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**CNCG**

**CHINA NATIONAL CULTURE GROUP LIMITED**

**中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

**(1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE; AND  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
TWO RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD ON THE RECORD DATE**

**Placing Agent**

**Suncorp**

**Securities Limited**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

**VINCO** 榮高

**Vinco Financial Limited**

**PROPOSED CAPITAL REORGANISATION**

The Board proposes to implement the Capital Reorganisation which will involve the Capital Reduction and Share Subdivision as follows:

**(1) Capital Reduction**

The issued share capital of the Company will be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.39 on each of the issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.40 to HK\$0.01. The credit arising from the Capital Reduction will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company; and

**(2) Share Subdivision**

Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each in the authorised share capital of the Company will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

## **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective.

## **PROPOSED RIGHTS ISSUE**

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise up to approximately HK\$15.6 million before expenses by way of issuing up to 156,244,304 Rights Shares (assuming full subscription under the Rights Issue and there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than as a result of the Capital Reorganisation).

The Company will provisionally allot to the Qualifying Shareholders two (2) Rights Shares in nil-paid form for every one (1) Adjusted Share in issue and held on the Record Date, which is currently expected to be on Monday, 3 February 2025. The Rights Issue will not be available to the Non-Qualifying Shareholders.

There will be no excess application arrangements in relation to the Rights Issue. 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. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

Assuming there will be 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 and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.1 million. Details of the use of proceeds are set out in the section headed “Reasons for the Rights Issue, the Placing and the use of proceeds” in this announcement. The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.097.

## **The Optionholder’s Undertakings**

As at the date of this announcement, each of the holders of the Share Options (including Ms. Sun Wei and Ms. Man Qiaozhen, the executive Directors, Ms. Wang Miaojun and Ms. Wang Yujie, the independent non-executive Directors, and employees and consultants of the Company) has signed an Optionholder’s Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Optionholder’s Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the date of this announcement.

## **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 Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering these Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the 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.

Accordingly, on 2 October 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

## **LISTING RULES IMPLICATIONS**

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 has no controlling shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

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

## **POSSIBLE ADJUSTMENT TO OUTSTANDING SHARE OPTIONS**

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Pursuant to the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme, and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

## **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. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if fought fit, approve the Capital Reorganisation and the Rights Issue. For the purpose of determining the Shareholders' entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive).

The Circular containing, among other things, (i) details of the Capital Reorganisation and Change in Board Lot Size; (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 Thursday, 31 October 2024.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on or before Tuesday, 4 February 2025. The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders (if any) for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

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

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the paragraph headed “(1) Proposed Capital Reorganisation – 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 paragraph headed “(3) Proposed Rights Issue – Conditions of the Rights Issue” in this announcement.

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

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares and/or the Rights Shares. Any party 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).

## **(1) PROPOSED CAPITAL REORGANISATION**

The Board proposes to implement the Capital Reorganisation which will involve the Capital Reduction and Share Subdivision as follows:

### **(i) Capital Reduction**

The issued share capital of the Company will be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.39 on each of the issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.40 to HK\$0.01. The credit arising from the Capital Reduction be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company; and

### **(ii) Share Subdivision**

Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each in the authorised share capital of the Company will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

### **Effect of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$1,490,000,000 divided into 2,500,000,000 Existing Shares of par value of HK\$0.40 each and 350,000,000 Preference Shares of par value of HK\$1.40 each, of which 78,122,152 Existing Shares have been issued and are fully paid or credited as fully paid and no Preference Shares have been issued. Immediately upon the Capital Reduction becoming effective and assuming no further Shares will be issued or repurchased from the date of this announcement up to and including the date of which the Capital Reorganisation shall become effective, the par value of all the issued Existing Shares shall be reduced from HK\$0.40 each to HK\$0.01 each by cancelling the paid-up share capital to the extent of HK\$0.39 per Share in issue.

Upon the Share Subdivision becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

The Adjusted Shares and Adjusted Preference Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles. The issued share capital will be reduced to HK\$781,221.52 divided into 78,122,152 Adjusted Shares of par value of HK\$0.01 each.

Based on the 78,122,152 Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$30,467,639 will arise from the Capital Reduction, which will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction.



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

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

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

	<b>As at the date of this announcement</b>	<b>Immediately upon the Capital Reorganisation becoming effective</b>
Par value	HK\$0.40 per Existing Share HK\$1.40 per Preference Share	HK\$0.01 per Adjusted Share HK\$0.035 per Adjusted Preference Share
Authorised share capital	HK\$1,490,000,000 divided into 2,500,000,000 Existing Shares and 350,000,000 Preference Shares	HK\$1,490,000,000 divided into 100,000,000,000 Adjusted Shares and 14,000,000,000 Adjusted Preference Shares
Issued and fully paid-up or credited as fully paid-up share capital	HK\$31,248,860.80 divided into 78,122,152 Existing Shares	HK\$781,221.52 divided into 78,122,152 Adjusted Shares
Unissued share capital	HK\$1,458,751,139.20 divided into 2,421,877,848 Existing Shares and 350,000,000 Preference Shares	HK\$1,489,218,778.48 divided into 99,921,877,848 Adjusted Shares and 14,000,000,000 Adjusted Preference Shares
Unaudited accumulated losses of the Company as at 31 March 2024	Approximately HK\$1,379 million	Approximately HK\$1,349 million (assuming no change on the accumulated losses from 31 March 2024 up to the date of the Capital Reorganisation becoming effective)

## **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon the following:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the EGM;
- (ii) the Grand Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares and the Adjusted Preference Shares arising from the Capital Reorganisation.

## **Application for listing and dealings**

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

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **Status of the Adjusted Shares**

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



## **Free exchange of share certificates**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, on or after Monday, 20 January 2025 until Thursday, 20 February 2025 (both days inclusive), submit share certificates for the Existing Shares (in purple colour) to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in green colour). Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of certificates cancelled/issued is higher.

All existing share certificates of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes.

## **Reasons for the Capital Reorganisation**

Pursuant to the Companies Act, the Company may not issue Shares at a discount to the nominal value of such Shares. As the Subscription Price, which was determined with reference to the prevailing market price of the Existing Shares, is below the par value of each Share, the Company is not permitted to issue the Rights Shares under the laws of the Cayman Islands until and unless the par value of each Share is reduced pursuant to the Capital Reorganisation. In order to facilitate possible fund raising 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.

The proposed Capital Reorganisation will enable the par value of the Shares to be reduced from HK\$0.40 to HK\$0.01 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account and the contributed surplus account will be applied towards offsetting against the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) of the contributed surplus account after offsetting against the accumulated losses will be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles.

As at 31 March 2024, the unaudited accumulated losses of the Company was approximately HK\$1,379 million. Upon the Capital Reorganisation becoming effective, the accumulated losses of the Company will be reduced by approximately HK\$30.0 million.

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, including the Rights Issue; (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 such, the Directors are of the view that the Capital Reorganisation is in the best interests of the Company and its Shareholders as a whole.

## **(2) PROPOSED CHANGE IN BOARD LOT SIZE**

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.147 per Existing Share (equivalent to the theoretical closing price of HK\$0.147 per Adjusted Share) as at the date of this announcement, (i) the market value of each existing board lot of 10,000 Existing Shares is HK\$1,470; (ii) the market value of each existing board lot of 10,000 Adjusted Shares would be HK\$1,470 assuming the Capital Reorganisation becoming effective; and (iii) the estimated market value of each proposed new board lot of 20,000 Adjusted Shares would be HK\$2,940 assuming the Change in Board Lot Size had already been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

### **Reasons for the Change in Board Lot Size**

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the closing price of the Existing Shares as quoted on the Stock Exchange as at the date of this announcement was HK\$0.147 per Existing Share, the value of each existing board lot of 10,000 Existing Shares was HK\$1,470, which was less than HK\$2,000.

Based on the above and with the view to complying with the trading requirements under the Listing Rules, the Board resolved to propose the Change in Board Lot Size, resulting in HK\$2,940 per board lot of 20,000 Shares based on the closing price of HK\$0.147 per Existing Share as quoted on the Stock Exchange as at the date of this announcement.

Further, the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

### (3) PROPOSED RIGHTS ISSUE

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held as at the Record Date. Set out below are the details of the Rights Issue statistics.

#### **Rights Issue statistics**

Basis of the Rights Issue	: Two (2) 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\$0.10 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	: Approximately HK\$0.097 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Existing Shares in issue as at the date of this announcement	: 78,122,152 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	: 78,122,152 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)	: 156,244,304 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$1,562,443.04
Total number of Adjusted Shares in issue upon completion of the Rights Issue	: 234,366,456 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	: Approximately HK\$15.6 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

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

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 156,244,304 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 200% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 66.7% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

### **The Subscription Price**

The Subscription Price is HK\$0.10 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

### **The Subscription Price represents:**

- (i) a discount of approximately 31.97% to the adjusted closing price of HK\$0.147 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.147 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 31.51% to the adjusted average closing price of HK\$0.146 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.146 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 25.93% to the adjusted average closing price of HK\$0.135 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.135 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.31%, based on the theoretical diluted price of approximately HK\$0.116 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$0.147 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the five (5) previous consecutive trading days prior to the date of this announcement and taking into account the effect of the Capital Reorganisation).

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 the proposed Rights Issue as discussed in the section head “Reason for the Rights Issue, the Placing and the use of proceeds” in this announcement, and the amount of funds the Company intends to raise under the Rights Issue.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

#### **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 (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

## **Conditions of the Rights Issue**

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

- (i) the Capital Reorganisation having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the 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 to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (iv) following registration, the Prospectus Documents having been made available to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (v) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked); and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:00 p.m. on Friday, 7 March 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.



## **Stamp duty and other applicable fees**

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, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

## **Qualifying Shareholders**

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

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the 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 Wednesday, 22 January 2025.

## **Closure of register of members**

The register of members of the Company will be closed from Thursday, 23 January 2025 to Monday, 3 February 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

## **Basis of provisional allotment**

The basis of the provisional allotment shall be two (2) 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 by 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.

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

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

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

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

## **Procedures in respect of the Unsubscribed 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 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 2 October 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and 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 4:00 p.m. on Thursday, 6 March 2025, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and 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 and Non-Qualifying Shareholders as set out below on a pro rata basis (but rounded down to the nearest cent):

- A. 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
- B. 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.

## **The Optionholder's Undertakings**

As at the date of this announcement, each of the holders of the Share Options (including Ms. Sun Wei and Ms. Man Qiaozhen, the executive Directors, Ms. Wang Miaojun and Ms. Wang Yujie, the independent non-executive Directors, and employees and consultants of the Company) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Optionholder's Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the date of this announcement.

## Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised below:

- Date : 2 October 2024 (after trading hours)
- Issuer : The Company
- Placing Agent : Suncorp Securities 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 a 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 Shareholder(s); and (ii) are Independent Third Parties.

- Placing Period : The period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Wednesday, 26 February 2025 and ending at 4:00 p.m. on Thursday, 6 March 2025.
- Commission and expenses : The Placing Agent shall be entitled to a commission fee equal to 2.0% 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.

## Termination

- : The Placing Period shall end at 4:00 p.m. on Thursday, 6 March 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 at any time prior to 4:00 p.m. on Friday, 7 March 2025 or any other date by mutual written agreement between the Placing Agent and the Company in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. Further, 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 reasonable 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 Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.



The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed 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 and Non-Qualifying 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 and Non-Qualifying Shareholders.

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

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Friday, 14 March 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 Friday, 14 March 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

#### **No fractional entitlement**

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

#### **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 lot size of 20,000 Shares.

## **RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

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

## **WARNING OF THE RISKS OF DEALING IN THE EXISTING 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 the conditions set out in the paragraph headed “(1) Proposed Capital Reorganisation – 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 paragraph headed “(3) Proposed Rights Issue – Conditions of the Rights Issue” in this announcement.

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

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares and/or the Rights Shares. Any party 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).

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

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services.

According to the Company's annual report for the year ended 31 March 2024, the Group's revenue generated from e-commerce business increased significantly from approximately HK\$1.9 million for the year ended 31 March 2023 to approximately HK\$22.1 million for the year ended 31 March 2024. The Group is principally engaged in the wholesale e-commerce business by operating an e-commerce platform which provides choices of different model of used iPhones and different types of parts to customers. The Group is responsible for performing various testing on the appearances and functioning of the used iPhones and parts procured from suppliers and arrange for the packaging and delivery to customers.

The significant increase in revenue generated by the Group from the e-commerce business was mainly attributable to the increase in market demand for used iPhones and parts resulting from (i) the frequent release of new iPhone models, with a new model launching almost every single year. Upon the launch of new iPhone models, existing users are generally inclined to purchase or trade-in for the iPhone of the latest model, resulting in an increase in supply of iPhones of previous generation in the secondary market; (ii) owing to the recent economic downturn, consumers are becoming more cost-conscious and starting to focus more on value-for-money, thereby increasing the demand for used iPhones; and (iii) the repair costs of iPhone tend to be relatively high, which resulted in some mobile phone wholesalers to turn to the secondary market to find replacement parts, thereby increasing the demand for iPhone parts.

In view of the increasing demand for used iPhones and parts as well as the growing penetration rate of e-commerce in Hong Kong, the Group is committed to continually review and expand the product mix of its e-commerce business, expand its market share and strengthen its market position in Hong Kong.

As at 31 August 2024, the balance of cash and cash equivalents of the Group amounted to approximately HK\$1.1 million. Despite the Company's continuous efforts in safeguarding its working capital by requesting its customers to pay deposit before order acceptance 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. 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.

Based on the above, the Company proposes to conduct the Rights Issue to (i) strengthen the Group's e-commerce business; and (ii) replenish its general working capital.

## **Use of Proceeds**

Assuming there will be 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 and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.1 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 74.8% of the net proceeds or approximately HK\$11.3 million for developing the Group's e-commerce business by strengthening its e-commerce platform, expanding and refining its product portfolio and settling the deposit and payment to suppliers; and
- (ii) approximately 25.2% of the net proceeds or approximately HK\$3.8 million for general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

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

The Company had considered other fund-raising alternatives available to the Group, including debt financing and other equity financing such as placing or subscription of new Shares.

The Board considers that to finance the funding needs of the Group in the form of equity is a better alternative than debt as it would not result in additional interest burden and will improve the gearing of the Group. In particular, the Company had difficulties in sourcing debt financing from financial institutions due to the lack of security as the Company does not have material tangible assets in Hong Kong.

Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred. Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

Based on 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 raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

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

The Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the date of this announcement.

**TAXATION**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

**EXPECTED TIMETABLE**

**The expected timetable for the proposed Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing is set out below:**

Despatch date of the Circular, proxy form and notice of the EGM .....	on or before Thursday, 31 October 2024
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Monday, 11 November 2024
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM .....	Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive)
Latest time for lodging proxy forms for the EGM .....	11:00 a.m. on Saturday, 16 November 2024
Record date for determining attendance and voting at the EGM .....	Monday, 18 November 2024

Expected date and time of the EGM ..... 11:00 a.m. on  
Monday, 18 November 2024

Announcement of poll results of the EGM ..... Monday, 18 November 2024

Re-opening of the register of members of the Company ..... Tuesday, 19 November 2024

**The following events are conditional on the fulfillment of the conditions for the  
implementation of the Capital Reduction, which are included in this announcement**

Effective date of the Capital Reorganisation .....Monday, 20 January 2025

Commencement of dealings in the Adjusted Shares ..... 9:00 a.m. on  
Monday, 20 January 2025

First day for free exchange of existing share certificates  
for the Existing Shares into new share certificates for the  
Adjusted Shares ..... 9:00 a.m. on  
Monday, 20 January 2025

Last day of dealings in the Adjusted Shares on a cum-rights basis  
relating to the Rights Issue.....Monday, 20 January 2025

First day of dealings in the Adjusted Shares on an ex-rights basis  
relating to the Rights Issue.....Tuesday, 21 January 2025

Latest time for lodging transfers of the Adjusted Shares in  
order to be qualified for the Rights Issue..... 4:30 p.m. on  
Wednesday, 22 January 2025

Closure of register of members to determine the  
entitlements to the Rights Issue .....Thursday, 23 January 2025  
to Monday, 3 February 2025  
(both days inclusive)

Record Date for the Rights Issue .....Monday, 3 February 2025

Re-opening of the register of members of the Company .....Tuesday, 4 February 2025

Despatch of Prospectus Documents  
(in the case of the Non-Qualifying Shareholders, the  
Prospectus only).....Tuesday, 4 February 2025

Designated broker starts to stand in the market to provide  
matching services for odd lots of the Adjusted Shares..... 9:00 a.m. on  
Thursday, 6 February 2025



Effective date of the Change in Board Lot Size from 10,000 Existing Shares to 20,000 Adjusted Shares . . . . .	Thursday, 6 February 2025
First day of dealings in nil-paid Rights Shares in board lot size of 20,000 Rights Shares. . . . .	9:00 a.m. on Thursday, 6 February 2025
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Monday, 10 February 2025
Last day of dealings in nil-paid Rights Shares in board lot size of 20,000 Rights Shares. . . . .	Thursday, 13 February 2025
Latest Time for Acceptance and payment for the Rights Shares . . . . .	4:00 p.m. on Tuesday, 18 February 2025
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares . . . . .	Thursday, 20 February 2025
Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Placing . . . . .	Tuesday, 25 February 2025
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Rights Shares available) . . . . .	Wednesday, 26 February 2025
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares . . . . .	4:00 p.m. on Wednesday, 26 February 2025
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements . . . . .	4:00 p.m. on Thursday, 6 March 2025
Latest time for termination of the Placing Agreement. . . . .	4:00 p.m. on Friday, 7 March 2025
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain). . . . .	Thursday, 13 March 2025
Despatch of share certificates for the Rights Shares and/or refund cheques . . . . .	Friday, 14 March 2025

First day of dealings in the fully-paid Rights Shares . . . . . Monday, 17 March 2025

Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any) . . . . . Wednesday, 26 March 2025

*Notes:*

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

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

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 18 February 2025. 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 Tuesday, 18 February 2025. 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” 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.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Capital Reorganisation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iv) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

Shareholder	As at the date of this announcement		Immediately upon completion of the Capital Reorganisation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under Rights Issue		Immediately upon completion of the Rights Issue assuming (a) no 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	%
Public Shareholders	78,122,152	100.00%	78,122,152	100.00%	234,366,456	100.00%	78,122,152	33.30%
Placees	–	–	–	–	–	–	156,244,304	66.70%
	<u>78,122,152</u>	<u>100.00%</u>	<u>78,122,152</u>	<u>100.00%</u>	<u>234,366,456</u>	<u>100.00%</u>	<u>234,366,456</u>	<u>100.00%</u>

*Note:*

- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

## POSSIBLE ADJUSTMENT TO OUTSTANDING SHARE OPTIONS

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Pursuant to the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme, and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

## LISTING RULES IMPLICATIONS

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 has no controlling shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. 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. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if fought fit, approve the Capital Reorganisation and the Rights Issue. For the purpose of determining the Shareholders' entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive).

## **DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR**

The Circular containing, among other things, (i) details of the Capital Reorganisation and Change in Board Lot Size; (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 Thursday, 31 October 2024.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on or before Tuesday, 4 February 2025. The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders (if any) for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Adjusted Preference Share(s)”	the non-voting convertible preference share(s) of par value of HK\$0.035 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“AFRC”	the Accounting and Financial Reporting Council
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, a Sunday, a public holiday and any day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business in Hong Kong throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by reducing the par value of each Existing Share from HK\$0.40 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.39 on each issued Existing Share
“Capital Reorganisation”	the proposed Capital Reduction and Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares
“Circular”	the circular to be despatched to the Shareholders in respect of, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing
“Company”	China National Culture Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 745)
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the resolutions in relation to the Capital Reorganisation and the Rights Issue, which is expected to be held at 11:00 a.m., on Monday, 18 November 2024 and any adjournment thereof
“Existing Share(s)”	the ordinary share(s) of HK\$0.40 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China



“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, which has been established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	Vinco Financial Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue and the Placing at the EGM under the Listing Rules
“Independent Third Parties”	third party(ies) independent of the Company and its connected persons and not connected with any of them or their respective associates
“Last Trading Day”	2 October 2024, being the last full trading day before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 February 2025 (or such other time and date as may be determined by the Company), being the latest time for the acceptance of, and payment for, the Rights Shares
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum 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)”	Overseas Shareholder(s) whom the Board, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Optionholder’s Undertaking(s)”	the undertaking(s) executed by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the close of business on the Record Date (both dates inclusive)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at close of business on the Record Date and whose address(es) as shown on such register at that time is(are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Suncorp Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity as defined under the SFO
“Placing Agreement”	the placing agreement dated 2 October 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing Long Stop Date”	30 June 2025 or such later date as the Company and the Placing Agent may agree in writing

“Placing Period”	the period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Wednesday, 26 February 2025 and ending at 4:00 p.m. on Thursday, 6 March 2025
“Placing Share(s)”	the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s)
“Posting Date”	Tuesday, 4 February 2025 (or such other date as may be determined by the Company), being the date of despatch of Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Preference Share(s)”	the non-voting convertible preference share(s) of par value of HK\$1.40 each in the share capital of the Company
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Monday, 3 February 2025 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the issue of Rights Shares at the Subscription Price on the basis of two Rights Shares for every one Adjusted Share held on the Record Date payable in full on acceptance
“Rights Share(s)”	156,244,304 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 the Record Date other than the Capital Reorganisation)
“SFC”	the Securities and Futures Commission

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Existing Share(s) and/or Adjusted Share(s) as the case may be
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Share Option(s)”	the share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Shareholders passed on 29 August 2014
“Share Subdivision”	the proposed subdivision of authorised but unissued Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each into forty (40) Adjusted Shares of par value of HK\$0.01 each and forty (40) Adjusted Preference Shares of par value of HK\$0.035 each, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)
“Unsubscribed Rights Share(s)”	the number of Unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue
“%”	per cent

By order of the Board  
**China National Culture Group Limited**  
**Sun Wei**  
*Executive Director*

Hong Kong, 2 October 2024

*As at the date of this announcement, the Board comprises Ms. Sun Wei and Ms. Man Qiaozhen as executive Directors; and Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie as independent non-executive Directors.*