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Royal Century Resources Holdings Limited

仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

PROPOSED SHARE CONSOLIDATION; AND PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE

Placing Agent to the Company



SBI E2-CAPITAL SECURITIES LIMITED

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five issued Existing Shares be consolidated into one Consolidated Share. As at the date of this announcement, there are 156,780,000 Existing Shares in issue. Assuming there will be no change in the number of issued Existing Shares from the date of this announcement up to the effective date of the Share Consolidation, there will be 31,356,000 Consolidated Shares in issue. The Share Consolidation is conditional upon approval by the Shareholders at the EGM.

The Existing Shares are currently traded on the Stock Exchange in board lot size of 8,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 8,000 Consolidated Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to HK\$36.1 million before expenses by way of the Rights Issue of 156,780,000 Rights Shares at the Subscription Price of HK\$0.23 each and on the basis of five Rights Shares for one Consolidated Share held by the Qualifying Shareholders on the Record Date (assuming no further change in the number of issued Existing Shares on or before the effective date of the Share Consolidation and the Record Date). The estimated net proceeds of the Rights Issue, if fully subscribed, will be HK\$35 million. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and will not be extended to the Excluded Shareholders. There will be no excess application arrangement in relation to the Rights Issue.

PLACING AGREEMENT

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Placing Shares by offering these Shares to independent Placees for the benefit of the Shareholders to whom they are offered by way of the Rights Issue. Accordingly, on 15 September 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent to place the Placing Shares to independent Placees on a best effort basis.

UNDERTAKING

As at the date of this announcement, ChaoShang is interested in 46,221,600 Existing Shares (or 9,244,320 Consolidated Shares upon the Share Consolidation becoming effective, representing 29.5% of the issued Shares). ChaoShang has irrevocably undertaken to the Company that it

- (i) will not sell, transfer or otherwise dispose of the Shares held during the period up to the Rights Issue having become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive); and
- (ii) will accept and subscribe in full for all the Rights Shares in which it beneficially entitles under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of the Rights Shares to be subscribed by it under the Rights Issue will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code in accordance with Rule 10.26(2) of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholder or its associates has any interest in the Share Consolidation, no Shareholder will be required to abstain from voting in favour of the resolution approving the Share Consolidation at the EGM.

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, 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 Rights Issue. As at the date of this announcement, the Company has no controlling Shareholder and none of the Directors and their respective associates holds any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

The Rights Issue does 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 10.44A of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. In this connection, the Company will appoint an 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 thought fit, approve the Share Consolidation and the Rights Issue. A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 9 October 2023.

Subject to the approval of the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further information regarding the Rights Issue are expected to be despatched to the Qualifying Shareholders on 15 November 2023.

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

Shareholders and potential investors of the Company should also note that the Rights Issue is subject to 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. Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in 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 and/or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

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

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five issued Existing Shares be consolidated into one Consolidated Share.

Effects of the Share Consolidation

As at the date of this announcement, there are 156,780,000 Existing Shares in issue. Assuming there will be no change in the number of issued Existing Shares from the date of this announcement up to the effective date of the Share Consolidation, there will be 31,356,000 Consolidated Shares in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

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

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the resolution by the Shareholders to approve the Share Consolidation at the EGM;

- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Hong Kong laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

Listing application

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares.

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

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

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

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

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

To facilitate the trading of odd lots of the Consolidated Shares, the Company has appointed Ceba Alliance Securities Limited as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Friday, 17 November 2023 to 4:00 p.m. on Thursday, 7 December 2023. Shareholders who wish to take advantage of this facility should contact Mr. Paul Kwan of Ceba Alliance Securities Limited at Flat B, 19/F, Guangdong Investment Building, 148 Connaught Road Central, Sheung Wan, Hong Kong (telephone number: 3102 4100) during office hours of such period.

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

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

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be on 3 November 2023, Shareholders may, on or after 3 November 2023 and until 11 December 2023 (both days inclusive) and during business hours, submit their existing share certificates in yellow colour for the Existing Shares to the Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong in exchange for new share certificates in gold colour for the Consolidated Shares at the expenses of the Company.

Thereafter, share certificates of 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 Consolidated Shares, whichever the number of share certificates cancelled/ issued is higher.

After 4:10 p.m. on Thursday, 7 December 2023, trading will only be in Consolidated Shares and existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares on the basis of five Existing Shares for one Consolidated Share at any time but will cease to be valid for delivery, trading, registration and settlement purposes.

NO CHANGE IN BOARD LOT SIZE

The existing board lot of 8,000 Shares will remain unchanged upon the Share Consolidation becoming effective. The value of the current board lot, based on the closing price of HK\$0.057 per Existing Share was HK\$456 as at the date of this announcement. Upon the Share Consolidation becoming effective, the expected value of each board lot of 8,000 Consolidated Shares, based solely on the closing price of HK\$0.057 per Existing Share (equivalent to the theoretical closing price of HK\$0.285 per Consolidated Share) as at the date of this announcement, is expected to be HK\$2,280.

REASONS FOR AND BENEFITS OF THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated on 1 October 2020) has further stated that (i) market price of the Existing Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Over the past 12 months, the existing board lot value of the Company has been less than HK\$2,000 and the Existing Shares has been trading at a closing price below HK\$0.1 since 1 January 2023. The Board considers that the proposed Share Consolidation, resulting in a theoretical value of HK\$0.285 per Consolidated Share (based on the closing price of HK\$0.057 per Existing Share as at the date of this announcement), would enable the Company to avoid non-compliance with the trading requirements under the GEM Listing Rules. In addition, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors and hence broaden the shareholder base of the Company.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may otherwise be entitled.

In view of the above, the Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Other corporate actions and fundraising activities in the next twelve months

As at the date of this announcement, save for the proposed Rights Issue, (i) the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) the Company currently does not have any plan to conduct any equity fundraising activities in the next 12 months after completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fundraising exercises to support such future developments of the Group. The Company will make further announcements in this regard in accordance with the GEM Listing Rules as and when appropriate.

PROPOSED RIGHTS ISSUE

The Company proposes the Rights Issue, details of which are summarised below:

Issue statistics

Assuming no further change in the number of issued Existing Shares on or before the effective date of the Share Consolidation and the Record Date:

| | | |
|--|---|---|
| Basis of Rights Issue | : | Five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date |
| Subscription Price | : | HK\$0.23 per Rights Share |
| Number of Existing Shares in issue as at the date of this announcement | : | 156,780,000 Existing Shares |
| Number of Consolidated Shares in issue upon the Share Consolidation becoming effective | : | 31,356,000 Consolidated Shares |
| Number of Rights Shares to be issued pursuant to the Rights Issue | : | Up to 156,780,000 Rights Shares |
| Number of Consolidated Shares in issue immediately upon completion of the Rights Issue | : | Up to 188,136,000 Consolidated Shares |
| Maximum funds raised before expenses | : | Up to HK\$36.1 million (assuming all the Rights Shares will be taken up) |

As at the date of this announcement, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. The 156,780,000 Rights Shares to be issued under the Rights Issue represent (i) 500% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 83.3% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

Non-underwritten basis

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 that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. The Placing Shares which remain not placed under the Compensatory Arrangements 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 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, Shareholders who apply to take up all or part of their entitlements under the PALs 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 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 will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

Undertaking

As at the date of this announcement, ChaoShang is interested in 46,221,600 Existing Shares (or 9,244,320 Consolidated Shares upon the Share Consolidation becoming effective, representing 29.5% of the issued Shares). ChaoShang has irrevocably undertaken to the Company that it

- (i) will not sell, transfer or otherwise dispose of the Shares held during the period up to the Rights Issue having become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive); and
- (ii) will accept and subscribe in full for all the Rights Shares in which it beneficially entitles under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of the Rights Shares to be subscribed by it under the Rights Issue will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code in accordance with Rule 10.26(2) of the GEM Listing Rules.

Save for the above irrevocable undertakings, the Company has not received, as at the date of this announcement, any other information or irrevocable undertaking from other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.23 per Rights Share is payable in full when the Qualifying Shareholders accept the relevant provisional allotment of Rights Shares or when transferees of nil-paid Rights Shares accept the provisional allotment of the relevant Rights Shares. Assuming that all the Rights Shares are fully subscribed, the net price per Rights Share is estimated to be HK\$0.22.

The Subscription Price represents:

- (i) a discount of 19.3% to the theoretical closing price of HK\$0.285 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 17.9% to the theoretical average closing price of HK\$0.28 per Consolidated Share based on the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 3.8% to the theoretical ex-rights price of HK\$0.239 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 16.1% represented by the theoretical diluted price of HK\$0.239 to the benchmarked price of HK\$0.285 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.057 and the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement); and
- (vi) a discount of 85.0% over the audited net asset value per Consolidated Share of HK\$1.53 (based on the unaudited consolidated net asset value of the Group of HK\$48 million as at 31 March 2023 and 31,356,000 Consolidated Shares in issue upon the Share Consolidation becoming effective).

The Subscription Price was determined with reference to (i) the market price of the Existing Shares under the prevailing market conditions and the impact of the Share Consolidation; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in this announcement.

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 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.

Basis of provisional allotment

The basis of the provisional allotment shall be five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date. The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Share Registrar on or before the Latest Time for Acceptance.

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 not be an Excluded Shareholder on the Record Date. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant documents for transfer of Shares (with the relevant share certificates) with the Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 7 November 2023.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. For Shareholders whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, 7 November 2023.

The last day of dealings in the Consolidated Shares on a cum-rights basis is Friday, 3 November 2023. The Consolidated Shares will be dealt with on an ex-rights basis from Monday, 6 November 2023. If a Qualifying Shareholder does not take up his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue. Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If it is in the opinion of the Board that it would be necessary or expedient 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 to exclude such Overseas Shareholders from the Rights Issue, no Rights Share (whether in nil paid or fully-paid form) will be offered to such Overseas Shareholders. The basis for excluding the Excluded Shareholders from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders for their information only but will not send any PAL to them. The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Excluded Shareholders should exercise caution when dealing in the Shares.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. In view of the administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

All ES Unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing. For the nil-paid Rights Shares that are sold as described above but the buyers of such nil-paid Rights Shares do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements. Any ES Unsold Rights Shares and Unsubscribed 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.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlement to the Rights Shares will arise under the Rights Issue.

Compensatory Arrangements

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule to dispose of the Placing Shares by offering the Placing Shares to independent Placees for benefit of the Shareholders to whom they are offered by way of the Rights Issue. There will be no excess application arrangement in relation to the Rights Issue.

The Company has appointed the Placing Agent to place the Placing Shares after the Latest Time for Acceptance of the Rights Shares to independent Placees on a best effort basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Tuesday, 12 December 2023, acquirers for all (or as many as possible) of those Placing Shares. Any premium over the Subscription Price and the expenses of procuring such acquirers (including commission and other related expenses/fees) that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. All Placing 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.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Placing Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holders of those nil-paid rights in CCASS (unless that they are covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where entitlements to the Rights Shares were not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain of HK\$100 or more to the individual No Action Shareholder mentioned in (i) to (iii) above will be paid to them in Hong Kong Dollars only and the Company will retain individual amount of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised and, accordingly, the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

PLACING AGREEMENT

On 15 September 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

- Date: : 15 September 2023
- Parties: : (i) the Company, as issuer; and
(ii) the Placing Agent
- Placing Agent : SBI E2-Capital Securities Limited, appointed as the Placing Agent to place the Placing Shares on a best effort basis. The Placing Agent has confirmed that it is an Independent Third Party.
- Fees and expenses : 1% of the amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
- Placing price of the Placing Shares : The placing price of the Placing Shares shall be at least equal to the Subscription Price. The final price is dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The individuals, corporate, institutional investors or other investors procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares.
- 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 Shares then in issue.
- Termination : The Placing shall end on Tuesday, 12 December 2023 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

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 passing by the Shareholders (including the Independent Shareholders) at the EGM of the necessary resolutions to approve the Share Consolidation and the Rights Issue;
- (ii) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares (including the Placing Shares);
- (iii) 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
- (iv) 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 or any part of the above conditions (other than those set out in paragraphs (i) and (ii) above) by notice in writing to the Company.

Completion : Placing completion shall take place on 15 December 2023 or such other date as the Company and the Placing Agent may agree in writing.

The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial Shareholder immediately following the Placing; (iii) 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; and (iv) such that the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing. The Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules and 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.

The engagement between the Company and the Placing Agent for the placing of the Placing Shares was determined after arm's length negotiations 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 market conditions. The Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority shareholders.

Application for listing

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares shall have the same board lot size as the Shares, i.e. 8,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Eligibility 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 dealers or other 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 will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposal of, or dealing in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders as regards to their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It should be noted that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealing in or exercising any right in relation to the Shares or the Rights Shares.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for all fully paid Rights Shares and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Thursday, 14 December 2023.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Shareholders (including the Independent Shareholders) at the EGM of the resolution to approve the Share Consolidation and the Rights Issue by no later than the Prospectus Posting Date;
- (ii) the Share Consolidation having become effective no later than the Prospectus Posting Date;
- (iii) the GEM Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

- (iv) the delivery to the Stock Exchange and the filing and registration with the Companies Registry in Hong Kong respectively one duly certified copy of each of the Prospectus and the PAL (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only by the Prospectus Posting Date; and
- (vi) the Placing Agreement not being terminated.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As the Rights Issue is subject to the above conditions, it may or may not proceed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 November to Tuesday, 14 November 2023 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

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

The Group is principally engaged in (i) the provision of fitting out and engineering, design and procurement of furnishings and related products services (the “Engineering Business”); (ii) the leasing of construction equipment (the “Leasing Business”); (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses (the “Financial Services Business”).

The Engineering Business provides design, fitting out and engineering services to contractors in both private and public sectors who are involved in a variety of construction projects such as public housing maintenance and improvement as well as vacant flat refurbishment. As disclosed in the Company’s 2023 annual report, the revenue generated from this business segment recorded an increase of HK\$12.1 million from the previous financial year to HK\$45.9 million for the year ended 31 March 2023. On the other hand, for the same year, income from the Leasing Business dropped by HK\$6.6 million to HK\$6.7 million due to the decrease in the leasing of scaffolding equipment as a result of the delay in construction projects amid the COVID-19 pandemic. The Board believes that as the economic condition in Hong Kong continues to recover from the COVID-19 pandemic, the construction projects in Hong Kong will increase and will thus stimulate the demand for the Engineering Business and the Leasing Business.

The Group's securities business is licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. However, due to the lack of funding for fulfilling the licensing requirements of the SFC and as working capital to expand the business, there are conditions imposed on the regulated activities. As a result, the Group is not able to provide full services under the business (e.g. underwriting, placing, margin financing, portfolio management, etc.) even though the Group has been receiving enquiries for such services from time to time and the business has been operating in one office with limited number of customers. The business presently provides securities advice to clients and completes the securities services (e.g. subscription of shares under placing and underwriting) to clients by working with other fully licensed corporations and its income sources are mainly commission income from introducing brokerage services.

In August 2023, Hong Kong government announced to establish a task force to pitch proposals to increase the liquidity of the Hong Kong stock market and strengthen Hong Kong's competitiveness as an international financial centre. This task force will holistically review key internal and external factors affecting stock market liquidity (including the listing regime, market structure and trading mechanism) and make proposals to the government with a view to promoting the sustainable development of Hong Kong's stock market. In addition, in the same month, China Securities Regulatory Commission and the SFC reached consensus on the introduction of block trading under the Stock Connect arrangement for offshore investors to conduct block trades via Northbound Trading on the Shanghai and Shenzhen stock exchanges and for investors from Mainland China to conduct manual trades via Southbound Trading on the Stock Exchange. This cross-border block trading initiative is intended to enhance the Stock Connect arrangements, make available more trading mechanisms, enhance trading efficiency and promote the mutual development of both capital markets in China and Hong Kong.

The Board believes that both the Chinese and Hong Kong governments are determined and serious in strengthening the competitiveness of the Hong Kong stock market as an international financial centre by taking forward measures in the short, medium and long term. Being encouraged by these top down favourable policies of the Hong Kong and Chinese governments, the Board considers it beneficial for the Group to seize this opportunity to expand its securities business to tap on the development opportunities offered by such government initiatives. The Board understands that the local economy has been suffering mainly due to external factors but, at the same time, it provides the opportunity for the Group to expand the business at much lower costs. Adding further the probable end of the interest rate hike cycle which would ignite recovery of the global economy including China and Hong Kong, the Board believes that it is now the Company's long-awaited right timing to expand the securities business. As such, the Board, noting the increasing enquiries made to the Group for more securities services and as a natural expansion of its securities business by leveraging on its resources and networks accumulated in the market in the past years, intends to uplift the licensing conditions in order to be able to operate its securities business in full scale (being able to conduct underwriting, placing, margin financing, portfolio management, etc.). Before an application can be made to the SFC for uplifting the licensing conditions, the Group will have to put in place sufficient funding for fulfilment of the minimum paid-up capital licensing requirement (for providing margin financing), upgrading the hardware/software of its trading platform and recruiting additional personnel in line with the widening of services/products offerings. The SFC has a service pledge of approximately 4 months to process an application, but the precise time will depend

on a number of factors. Taking into account the time required to complete the Rights Issue and the subsequent time required for the Group to submit an application to the SFC and for the SFC to process the application, it is expected that the Group's securities business will be able to provide full services in around mid-2024, by which time the overall government initiatives should have been formulated and, at least, partially implemented. As such, it is vital for the Group to seize present opportunity to access to funding for the above development and improve working capital for its businesses.

Assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees, it is estimated that net proceeds of the Rights Issue (after deducting the related expenses) will amount to HK\$35 million, of which the Company intends to apply as to (i) HK\$20 million (representing 57% of the net proceeds) for the development and expansion of the securities business under the Financial Services Business; (ii) HK\$10 million (representing 29% of the net proceeds) as working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments; and (iii) HK\$5 million (representing 14% of the net proceeds) for general corporate and administrative expenses. In the event that the Rights Issue is undersubscribed and the Placing Shares are not fully placed, the net proceeds will be reduced and utilised on a pro rata basis as set out above.

The Board has considered other alternative means of fund raising, including debt financing, placing and open offer. However, the Board notes that bank borrowings, even if available, would result in substantial interest burden, higher gearing ratio and greater liquidity pressure of the Company. As for equity fund raising (such as placing), it will be relatively smaller in scale as compared to fund raising through the Rights Issue, not to mention that placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

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

SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company, assuming there is no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective; (iii) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders; (iv) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent; and (v) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and all the remaining Placing Shares having been placed by Placing Agent:

| | | As at the date of this announcement | | Immediately after the Share Consolidation becoming effective | | Immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders | | Immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent | | Immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and all the remaining Placing Shares having been placed by Placing Agent | |
|---------------------|---------------|-------------------------------------|---------------|--|---------------|---|---------------|---|---------------|--|---------------|
| | | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| ChaoShang | <i>Note 1</i> | 46,221,600 | 29.5% | 9,244,320 | 29.5% | 55,465,920 | 29.5% | 9,431,372 | 29.9% | 55,465,920 | 29.5% |
| Public Shareholders | | | | | | | | | | | |
| Independent Placees | <i>Note 2</i> | - | - | - | - | - | - | - | - | 110,558,400 | 58.8% |
| Public Shareholders | | 110,558,400 | 70.5% | 22,111,680 | 70.5% | 132,670,080 | 70.5% | 22,111,680 | 70.1% | 22,111,680 | 11.7% |
| | | <u>156,780,000</u> | <u>100.0%</u> | <u>31,356,000</u> | <u>100.0%</u> | <u>188,136,000</u> | <u>100.0%</u> | <u>31,543,052</u> | <u>100.0%</u> | <u>188,136,000</u> | <u>100.0%</u> |

Notes:

1. The total number of Rights Shares to be subscribed by ChaoShang will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code as a result of the Rights Issue.
2. As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Placing Shares will form part of the public float of the Company.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Share Consolidation and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

| Event | 2023 |
|--------------|-------------|
|--------------|-------------|

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| Expected despatch date of circular together with notice and form of proxy for the EGM | on or before Monday, 9 October |
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| Latest time and date for lodging transfers document in order to qualify for attendance and voting at the EGM. | 4:30 p.m. on Wednesday, 25 October |
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| Closure of register of members of the Company for attending the EGM (both days inclusive). | Thursday, 26 October to Wednesday, 1 November |
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| Latest time and date for lodging forms of proxy for the EGM | 11:00 a.m. on Monday, 30 October |
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| Record date for determining attendance and voting at the EGM | Wednesday, 1 November |
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| Expected date and time of the EGM | 11:00 a.m. on Wednesday, 1 November |
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| Announcement of poll results of the EGM | Wednesday, 1 November |
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| Register of members of the Company re-opens | Thursday, 2 November |
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The following events are conditional on the fulfilment of the conditions relating to the implementation of the Share Consolidation and the Rights Issue and therefore the dates are tentative only.

| | |
|--|--------------------|
| Effective date for the Share Consolidation | Friday, 3 November |
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| Commencement of dealing in the Consolidated Shares | 9:00 a.m. on Friday, 3 November |
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| Original counter for trading in the Existing Shares in board lot of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes | Friday, 3 November |
| Temporary counter for trading in the Consolidated Shares in board lot of 1,600 Consolidated Shares (in the form of existing share certificates) opens. | Friday, 3 November |
| First day of free exchange of existing share certificates for new share certificate for Consolidated Shares commences. | Friday, 3 November |
| Last day of dealing in the Consolidated Shares on a cum-right basis | Friday, 3 November |
| First day of dealing in the Consolidated Shares on an ex-right basis | Monday, 6 November |
| Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue | 4:30 p.m. on Tuesday, 7 November |
| Closure of register of members of the Company for the Rights Issue (both dates inclusive). | Wednesday, 8 November to Tuesday, 14 November |
| Record Date for determining entitlements to the Rights Issue. | Tuesday, 14 November |
| Register of members of the Company re-opens. | Wednesday, 15 November |
| Despatch of Prospectus Documents. | Wednesday, 15 November |
| First day of dealings in nil-paid Rights Shares | Friday, 17 November |
| Original counter for trading in the Consolidated Shares in board lot of 8,000 Consolidated Shares (in the form of new share certificates) re-opens. | 9:00 a.m. on Friday, 17 November |

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| Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences | 9:00 a.m. on Friday, 17 November |
| Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares | 9:00 a.m. on Friday, 17 November |
| Latest time for splitting nil-paid Rights Shares | 4:30 p.m. on Tuesday, 21 November |
| Last day of dealings in nil-paid Rights Shares | Friday, 24 November |
| Latest time for acceptance of and payment for the Rights Shares | 4:00 p.m. on Wednesday, 29 November |
| Announcement of the number of the Placing Shares subject to the Compensatory Arrangements | Monday, 4 December |
| Commencement of placing of the Placing Shares by the Placing Agent | Tuesday, 5 December |
| Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares | 4:00 p.m. on Thursday, 7 December |
| Temporary counter for trading in the Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) closes | 4:10 p.m. on Thursday, 7 December |
| Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends | 4:10 p.m. on Thursday, 7 December |
| Last day for free exchange of existing share certificates of Existing Shares for new share certificates of Consolidated Shares | Monday, 11 December |

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|--|--------------------------------------|
| Latest time of placing of the Placing Shares by the Placing Agent | 6:00 p.m. on Tuesday, 12 December |
| Last day for the Rights Issue and placing of the Placing Shares to become unconditional | Tuesday, 12 December |
| Announcement of results of the Rights Issue (including results of the placing of the Placing Shares and the amount of the Net Gain per Placing Share under the Compensatory Arrangements) | Wednesday, 13 December |
| Refund cheques to be despatched (if the Rights Issue does not proceed) | Thursday, 14 December |
| Certificates for fully-paid Rights Shares to be despatched | Thursday, 14 December |
| Expected commencement of dealings in fully-paid Rights Shares | 9:00 a.m. on Friday, 15 December |
| Payment of Net Gain to relevant No Action Shareholders or Excluded Shareholders | Friday, 29 December |

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any change to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons announced by the government of Hong Kong or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 29 November 2023. Instead the latest time for acceptance of and payment for the Rights Shares 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 Wednesday, 29 November 2023. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings 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 “Expected timetable” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon approval by the Shareholders by way of poll at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Shareholder or its associates has any interest in the Share Consolidation, no Shareholder will be required to abstain from voting in favour of the resolution approving the Share Consolidation at the EGM.

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, 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 Rights Issue. As at the date of this announcement, the Company has no controlling Shareholder and none of the Directors and their respective associates hold any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

The Rights Issue does 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 10.44A of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. In this connection, the Company will appoint an 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 thought fit, approve the Share Consolidation and the Rights Issue. A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 9 October 2023.

Subject to the approval of the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further information regarding the Rights Issue are expected to be despatched to the Qualifying Shareholders on 15 November 2023.

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

Shareholders and potential investors of the Company should note that the Rights Issue is subject to 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. Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in 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 and/or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

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

DEFINITIONS

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

| | |
|------------------------------|---|
| “Board” | the board of Directors |
| “CCASS” | The Central Clearing and Settlement System established and operated by HKSCC |
| “ChaoShang” | Hong Kong ChaoShang Group Limited, a shareholder of the Company |
| “Companies (WUMP) Ordinance” | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Company” | Royal Century Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on GEM of the Stock Exchange |
| “Compensatory Arrangements” | placing of the Placing Shares by the Placing Agent |
| “Consolidated Shares” | ordinary shares of the Company immediately after the Share Consolidation becoming effective |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary meeting of the Company to be held and convened to consider and approve the Share Consolidations and the Rights Issue |
| “ES Unsold Rights Shares” | the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form that have not been sold by the Company |
| “Excluded Shareholders” | those Overseas Shareholders whom the Rights Shares are not offered |
| “Existing Shares” | ordinary shares of the Company before the Share Consolidation becoming effective |
| “GEM” | GEM of the Stock Exchange |

| | |
|-------------------------------|---|
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Independent Board Committee” | an independent board committee of the Board which comprises all the independent non-executive Directors and is established to advise the Independent Shareholders in respect of the Rights Issue |
| “Independent Shareholders” | Shareholders who are not required to abstain from voting at the EGM |
| “Independent Third Parties” | third parties independent of and not connected with the Company and its connected persons |
| “Last Trading Day” | 15 September 2023, being the last full trading day before the publication of this announcement |
| “Latest Time for Acceptance” | 4:00 p.m. on Wednesday, 29 November 2023, being the latest time for acceptance of the offer of and payment for the Rights Shares |
| “Net Gain” | any premiums paid by the Placees over the Subscription Price for the Placing Shares placed by the Placing Agent |
| “Nil Paid Rights” | rights to subscribe for Rights Shares before the Subscription Price is paid |
| “No Action Shareholders” | Qualifying Shareholders or their renounees who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or such persons who are holders of Nil Paid Rights at the time such Nil Paid Rights lapse |
| “Overseas Shareholders” | the Shareholders (whose names appears on the register of members of the Company at the close of business on the Record Date) with registered addresses outside Hong Kong |

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| “PALs” | the provisional allotment letters to be issued to the Qualifying Shareholders |
| “Placees” | individuals, corporate, institutional investors or other investors, procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement |
| “Placing” | the placing of the Placing Shares |
| “Placing Agent” | SBI E2-Capital Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place the Placing Shares under the Compensation Arrangements |
| “Placing Agreement” | the placing agreement dated 15 September 2023 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares |
| “Placing Shares” | the Unsubscribed Rights Shares and the ES Unsold Right Shares |
| “Prospectus” | the prospectus to be issued to the Shareholders containing details of the Rights Issues |
| “Prospectus Documents” | the Prospectus and the PAL |
| “Prospectus Posting Date” | 15 November 2023 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders |
| “Qualifying Shareholders” | Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date |
| “Record Date” | 14 November 2023 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined |

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| “Rights Issue” | the issue of the Rights Shares by way of rights on the basis of five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price |
| “Rights Shares” | up to 156,780,000 new Consolidated Shares to be allotted and issued pursuant to the Rights Issue |
| “SFC” | the Securities and Futures Commission |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shares” | the Existing Shares and/or Consolidated Shares, as the case may be |
| “Share Consolidation” | the consolidation of every five issued Existing Shares into one Consolidated Share |
| “Shareholders” | holders of the Shares |
| “Share Registrar” | Tricor Investor Securities Limited |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the subscription price of HK\$0.23 per Rights Share under the Rights Issue |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Unsubscribed Rights Shares” | the Rights Shares that are not subscribed by the Qualifying Shareholders |

For and on behalf of the Board
Royal Century Resources Holdings Limited
Yau Yan Yuen
Company Secretary

Hong Kong 15 September 2023

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen, Mr. Wang Jun and Mr. Yau Yan Yuen; and the independent non-executive Directors are Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va.

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkex.com.hk for seven days from the date of its posting and on the website of the Company at www.royalcentury.hk.