



禹洲集團控股有限公司

YUZHOU GROUP HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Equity Stock Code: 01628)

(Debt Security Stock Codes: 40112, 40343, 40517 and 05287)

Executive Directors:

Kwok Ying Lan (*Chairman*)

Lin Conghui

Non-executive Directors:

Lam Lung On (*J.P.*)

Liang Xingchao

Independent Non-executive Directors:

Lam Kwong Siu

Wee Henny Soon Chiang

Yu Shangyou

Registered Address:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Units 5801-02, 58/F

The Center

99 Queen's Road Central

Central

Hong Kong

23 June 2025

To the Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
49 RIGHTS SHARES FOR EVERY 100 SHARES
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcements whereby the Board announced the Company proposed to implement the Rights Issue, on the basis of 49 Rights Shares for every 100 Shares held on the Record Date at the Subscription Price of HK\$0.035 per Rights Share, to raise up to approximately HK\$112.2 million (before deducting the professional fees and other related expenses) by issuing up to 3,206,515,655 Rights Shares to the Qualifying Shareholders.

The Rights Issue is not underwritten.

The purpose of this Prospectus is to provide you with, among others, further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you, and certain financial information and other general information of the Group.

RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	49 Rights Shares for every 100 existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.035 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	6,543,909,500 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 3,206,515,655 Rights Shares (assuming no changes in the number of issued Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK\$320,651,565.50 (assuming no changes in the issued share capital of the Company on or before the Record Date)
Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares (assuming the Rights Issue is fully subscribed)	:	Up to 9,750,425,155 Shares (assuming no changes in the number of issued Shares on or before the Record Date and no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum funds to be raised (before expenses)	:	Up to approximately HK\$112.2 million (assuming no changes in the number of issued Shares on or before the Record Date and all the Rights Shares are taken up)
Net proceeds of the Rights Issue	:	Up to approximately HK\$110.2 million (assuming no changes in the number of issued Shares on or before the Record Date and all the Rights Shares are taken up)
Right of excess application	:	Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply for Rights Shares in excess of their provisional entitlement

As at the Latest Practicable Date, the Company has 98,424,000 outstanding Share Options granted under the Share Option Schemes. As at the Latest Practicable Date, the exercise price of such Share Options was higher than the closing price of the Shares and accordingly such Share Options were out of the money. Assuming the Share Options remain out of the money on or before the Record Date, it is expected that none of the Share Options will be exercised on or before the Record Date. Save for the foregoing, the Company has no other outstanding derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into or confer any right to subscribe for the Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming there are no changes in the number of issued Shares on or before the Record Date and the Rights Issue is fully subscribed, the 3,206,515,655 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 49% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 32.89% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares in full.

Irrevocable Undertaking

As at the Latest Practicable Date, the Sponsors are beneficially interested (directly and through controlled corporations) in the Undertaking Shares, comprising an aggregate of 3,866,886,700 Shares and representing approximately 59.09% of all issued Shares.

Pursuant to the Irrevocable Undertaking, the Sponsors have irrevocably undertaken to the Company, among other things, that:

- (a) they will, and will procure their controlled corporations to, subscribe for an aggregate of 1,894,774,481 Rights Shares which comprise the full acceptance of their aggregate provisional entitlement in respect of the Undertaking Shares beneficially held by them; and
- (b) they will not, and will procure their controlled corporations not to, transfer or otherwise dispose of or create any rights, interest, preference or any other encumbrance in respect of any of the Undertaking Shares comprising their current shareholding in the Company, and such Undertaking Shares will remain beneficially owned by them, within the period commencing from the date of the Irrevocable Undertaking up to and including the date of completion of the Rights Issue or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Save for the Irrevocable Undertaking, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price of HK\$0.035 per Rights Share is payable in full upon acceptance of the relevant provisional allotment of Rights Shares by the Qualifying Shareholders and, where applicable, application for excess Rights Shares under the Rights Issue by the Qualifying Shareholders (other than the PRC Southbound Trading Investors) or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 73.68% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 72.99% to the average closing price of approximately HK\$0.130 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 73.86% to the average closing price of approximately HK\$0.134 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 65.27% to the theoretical ex-rights price of approximately HK\$0.101 per Share based on the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 47.76% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the last trading day before the Announcement dated 1 April 2025 (i.e. 31 March 2025);
- (f) a discount of approximately 38.6% to the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.23% to the theoretical diluted price of approximately HK\$0.101 per Share based on the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.133 per Share and the average closing price for the five (5) consecutive trading days immediately prior to the Last Trading Day of approximately HK\$0.130 per Share).

The Board is of the view that the net asset value per Share is not a meaningful reference to determine the Subscription Price, taking into account the fact that the audited total reserves attributable to Shareholders as at 31 December 2024, as disclosed in the Company's 2024 annual report, was negative.

The Subscription Price, which is at a significant discount to the last trading price, was determined by the Board with reference to (i) the recent performance of the Share price compared with that of the overall market; (ii) the amount of funds the Company intends to raise under the Rights Issue to facilitate the completion of the Proposed Restructuring; (iii) low liquidity of the Shares during the twelve months up to and including the Last Trading Day with the average daily trading volume of approximately 2,526,309 Shares, representing approximately 0.039% of the total number of Shares as at the Last Trading Day; (iv) the intention to provide an opportunity for all Shareholders to take part in the Rights Issue at a relatively low cost, with the objective of increasing the participation and securing the maximum gross proceeds of the Rights Issue; and (v) the financial position and financial performance of the Group, in particular the fact that the Group had net liabilities attributable to Shareholders of approximately RMB12.5 billion as at 31 December 2024.

Under the memorandum and articles of association of the Company, there are certain restrictions which restrict the Company from issuing Shares at a discount to par. As the Subscription Price is below the par value of each Share, following approval of the discounted issuance at the extraordinary general meeting of the Company held on 30 December 2024, the Company sought, and the Grand Court of the Cayman Islands granted, a sanction order for the Company to carry out the proposed allotment of Rights Shares at discount to par (being a price below the par value of each Share) pursuant to section 35 of the Cayman Islands Companies Act (2023 Revision).

(i) The market price of the Shares

During the twelve months up to and including the Last Trading Day, the share price has been volatile, primarily trading in the range of HK\$0.052 to HK\$0.270. Additionally, the average daily trading volume for the twelve months up to and including the Last Trading Day was approximately 0.039% of the total issued Shares, indicating a lack of liquidity of the Shares. In determining the Subscription Price, the Company has considered the discount required to be attractive enough to Shareholders and investors.

(ii) The prevailing market conditions and financial condition of the Group

The overall market has experienced significant volatility, but a general increasing trend during the twelve months up to and including the Last Trading Day. During the twelve months up to and including the Last Trading Day, the Hang Seng Index fluctuated between a low of approximately 14,961 at closing on 22 January 2024 and a high of approximately 23,099 at closing on 7 October 2024 and closed at approximately 20,317 on the Last Trading Day. The Directors observed that the Share price experienced a drop and underperformed the Hang Seng Index during the twelve months up to and including the Last Trading Day. The Share price of the Company decreased by approximately 2.92% from

HK\$0.137 per share on 1 November 2023 to HK\$0.133 per share on the Last Trading Day while the Hang Seng Index increased by approximately 18.80% from approximately 17,102 on 1 November 2023 to approximately 20,317 on the Last Trading Day.

The Group's net losses for the two years ended 31 December 2023 and 2024 were approximately RMB14,309.41 million and approximately RMB14,774.86 million, respectively. Furthermore, the position of the Group decreased significantly from net assets of approximately RMB5,060 million as at 31 December 2023 to net liabilities of approximately RMB11,735.7 million as at 31 December 2024.

Having considered the volatility of the Hong Kong stock market and the financial position of the Group, the Company set the Subscription Price at a discount to the then market price of the Shares to encourage Shareholders to participate in the Rights Issue.

(iii) The amount of funds the Company intends to raise from, and the reasons for, the Rights Issue

The Company intends to apply the net proceeds from the Rights Issue towards payment of the RSA Fees, work fee to creditors, fees in connection with the Proposed Restructuring and the Group's working capital needs. For further details, please refer to the section headed "Use of proceeds and reasons for and benefits of the Rights Issue" below. The Directors consider that the Subscription Price would encourage Shareholders to participate in the Rights Issue, taking into account: (a) the discount represented by the Subscription Price; (b) the pre-emptive nature of the Rights Issue which entitles each Qualifying Shareholder to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding interest held on the Record Date on a fair and equal basis; (c) that Qualifying Shareholders who do not wish to take up their provisional entitlement under the Rights Issue can sell their nil-paid Rights Shares in the market; and (d) the proposed use of proceeds from the Rights Issue as set out above.

Assuming the Rights Issue is fully subscribed and taking into account professional fees and other related expenses, the net issue price is approximately HK\$0.034 per Rights Share.

In view of the above, the Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

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

- (a) the Stock Exchange granting the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) and such permission and listing not subsequently having been withdrawn or revoked;
- (b) a duly certified copy of each of the Prospectus Documents (and all other required documents) having been registered with the Registrar of Companies in Hong Kong not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (c) following registration as referred to in paragraph (b) above, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on the Prospectus Posting Date;
- (d) no application of Rights Shares or excess Rights Shares by any Shareholders being allowed, which would either result in (i) a general offer obligation as required under the Takeovers Code being triggered; or (ii) the public float of the Company to decrease to below 25% of the total issued Shares (in which case, relevant applications of Rights Shares and excess Rights Shares will be scaled down and the subscription monies not utilised due to scaled down applications will be refunded to the affected applicants); and
- (e) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the conditions set out above can be waived. If any of the above conditions is not satisfied before 4:00 p.m. on Wednesday, 9 July 2025 (or such later date as the Company may determine), the Rights Issue will not proceed.

As the Latest Practicable Date, none of the conditions has been fulfilled.

Basis of provisional allotment

The basis of the provisional allotment shall be 49 Rights Shares for every 100 existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder for Rights Issue wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Please refer to the section headed “Procedures for acceptance and payment and/or transfer” below for further details.

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 and must not be a Non-Qualifying Shareholder as at the close of business on the Record Date.

The last day of dealings in the Shares on a cum-rights basis was Wednesday, 11 June 2025. The Shares have been dealt with on an ex-rights basis from Thursday, 12 June 2025.

Qualifying Shareholders who take up their pro rata assured entitlement in full will not suffer any dilution to their interests in the Company. **Qualifying Shareholders who do not take up all the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their proportionate shareholdings in the Company may be diluted.**

Rights of Overseas Shareholders

The Prospectus Documents are not registered or filed under the applicable securities legislation of any jurisdiction other than (a) Hong Kong; and (b) the PRC in accordance with the CSRC Notices. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares and the nil-paid Rights Shares.

Since the Register of Members is closed from Monday, 16 June 2025 to Friday, 20 June 2025, there will be no Non-Qualifying Shareholder as at the Record Date. Accordingly, there will be no Non-Qualifying Shareholder for the purpose of the Rights Issue.

Rights of PRC Southbound Trading Investors

According to the “Stock Connect Southbound Shareholding Search” available on the Stock Exchange’s website, as of the Latest Practicable Date, China Clear held 263,337,231 Shares, representing approximately 4.01% of the total number of Shares in issue.

The Board was advised that China Clear will provide nominee services for the PRC Southbound Trading Investors to sell (in full or in part) their nil-paid Rights Shares through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange.

However, China Clear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. In addition, the PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares on the Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect but cannot purchase any nil-paid Rights Shares nor transfer any nil-paid Rights Shares to other PRC Southbound Trading Investors.

As the Prospectus Documents are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Notices, the Rights Shares in nil-paid or fully-paid forms issued to the PRC Southbound Trading Investors shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity has otherwise been exempt by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

The PRC Southbound Trading Investors should consult their intermediaries (including brokers, custodians, nominees or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear and provide such intermediaries with instructions on the sale of the nil-paid Rights Shares. Such instructions should be given in advance of the relevant dates stated under the section headed “Expected Timetable” of this Prospectus and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or China Clear in order to allow sufficient time to ensure that such instructions are given effect.

The Prospectus Documents may not be publicly distributed in or forwarded to the PRC or used in connection with any offer for subscription or sale of the Rights Shares (in nil-paid and fully-paid forms) in the PRC, except that the same may be despatched to China Clear or to the extent in compliance with applicable PRC laws and regulations, and the Prospectus Documents may not be made publicly available in the PRC.

Procedures for acceptance and payment and/or transfer

A PAL and EAF, as actionable corporate communications, will be sent to the Qualifying Shareholder(s) by post in printed form which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 8 July 2025 (or, under bad weather conditions, such later date as mentioned in the paragraph "Effect of bad weather and/or extreme conditions on the latest time for acceptance of and payment for the Rights Shares" in the section headed "Expected Timetable" in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "YUZHOU GROUP HOLDINGS COMPANY LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Tuesday, 8 July 2025, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for excess application under the EAF by other Qualifying Shareholders (other than the PRC Southbound Trading Investors). The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant applicant(s) to complete the incomplete PAL at a later stage.

If the Qualifying Shareholders wish to accept only part of his/her/its provisional allotment, or to renounce or transfer a part of, the Rights Shares provisionally allotted to them under the PAL or to renounce or transfer their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation no later than 4:30 p.m. on Friday, 27 June 2025, with the Registrar, who will cancel the original PAL and issue new PAL(s) in the denominations required which will be available for collection from the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, after 9:00 a.m. on the second Business Day after the date of surrender of the original PAL. This process is commonly referred to as "splitting" of PAL.

Having "split" the PAL, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL should do so in accordance with the instructions given above in relation to the subscription for the Rights Shares provisionally allotted.

It should be noted that Hong Kong ad valorem stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for the acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

Cheques and banker's cashier orders

All cheques or banker's cashier orders accompanying completed PALs will be presented for payment immediately upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgement of the PAL with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferees, will constitute a warranty that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to any other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be refunded to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person, without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Wednesday, 16 July 2025.

No receipt will be issued in respect of any PAL and/or remittances received.

Distribution of the Prospectus Documents

The Company will only despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. However, to the extent reasonably practicable and legally permitted, the Company will make available this Prospectus to the Non-Qualifying Shareholders (if any) for their information only. The Company will not send any PALs or EAFs to the Non-Qualifying Shareholders (if any).

No action has been taken by the Company to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant territory or jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements.

It is the responsibility of any person (including, without limitation, any agent, custodian, nominee or trustee) outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before subscribing for the provisionally allotted Rights Shares, as to the full observance of the laws and regulations of all relevant territories and jurisdictions, including the obtaining of any governmental or other consents and to pay taxes and duties required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been or will be fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation or warranty. If you are in doubt as to your position, you should consult your own professional advisers. In particular, this Prospectus and the Prospectus Documents should not be distributed, forwarded to or transmitted in, into or from the United States or any other jurisdiction where such distribution or transfer might be unlawful. **The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws and regulations of any territory or jurisdiction.**

Application for excess Rights Shares

Qualifying Shareholders (other than the PRC Southbound Trading Investors) are entitled to apply for, by way of excess application, for additional Rights Shares in excess of their assured entitlement.

The excess Rights Shares will comprise:

- (a) any unsold entitlement to the Rights Shares which would have been allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (b) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and
- (c) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares,

((a) to (c) are collectively referred to as “**Untaken Rights**”).

Applications for the excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for with the Registrar on or before 4:00 p.m. on Tuesday, 8 July 2025. The Directors will, subject to the compliance with the Listing Rules, allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) subject to the availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders (other than the PRC Southbound Trading Investors) who have applied for them on a pro-rata basis as far as practicable based on the excess Rights Shares applied by them;
- (ii) no preference will be given to applications for topping up odd-lot holdings to whole-lot holdings; and
- (iii) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for the excess Rights Shares made by the Sponsors (being the Controlling Shareholders) or their associates (the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for the excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds the maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

In applying principles (i) and (ii) above, reference will only be made to the number of excess Rights Shares applied for but no reference will be made to the Rights Shares subscribed through applications by the PAL(s) or the existing number of Shares held by the Qualifying Shareholders.

If the aggregate number of Rights Shares underlying the Untaken Shares is greater than the aggregate number of the excess Rights Shares being applied for under EAF(s), the Directors will allocate to each Qualifying Shareholder (other than the PRC Southbound Trading Investors) who applies for excess Rights Shares in full application.

Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the Register of Members. Accordingly, Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess applications may have been made with the intention to abuse the mechanism, such application(s) for the excess Rights Shares may be rejected at the sole discretion of the Board.

Qualifying Shareholders (other than the PRC Southbound Trading Investors) who wish to apply for the excess Rights Shares in addition to their provisional allotment must complete and sign an EAF (in accordance with the instructions printed thereon) and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 8 July 2025. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "YUZHOU GROUP HOLDINGS COMPANY LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "Account Payee Only".

An announcement of results of the Rights Issue will be published on the websites of the Stock Exchange and the Company on Tuesday, 15 July 2025. If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for the excess Rights Shares, the remittance tendered on application is expected to be returned to the Qualifying Shareholders in full without interest by means of cheques despatched by the Registrar by ordinary post at the risk of such Qualifying Shareholders to their registered addresses on or before Wednesday, 16 July 2025. If the number of the excess Rights Shares allotted to a Qualifying Shareholder is fewer than that applied for, the surplus application monies are also expected to be returned to that Qualifying Shareholder without interest in the above manner on or before Wednesday, 16 July 2025.

Fractional entitlement of the Rights Shares

The Company will not provisionally allot to Qualifying Shareholders and will not accept application for any fraction of the Rights Shares. All fractions of the Rights Shares will be aggregated (rounded down to the nearest whole number of Rights Shares). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) and sold in the market if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale for its own benefit. Any unsold Rights Shares arising from such aggregation will be made available for excess application by the Qualifying Shareholders (other than the PRC Southbound Trading Investors) as described in the paragraph headed "Application for excess Rights Shares" above.

Arrangement on odd lot trading

Immediately after completion of the Rights Issue, the board lots of the Company will remain as 1,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon completion of the Rights Issue, the Company has appointed Computershare Hong Kong Investor Services Limited to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period from 9:00 a.m. on Thursday, 17 July 2025 to 4:00 p.m. on Wednesday, 6 August 2025 (both days inclusive).

Shareholders 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 board lot may contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to make an appointment in advance at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) within such period.

Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate number of odd lots of Shares available for matching. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangements.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid by the Company after the date of allotment and issue of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses, at their own risk, on or before Wednesday, 16 July 2025.

Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares and excess Rights Shares (if any), whether by reason of the Rights Issue not proceeding or otherwise, are expected to be posted, without interest, on or before Wednesday, 16 July 2025 by ordinary post to the applicants' registered addresses, at their own risk.

Application for listing of the Rights Shares

The Company has applied to the Stock Exchange for 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.

The board lot size of the nil-paid Rights Shares will be the same as that of the fully-paid Rights Shares, i.e. 1,000 Shares in one board lot.

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 commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be 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 HKSCC and HKSCC Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealers or professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

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

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

It is emphasised that none of the Company or Directors accept responsibility for any tax effect or liability of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

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 acceptance of the provisionally allotted Rights Shares and the level of subscription of the excess Rights Shares. There is no minimum subscription level and no minimum amount is required to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue or for excess Rights Shares under the EAF (where applicable) can be scaled down to a level which (a) does not trigger an obligation on 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; and (b) does not cause the Company's public float to decrease to below 25%. Shares subject to scale down will be available for application as excess Rights Shares to other Qualifying Shareholders and any subscription monies not utilised due to scaled down applications will be refunded to the affected applicants.

Having considered, among other things, (i) parameters of the Rights Issue stipulated in the RSA, including the agreed minimum proceeds to be raised (being equal to the proceeds attributable to the subscription for the Rights Shares in respect of the Undertaking Shares); (ii) the Irrevocable Undertaking; and (iii) completion of the Rights Issue being a condition precedent to the occurrence of the Restructuring Effective Date, the Directors are of the view that it is in the interest of the Company and its shareholders as a whole to conduct the Rights Issue on a non-underwritten basis.

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 entitlement 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.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Group is principally engaged in property development, property investment, property management and hotel operations in the mainland of PRC and Hong Kong.

As disclosed in the announcements of the Company dated 17 September 2024 and 8 October 2024, the Company received sufficient support from the creditors to approve the Proposed Restructuring at the scheme meetings which took place on 16 September 2024 and the Scheme Effective Date (as defined in the Schemes) has occurred on 4 October 2024 in accordance with the terms of the Schemes. As part of the Proposed Restructuring and pursuant to the terms of the RSA, the Company shall raise a maximum sum of US\$14.4 million by way of a rights issue to be implemented on or prior to the Restructuring Effective Date.

In determining the terms of the Rights Issue, the Directors have considered, among other things, (i) parameters of the Rights Issue stipulated in the RSA, including the agreed minimum proceeds to be raised in respect of the Undertaking Shares; (ii) the Rights Shares being offered at a meaningful discount to the prevailing trading price of the Shares to encourage the Shareholders to participate in the Rights Issue and maintain their shareholdings; and (iii) the expected shareholding structure of the Company immediately after completion of the Rights Issue and the issuance of new shares to the scheme creditors under the Proposed Restructuring, the Directors consider the size of the Rights Issue (including the expected minimum proceeds to be raised and ratio at which the Rights Shares are offered) to be fair and reasonable. In respect of odd lots which may arise from the Rights Issue, please refer to the section headed “Arrangement on odd lot trading” in this Prospectus.

Assuming there are no changes in the number of issued Shares on or before the Record Date and all Rights Shares to be issued under the Rights Issue have been taken up in full, the gross proceeds from the Rights Issue will be approximately HK\$112.2 million. The net proceeds from the Rights Issue (after deduction of professional fees and other related expenses of approximately HK\$2.0 million) are estimated to be approximately HK\$110.2 million (assuming the Rights Issue is fully subscribed and there are no changes in the number of Shares in issue on or before the Record Date), which are intended to be applied in the following manner:

- (i) out of proceeds attributable to the subscription for the Rights Shares in respect of the Undertaking Shares (up to approximately HK\$66.3 million):
 - (a) up to approximately HK\$42.9 million for the payment of the RSA Fees; and
 - (b) up to approximately HK\$23.4 million for the payment of work fee to the creditors and/or fees of the Ad Hoc Group’s advisors; and
- (ii) out of the remaining proceeds:
 - (c) 50% for the payment of fees (primarily work fee payable to the creditors) in connection with the Proposed Restructuring; and
 - (d) 50% for the general working capital needs and other expenses of the Group.

Completion of the Rights Issue is a condition precedent to the occurrence of the Restructuring Effective Date. The Rights Issue is a major milestone towards the implementation of the Proposed Restructuring. The remaining balance of the RSA Fees and fees payable to the creditors, to the extent they are not financed by proceeds from the Rights Issue, will be financed by other financial resources of the Group. The Proposed Restructuring entails a significant deleveraging of the Group's offshore indebtedness, which will enable the Company to achieve a sustainable capital structure to cope with its business operations in the long-term, and de-risk the Group's ongoing operations. For completeness, in the event the Proposed Restructuring does not proceed, the proceeds shall be first used to settle certain fees in connection with the Proposed Restructuring which are payable regardless of whether the Proposed Restructuring consummates, and any balance will be used as general working capital of the Group. Having considered the above, the Board considers 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.

The public float requirements under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

As disclosed in the announcement of the Company dated 31 October 2024, the Company proposes to allot and issue New Equity in accordance with the terms of the RSA. Save for the New Equity, the Company does not have any definitive plan to conduct further equity fundraising as at the Latest Practicable Date. The Company will however continue to monitor and evaluate (i) market conditions; (ii) the Group's financial position; and (iii) the results of Rights Issue, among other things, to evaluate if there is a need for further fundraising.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the change in shareholding structure of the Company arising from the Rights Issue (assuming there are no changes to the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue other than the issuance and allotment of the Rights Shares), for illustration purposes only:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Shareholders have taken up their entitled Rights Shares)		Immediately after completion of the Rights Issue (assuming only the Sponsors have taken up their entitled Rights Shares pursuant to the Irrevocable Undertaking, and no aggregation and allotment of fractional Rights Shares) (Note 1)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Directors						
Sponsors (Note 2)	3,866,886,700	59.09%	5,761,661,181	59.09%	5,761,661,181	68.28%
Mr. Lin Conghui (Note 3)	10,265,697	0.16%	15,295,888	0.16%	10,265,697	0.12%
Public Shareholders						
Overseas Chinese Town (Note 4)	650,729,098	9.94%	969,586,356	9.94%	650,729,098	7.71%
Public Shareholders (Notes 5 and 6)	<u>2,016,028,005</u>	<u>30.81%</u>	<u>3,003,881,730</u>	<u>30.81%</u>	<u>2,016,028,005</u>	<u>23.89%</u>
Total	<u>6,543,909,500</u>	<u>100.00%</u>	<u>9,750,425,155</u>	<u>100.00%</u>	<u>8,438,683,981</u>	<u>100.00%</u>

Notes:

- Pursuant to the Irrevocable Undertaking, the Sponsors have irrevocably undertaken to subscribe for, and to procure their controlled corporations to subscribe for, in full the Rights Shares to be provisionally allotted to them. Please refer to the section headed “Irrevocable Undertaking” in the “Letter from the Board” in this Prospectus.
- The Sponsors, namely Ms. Kwok (Chairman, executive Director and Chief Executive Officer of the Company) and Mr. Lam (non-executive Director), are married to each other. As at the Latest Practicable Date, (i) Ms. Kwok was directly interested in 1,384,239 Shares and indirectly interested in 1,918,663,481 Shares held by Plentiful Wise Developments Limited, a company wholly-owned by herself; and (ii) Mr. Lam was directly interested in 27,729,929 Shares and indirectly interested in 1,919,109,051 Shares held by Studious Profits Limited, a company wholly-owned by himself.
- As at the Latest Practicable Date, Mr. Lin Conghui, an executive Director, was directly interested in 10,265,697 Shares. Mr. Lin Conghui is the brother-in-law of Mr. Lam.
- As at the Latest Practicable Date, Overseas Chinese Town was interested in 650,729,098 Shares through its wholly-owned subsidiary, City Legend International Limited (華昌國際有限公司).
- Where relevant, this number includes fractional Rights Shares which are expected to be aggregated and allotted by the Company, taking into account publicly available information on the shareholding of shareholders named in the table as at the Latest Practicable Date. Please refer to the section headed “Fractions of the Rights Shares” in the “Letter from the Board” in this Prospectus.
- To avoid the unwitting trigger of the obligation to make a general offer under the Takeovers Code and to avoid non-compliance of the public float requirement under the Listing Rules, Shareholders’ applications for their assured entitlement under the Rights Issue may be subject to scale down in subscriptions.

Details of the actual amount of proceeds raised, actual amount of proceeds allocated to the proposed uses and shareholding information of the Company will be disclosed in the announcement on the results of the Rights Issue.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

Pursuant to the terms of the Share Option Schemes, the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Schemes may be adjusted in accordance with the Share Option Schemes upon the Rights Issue becoming unconditional. Any adjustment will be made in compliance with the terms of the Share Option Schemes, the Listing Rules and the applicable guidance issued by the Stock Exchange from time to time.

The Company will notify the holders (if any) of the Share Options and the Shareholders by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes upon completion of the Rights Issue.

FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company did not conduct any fundraising activities in connection with any issue of equity securities during the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As the Rights Issue will not increase the total number of the issued Shares or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the announcement of the Rights Issue, the Rights Issue is not subject to minority Shareholders' approval pursuant to Rule 7.19A of the Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of the Announcements, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own for the purpose of Rule 7.27B of the Listing Rules.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is subject to the fulfilment of conditions set out in the section headed “Conditions of the Rights Issue” in the “Letter from the Board” in this Prospectus. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

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 acceptance of the 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 entitlement 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 should take note that it is expected that the successful implementation of the Proposed Restructuring will substantially reduce the Group’s indebtedness and alleviate the liquidity pressure. However, they should also take note that given the current industry conditions remain challenging and its recovery is taking longer than expected, there can be no assurance that the Group will not need to implement further liability management and/or holistic restructuring to address any of the Group’s repayment obligations in relation to its outstanding indebtedness.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this Prospectus.

Yours faithfully,

For and on behalf of the Board

Yuzhou Group Holdings Company Limited

A handwritten signature in black ink, consisting of a large, sweeping horizontal stroke followed by several vertical and diagonal strokes, ending in a small flourish.

Name: Kwok Ying Da
Title: Director