4:00 p.m. on Wednesday, 4 June
Temporary counter for trading in the Adjusted Shares in board lot of 2,000 Adjusted Shares (in the form of existing share certificates) closes.	4:10 p.m. on Wednesday, 4 June

Event**Year 2025**

Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 2,000 Adjusted Shares and new share certificates in board lots of 10,000 Adjusted Shares) ends	4:10 p.m. on Wednesday, 4 June
Last day for free exchange of existing share certificates for new share certificates for the Adjusted Shares	Friday, 6 June
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements.	Tuesday, 10 June
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date.	4:00 p.m. on Wednesday, 11 June
Rights Issue settlement and Placing completion date.	Friday, 13 June
Announcement of results of the Rights Issue (including the results of the Placing and the Net Gain).	Wednesday, 18 June
Despatch of share certificates for fully-paid Rights Shares and/or refund cheques if terminated.	Thursday, 19 June
Commencement of dealings in fully-paid Rights Shares	Friday, 20 June
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any).	Thursday, 26 June

Note: All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Capital Reorganisation and the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS 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 AND THE RIGHTS ISSUE” in this announcement may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LISTING RULES IMPLICATIONS

Capital Reorganisation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

The Capital Reduction and Share Subdivision are conditional upon, among other things, the approval by the Shareholders by way of special resolution at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Capital Reduction and Share Subdivision, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reduction and Share Subdivision at the EGM.

Rights Issue

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, the Rights Issue is conditional upon the Shareholders' approval at the EGM, 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 EGM. As at the date of this announcement, the Company does not have any controlling Shareholders as defined under the Listing Rules. As at the date of this announcement, Mr. Li Junheng ("**Mr. Li**"), an executive Director, the chairman of the Group and the chief executive of the Company, is beneficially interested in 14,390,000 Shares. Accordingly, Mr. Li and his respective associates are required to abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the resolution(s) approving the Rights Issue and the transaction contemplated thereunder at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Ka Chun Gordon, Mr. Fu Wing Kwok Ewing and Mr. Ghanshyam Adhikari, to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement are on normal commercial term, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The register of members of the Company will be closed from Thursday, 13 February 2025 to Wednesday, 19 February 2025 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. None of the Shareholders or their respective associates had any interest in the Capital Reorganisation. Accordingly, no Shareholder is required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the EGM.

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 EGM, 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 EGM. As at the date of this announcement, the Company does not have any controlling Shareholders as defined under the Listing Rules. As at the date of this announcement, Mr. Li, an executive Director, the chairman of the Group and the chief executive of the Company, is beneficially interested in 14,390,000 Shares. Accordingly, Mr. Li and his respective associates are required to abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the resolution(s) approving the Rights Issue and the transaction contemplated thereunder at the EGM.

GENERAL

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 EGM is expected to be despatched to the Shareholders on or before Friday, 24 January 2025.

Subject to, among other things, the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM, 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, 13 May 2025. A copy of the Prospectus will also be made available on the websites of the Company (<https://hscgroup.hk>) and the Stock Exchange (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.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED 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 forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Accordingly, the Rights Issue may or may not proceed.

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.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares, 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, 11 June 2025, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.

Any Shareholder or other person contemplating transferring, selling, or purchasing Existing Shares is advised to exercise caution when dealing in the Existing Shares, the Consolidated 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).

DEFINITIONS

In this announcement, the following terms shall have the meanings ascribed to them below unless the context otherwise requires:

“Accumulated Losses”	the accumulated losses of the Company
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“associate(s)”	has the same meaning ascribed to thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday 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 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 general business
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby (a) the total number of Consolidated Shares in the issued share capital of the Company will be rounded down to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation; and (b) the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up share capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share
“Capital Reorganisation”	the proposed capital reorganisation involving the Share Consolidation, the Capital Reduction, and the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by 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 to be despatched to the Shareholders by the Company, relating to, among other things, the Capital Reorganisation and the Rights Issue
“Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	HSC Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“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 Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the same meaning ascribed to thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Subdivision becoming effective
“controlling shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Court”	the Grand Court of the Cayman Islands
“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 Capital Reorganisation and the Rights Issue and the transactions contemplated thereunder

“Existing Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company, prior to the Capital Reorganisation becoming effective
“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Shareholder(s)”	Shareholder(s) excluding the controlling shareholder and their associates and other than those that are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules
“Last Trading Day”	19 December 2024, being the last full trading day of the Existing Shares on the Stock Exchange prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 27 May 2025, or such other time and date as the Company may determine, being the latest time and date for 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
“Memorandum and Articles”	the memorandum and articles of association of the Company, as amended from time to time
“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 Shareholder(s)”	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)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	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)”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Placee(s)”	individuals, corporate, institutional investors or other investor, procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares

“Placing Agent”	Advent Securities (Hong Kong) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activities as defined under the SFO
“Placing Agreement”	the placing agreement dated 19 December 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing Long Stop Date”	4:00 p.m. on Wednesday, 11 June 2025, or such later date as the Company and the Placing Agent may agree in writing
“Placing Period”	the period from Tuesday, 3 June 2025 up to 4:00 p.m. on Tuesday, 10 June 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements
“Placing Share(s)”	the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s)
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus and the PAL to be issued by the Company
“Prospectus Posting Date”	Tuesday, 13 May 2025 or such other date as the Company may determine, for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) who(se) name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 12 May 2025, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

“Rights Issue”	the proposed issue by way of rights on the basis of four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders 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 138,240,000 Adjusted 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)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every five (5) issued Existing Shares of par value of HK\$0.20 each into one (1) Consolidated Share of par value of HK\$1.00 each
“Share Subdivision”	the proposed subdivision of each of the authorised but unissued Existing Shares of par value of HK\$0.20 each into 20 authorised but unissued Adjusted Shares of HK\$0.01 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.53 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC

“Unsubscribed Rights Shares” the Rights Shares that are not subscribed by the Qualifying Shareholders

“%” per cent.

By order of the Board
HSC Resources Group Limited
Li Junheng
Chairman

Hong Kong, 19 December 2024

As at the date of this announcement, the Executive Directors are Mr. Li Junheng, Mr. Li Shing Kuen Alexander and Ms. Chau Ngai Mo; and the Independent Non-executive Directors are Mr. Li Ka Chun Gordon, Mr. Fu Wing Kwok Ewing and Mr. Ghanshyam Adhikari.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 website of the Stock Exchange at www.hkexnews.hk on the “Latest Company Announcements” page for at least 7 days from the date of its posting and will be published on the Company’s website at <https://hscgroup.hk>.