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STATE INNOVATION HOLDINGS LIMITED

國科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8275)

**(i) PROPOSED RIGHTS ISSUE
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR
EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(ii) ADJUSTMENT TO CONVERSION PRICE OF
THE CONVERTIBLE BONDS; AND
(iii) EXTENSION OF PLACING PERIOD OF
THE CONVERTIBLE BONDS**

PROPOSED RIGHTS ISSUE

The Company proposed to raise gross proceeds of up to approximately HK\$35.3 million on the basis of three (3) Rights Shares for every two (2) Share held on the Record Date by issuing 240,002,067 Rights Shares at the Subscription Price of HK\$0.147 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any).

The maximum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$33.5 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.140. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 55.22% (or approximately HK\$18.5 million) will be used for the expansion of the foundation business capacity of the Group; (ii) approximately 22.39% (or approximately HK\$7.5 million) will be used for the development of the AI business and (iii) approximately 22.39% (or approximately HK\$7.5 million) will be used as the general working capital of the Group.

There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Rights Issue is only available to Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and be a Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Friday, 24 March 2023.

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 17 February 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees on a best effort basis. For details of the Placing Agreement and the Compensatory Arrangements, please refer to the section headed “Procedures in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; and (ii) they are Independent Third Parties.

ADJUSTMENT TO CONVERSION PRICE

Subject to the completion of the Rights Issue, pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price will be adjusted from approximately HK\$0.53 per Share to approximately HK\$0.449 per Share effective upon the completion of the Rights Issue.

EXTENSION OF CB PLACING PERIOD

The CB Placing Agent is of the view that an extension of the CB Placing Period would increase the chance to place the Convertible Bonds. Accordingly, on 17 February 2023 (after trading hours), the Company and the CB Placing Agent entered into an extension letter to extend the closing date (that is the last day of the CB Placing Period) under the CB Placing Agreement to 30 September 2023. Save for the extension of the CB Placing Period, all the terms and conditions of the CB Placing Agreement shall remain the same.

GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 10.29(1) of the GEM Listing Rules and any controlling shareholder and their respective associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As at the date of this announcement, (i) the Company does not have any controlling shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue (whether on its own or when aggregated with the 2022 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.

The Additional Conversion Shares will be issued under the Specific Mandate subject to the approval by the Shareholders.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the independent financial adviser to be appointed by the Company. 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. An announcement will be made by the Company upon the appointment of the independent financial adviser.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Rights Issue and the respective transactions contemplated thereunder, the allotment and issue of the Additional Conversion Shares, and the grant of the Specific Mandate.

A circular containing, among other things, (i) further details of the Rights Issue; (ii) further details of the adjustment of the Conversion Price; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on Monday, 3 April, 2023, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only to the extent permitted under the relevant laws and regulations and reasonably practicable.

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

The Shares will be dealt on an ex-rights basis from Thursday, 23 March 2023. Dealings in the nil-paid rights are expected to take place from Thursday, 6 April 2023 to Monday, 17 April 2023 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed “Conditions of the Rights Issue” in this announcement) are not fulfilled, the Rights Issue will not proceed.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

PROPOSED RIGHTS ISSUE

The Company proposed to raise gross proceeds of up to approximately HK\$35.3 million on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date by issuing 240,002,067 Rights Shares at the Subscription Price of HK\$0.147 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.147 per Rights Share
Number of Shares in issue as at the date of this announcement	:	160,001,378 Shares
Number of Rights Shares	:	Up to 240,002,067 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK\$120,001,033.5 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 400,003,445 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)

On 23 May 2022 (after trading hours), the Company entered into the CB Placing Agreement with the CB Placing Agent in relation to the CB Placing. As at date of this announcement, the CB Placing is not completed. The Company have mutually agreed with the CB Placing Agent that the CB Placing will not be completed on or before the Record Date, therefore there is no Bondholder on the Record Date.

As at the date of this announcement, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Assuming no change in the share capital of the Company on or before the Record Date, 240,002,067 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 150% of the total number of issued Shares as at the date of this announcement; and (ii) 60% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are 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 are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any 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. 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.

As at the date of this announcement, the Board has not received any information from any Shareholders of their intention to take up their entitlement under the Rights Issue nor any undertaking from any Shareholders that they will undertake to subscribe for the Rights Shares.

Despite the Rights Issue is conducted on a non-underwritten basis, any Rights Shares not subscribed by the Qualifying Shareholders (i.e. the Unsubscribed Rights Shares), including the NQS Unsold Rights Shares (if any) will be placed by the Placing Agent on the market to independent placees on a best effort basis. The Company considers that such placing arrangement at a placing price of not less than the Subscription Price is attractive to encourage independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (if any). Based on the above, the Company is optimistic that the Qualifying Shareholders and the independent placees (if any) will subscribe for the Rights Shares and raise the necessary proceeds for the Company.

Subscription Price

The Subscription Price is HK\$0.147 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 26.50% to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 26.50% to the average of the closing prices of approximately HK\$0.200 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 12.50% to the theoretical ex-rights price of approximately HK\$0.168 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.200 per 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) represent a discount of approximately 16.00%, represented by the theoretical diluted price of approximately HK\$0.168 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.200 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.200 per Share) of HK\$0.200 per Share;
- (v) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the 2022 Rights Issue and the CB Placing represented by a discount of approximately 22.17%, represented by the cumulative theoretical diluted price of approximately HK\$0.932 per Share to the benchmarked price of HK\$0.725 per Share in respect of the 2022 Rights Issue and the CB Placing (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the benchmarked price of the 2022 Rights Issue, being HK\$0.725 per Share and the benchmarked price of HK\$0.417 of the CB Placing which was at a premium); and
- (vi) a discount of the audited net asset value per Share of approximately HK\$0.316 (based on the latest published consolidated net asset value of the Group of approximately HK\$50,526,000 as at 31 March 2022 as disclosed in the annual report of the Company for the year ended 31 March 2022 and 160,001,378 Shares in issue as at the date of this announcement).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.140. The estimated net proceeds (assuming no change in the number of Shares in issue on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$33.5 million.

The Subscription Price and the subscription rate (i.e. three (3) Rights Shares for every two (2) Shares held on the Record Date) was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this announcement.

In determining the Subscription Price, which represents a discount of 26.50% to the closing price of HK\$0.200 per Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Shares traded on the Stock Exchange from 18 November 2022 to the Last Trading Day, representing approximately three months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with closing price ranges between the lowest closing price of HK\$0.199 per Share on 10 February 2023 and the highest closing price of HK\$0.375 per Share on 2 December and 5 December 2022. In general, the daily closing price per Share during the Relevant Period demonstrates a downward trend.

The Directors (excluding the independent non-executive Directors whose opinion will be set out in the circular of the company after taking into account the advice from the independent financial adviser) consider, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders only and the Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company, and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) for registration with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Friday, 24 March 2023. The last day of dealing in the Shares on cum-rights basis is Wednesday, 22 March 2023. The Shares will be dealt with on an ex-rights basis from Thursday, 23 March 2023.

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

Rights of Overseas Shareholders

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue.

The basis for excluding the Non-Qualifying Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL) to the Non-Qualifying Shareholders for their information only.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). Based on the register of members of the Company as at the date of this announcement, there is no Overseas Shareholder.

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

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of the enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 14 March 2023 to Monday, 20 March 2023 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 27 March 2023 to Friday, 31 March 2023 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the book closure periods.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every two (2) 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. There will be no excess application arrangements in relation to the Rights Issue.

Fractional entitlements to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company.

Odd lots matching services

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, the Placing Agent has been appointed as designated broker by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties. Holders of the Shares in odd lots represented by valid share certificates for the Shares 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 directly or through their brokers, contact the Placing Agent at (852) 2844-9876 or by facsimile at (852) 2526-0618 during the period from 9:00 a.m. on Thursday, 6 April 2023 to 4:00 p.m. on Wednesday, 31 May 2023 (both days inclusive). Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

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 after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 3 May 2023. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Wednesday, 3 May 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Stamp duty and other applicable fees

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

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, 17 February 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 27 April 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Application for listing of the Rights Shares

The Company will apply to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

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 CCASS and CCASS Operational Procedures in effect from time to time.

The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 10,000 Shares in one board lot as at the date of this announcement. No part of the securities of the Company is listed or dealt in or on which listing or permission to dealing is being or is proposed to be sought on any other stock exchange.

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

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the Rights Issue having been approved by the Independent Shareholders at the EGM;
- (ii) the issue of the Additional Conversion Shares become unconditional;
- (iii) the delivery to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;

- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (v) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (vi) compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands; and
- (vii) the Placing Agreement is not terminated.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the above conditions are not fulfilled on or before the Latest Time for Termination, the Rights Issue will not proceed.

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

Details of the Placing Agreement are summarised as follows:

- Date : 17 February 2023 (after trading hours)
- Issuer : The Company
- Placing Agent : Excalibur Global Financial Group Limited

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties.

- Placing Period : A period commencing from the second Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Tuesday, 25 April 2023, and ending at the 4:00 p.m. on Thursday, 27 April 2023

- Commission and expense : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company. 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.
- Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement

: The Placing is conditional upon the fulfillment of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Placing Shares;
- (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;
- (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, including provisions regarding the force majeure events.

In the event that the above condition precedents have not been fulfilled or waived (where applicable) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

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

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 10.31(1)(b) of the GEM Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company.

EXPECTED TIMETABLE

Set out below is the expected timetable for 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	Date
Announcement of the Rights Issue	Friday, 17 February 2023
Expected despatch date of circular with notice and form of proxy for the EGM.	Friday, 3 March 2023
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.	4:30 p.m. on Monday, 13 March 2023

Closure of the register of members of the Company for attending the EGM (both days inclusive)	Tuesday, 14 March 2023 to Monday, 20 March 2023
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Saturday, 18 March 2023
Record date for determining attendance and voting at the EGM	Monday, 20 March 2023
Expected date and time of the EGM	11:00 a.m. on Monday, 20 March 2023
Announcement of the poll result of the EGM	Monday, 20 March 2023
Register of members of the Company re-opens	Tuesday, 21 March 2023
Last day of dealing in the Shares on a cum-rights basis.	Wednesday, 22 March 2023
First day of dealing in the Shares on an ex-rights basis	Thursday, 23 March 2023
Latest time for the Shareholders to lodge transfer documents to Shares in order to qualify for the Rights Issue.	4:30 p.m. on Friday, 24 March 2023
Closure of the register of members of the Company for the Rights Issue (both days inclusive)	Monday, 27 March 2023 to Friday, 31 March 2023
Record Date for determining entitlements to the Rights Issue	Friday, 31 March 2023
Register of members of the Company re-opens	Monday, 3 April 2023
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Monday, 3 April 2023
First day of dealing in nil-paid Rights Shares	Thursday, 6 April 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares	9:00 a.m. on Thursday, 6 April 2023

Latest time for splitting of the PAL	4:30 p.m. on Wednesday, 12 April 2023
Last day of dealing in nil-paid Rights Shares.	Monday, 17 April 2023
Latest Time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangement	4:00 p.m. on Thursday, 20 April 2023
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Thursday, 20 April 2023
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 24 April 2023
Commencement of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent.	Tuesday, 25 April 2023
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent.	4:00 p.m. on Thursday, 27 April 2023
Latest Time for Termination	Friday, 28 April 2023
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and NQS Unsold Rights Share under the Compensatory Arrangements).	Tuesday, 2 May 2023
Despatch of refund cheques, if any, if the Rights Issue is terminated, on or before	Wednesday, 3 May 2023
Despatch of share certificates of fully-paid Rights Shares	Wednesday, 3 May 2023
Expected first day of dealings in fully-paid Rights Shares	Thursday, 4 May 2023

Payment of Net Gain to relevant
No Action Shareholders (if any) Friday, 19 May 2023

Designated broker ceases to stand in the market
to provide matching services
for odd lots of the Shares 4:00 p.m. on Wednesday,
31 May 2023

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 amended 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, “extreme conditions” caused by super typhoons as 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 Thursday, 20 April 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 Thursday, 20 April 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 of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 20 April 2023, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is also engaged in leasing of machinery. As stated in the announcement dated 13 May 2022, in order to enhance the future competitiveness and influence, the Group has a plan to develop new business segments in the field of technological innovation, on the basis of consolidating its existing businesses.

The maximum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$33.5 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.140. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 55.22% (or approximately HK\$18.5 million) will be used for the expansion of the foundation business capacity of the Group; (ii) approximately 22.39% (or approximately HK\$7.5 million) will be used for the development of the AI business, including but not limited to AI translation; and (iii) approximately 22.39% (or approximately HK\$7.5 million) will be used as the general working capital of the Group.

The Construction Business

In order to consolidate Group's foundation business and expand its capacity, the Group plans to acquire sets of pile casing, with cost of HK\$18.5 million. The pile casing is important equipment in the foundation work, it is used to stabilize the drilled shaft excavation and then removed after or during placement of fluid concrete.

Over the years, the Group has periodically leased construction equipment from third-party construction equipment rental services providers to supply its foundation service capacity when its self-owned equipment has been under deployment or unavailable. Occasionally, the third-party construction equipment rental services providers may not be able to provide the construction machinery on time, which may cause the schedule delay in construction projects and increase the construction costs.

According to the 2022–23 Budget announced by the Hong Kong government, the annual capital expenditure on infrastructure will reach approximately HK\$100 billion and approximately 15,200 transitional housing units will be introduced in the next few years. Taking into consideration the long term development of the Hong Kong construction industry in light of the 2022–23 Budget, the Directors consider that there will be an increase in demand for the Group's foundation services. In order to capture the growing demand for foundation services in Hong Kong, it is part of the Group's business strategy to enhance the variety and quantity of its foundation equipment in order to strengthen its service capacity and enhance its market position in Hong Kong.

Based on the aforesaid and in light of the growing demand of construction service in Hong Kong, the Board considers that it is in the interest of the Group to acquire additional sets of pile casing for the provision of foundation services taking into account the followings:

- (i) acquisition of the pile casings can reduce the risk of unavailability of the pile casings from third-party construction equipment rental services providers, thereby facilitating the Group in fulfilling its project schedule; and
- (ii) the Group can lease the pile casings to other foundation services providers to increase revenue of the Group while the pile casing is idle.

The AI Business

In order to develop new business segments in the field of technological innovation, the Company intend to use the relevant Net Proceeds to set up the AI business by hiring team for operation of the AI business and developing and/or acquiring the respective AI system. The Company may either hire a team of talents to develop the respective AI system or to acquire the system with further enhancement. As at the date of this announcement, the Company had not yet enter into any agreement in relation to the AI business.

The AI translation system customises the process of translation and create a memory of files to provide a customised categorisation, glossary and style for each user. The application of AI system can enhance work efficiency, increase the cost effectiveness and decrease the risk arise from human error.

The AI, coined as a term at the Dartmouth Conference in 1956, has evolved from symbolic AI which tried to teach computers how to reason abstractly to the point today where some people have speculated an era that robots will soon be replacing human jobs. While AI is rapidly developing as an inevitable component of emerging technologies, there is no widely accepted definition of it. AI generally refers to a machine-based system (especially a computer system) that can accomplish tasks requiring skills and abilities associated with human intelligence, such as visual and speech recognition, reasoning, learning and problem solving. In recent years, AI has developed not only as a field of research, but also as a technology that expands across a wide range of applications. It is estimated that AI has the potential to reshape the competitive landscape of companies and jobs, as well as delivering additional HK\$123.1 trillion to the global gross domestic product in 2030.

The “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035*” (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) approved by the National People’s Congress of the PRC set out the plan to develop China into an innovative country and a strong country in science and technology, also expressed clear support for Hong Kong’s development into an international innovation and technology hub.

According to the McKinsey Survey, half of its respondents from a variety of industries have adopted AI to serve at least one function in their company, and it has increased the revenue. Businesses use AI for inventory, sales forecasting, pricing optimization and other purposes, including the translation especially in international trade. AI translation tools are capable to work with the traditional text and even offer instant translation during audio and video calls. Comparing to the traditional translation tools, AI translation has significant advance in the cost and productivity.

The Company will charge the AI business customers on different terms depending on the needs of the users, including but not limited to (i) monthly subscription with a monthly fee covering a certain amount and type of services provided; or (ii) by each word/page translated. As an international commercial hub, the Directors believe that accurate and efficient translation is widely needed in many different industries in Hong Kong especially finance-related businesses.

In the light of the above mentioned, considering (i) the ever-increasing market demand of the AI translation tools for the recovering international business; (ii) high level of academic research of AI technology in Hong Kong; and (iii) PRC has expressed clear support for Hong Kong's development into an international innovation and technology hub, the Board believes that the applied AI industry has a promising prospect, therefore that developing AI business will enable the Group to benefit from diversified revenue streams and will drive the development of the Company's financial business and accelerate its expansion.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the Net Proceeds cannot be ascertained at this moment. In the event that the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue are expected to be utilised with proportional reductions in the same usage scenarios as above.

The Board has considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being

pre-emptive in nature, would allow all 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, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue (assuming all Shareholders have taken up their entitled Rights Shares); (iii) immediately after completion of the Rights Issue (assuming none of the Shareholders have taken up any entitled Rights Share); (iv) immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming full acceptance) to the full conversion of the Convertible Bonds); and (v) immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming no acceptance) to the full conversion of the Convertible Bonds), for illustration purposes only, assuming there are no changes in the share capital of the Company on or before the Record Date:

	(i) As at the date of this announcement		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent		(iv) Immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares (assuming full acceptance) from the date of completion of the Rights Issue to the full conversion of the Convertible Bond)		(v) Immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming no acceptance) to the full conversion of the Convertible Bonds)	
	Number of issued Shares	Approx. %	Number of issued Shares	Approx. %	Number of issued Shares	Approx. %	Number of issued Shares	Approx. %	Number of issued Shares	Approx. %
Mr. Lam Yu Chor (Note 1)	33,098,750	20.69	82,746,875	20.69	33,098,750	8.27	82,746,875	17.73	33,098,750	7.09
Ms. Wong Fei Heung Terbe (Note 2 and 3)	21,790,000	13.62	54,475,000	13.62	21,790,000	5.45	54,475,000	11.67	21,790,000	4.67
Other public Shareholders	105,112,628	65.69	262,781,570	65.69	105,112,628	26.28	262,781,570	56.30	105,112,628	22.52
Independent placees	-	-	-	-	240,002,067	60.00	-	-	240,002,067	51.42
Bondholders	-	-	-	-	-	-	66,780,919	14.31	66,780,919	14.31
Total	160,001,378	100.00	400,003,445	100.00	400,003,445	100.00	466,784,364	100.00	466,784,364	100.00

Notes:

1. Mr. Lan Yu Chor (“**Mr. Lam**”) legally and beneficially owns the entire issued share capital of Goldstone Wealth Management Limited (“**Goldstone**”), which is the general partner of Goldstone 1 LPF. Therefore, Mr. Lam is deemed, or taken to be, interest on all Shares held by Goldstone for the purpose of the SFO. Mr. Lam is the director of Goldstone.
2. Ms. Wong Fei Heung Terbe (“**Ms. Wong**”) legally and beneficially owns the entire issued share capital of Success Run International Limited (“**Success Run**”). Therefore, Ms. Wong is deemed, or taken to be, interested in all the 18,350,000 Shares held by Success Run for the purpose of the SFO. Ms. Wong is the sole director of Success Run.
3. Ms. Wong legally and beneficially owns the entire issued share capital of Lion Spring Enterprises Limited (“**Lion Spring**”). Therefore, Ms. Wong is deemed, or taken to be, interested in all the 3,440,000 Shares held by Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run.

FUND RAISING EXERCISE IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the twelve months immediately preceding the date of this announcement.

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
24 February 2022	Rights issue on the basis of three rights shares for every two shares	HK\$42.6 million	(i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the promissory notes issued by the Company on 13 December 2021 to China New Economy Fund Limited in the principal amount of HK\$3.0 million with an interest of 8% per annum due six months after the date of issue of the promissory notes (i.e. 13 June 2022);	All net proceeds have been fully utilised as intended.
			(ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost;	The net proceeds in the amount of HK\$17.6 million have been utilised as intended.

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
			(iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group's operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income;	All net proceeds had not been utilised.
			(iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group's customer base and acquire more projects; and	The net proceeds in the amount of HK\$1.2 million have been utilised as intended.
			(v) the remaining balance of approximately HK\$9.5 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.	All net proceeds have been utilised as intended.
2 September 2022	Placing of Convertible Bonds	HK\$29.4 million	For the financial assistance business	All net proceeds have not been utilised.
11 November 2022	Placing of new shares under general mandate	HK\$6.5 million	For the general working capital of the Group	All net proceeds have been utilised as intended.

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the twelve months immediately preceding the date of this announcement.

ADJUSTMENT TO CONVERSION PRICE

References are made to the announcements of the Company dated 23 May 2022, 13 June 2022, 12 August 2022, 11 November 2022 and the circular of the Company dated 2 September 2022, in relation to, among other things, the placing of the Convertible Bonds by the Company.

Pursuant to the terms and conditions of the Convertible Bonds, Conversion Price are subject to adjustment for, amongst other things, the issue by the Company wholly for cash of any Shares at a price per Share which is less than 90% of the Current Market Price per Share. Hence, the Rights Issue gives rise to adjustments to the Conversion Price. Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price shall be adjusted by multiplying the Conversion Price by the following fraction:

$$\frac{(A+B)}{(A+C)}$$

where:

- A. is the number of Shares in issue immediately before the issue of such additional Shares;
- B. is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price; and
- C. is the maximum number of Shares to be issued pursuant to the issue of such additional Shares.

As at the date of this announcement, the total principal amount of the Convertible Bonds is HK\$30,000,000. Based on the Adjusted Conversion Price, approximately HK\$0.449, the maximum number of Shares to be issued by the Company upon full conversion of the Convertible Bonds will be increased from 56,162,753 Shares to 66,780,919 Shares. Save for the adjustment to the Conversion Price, there is no change to the terms and conditions of the Convertible Bonds.

The issue of the Additional Conversion Shares is conditional upon the following matters:

- (i) the GEM Listing Committee granting approval for the listing of, and permission to deal in the Additional Conversion Shares to be issued upon the exercise of conversion rights under the bond instrument on the Stock Exchange; and
- (ii) the issue and the allotment of Additional Conversion Shares under the Specific Mandate having been approved under by the Shareholders at the EGM.

As at the date of this announcement, the placing of the Convertible Bonds is not completed and none of the Convertible Bond has been issued.

EXTENSION OF CB PLACING PERIOD

Reference is made to the announcement of the Company dated 11 November 2022. The CB Placing Agent is of the view that an extension of the CB Placing Period would increase the chance to place the Convertible Bonds. Accordingly, on 17 February 2023 (after trading hours), the Company and the CB Placing Agent entered into an extension letter to extend the closing date (that is the last day of the CB Placing Period) under the CB Placing Agreement to 30 September 2023. Save for the extension of the CB Placing Period, all the terms and conditions of the CB Placing Agreement shall remain the same.

GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 10.29(1) of the GEM Listing Rules and any controlling shareholder and their respective associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As at the date of this announcement, (i) the Company does not have any controlling shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue (whether on its own or when aggregated with the 2022 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.

The Additional Conversion Shares will be issued and allotted under the Specific Mandate subject to the approval by the Shareholders.

As at the date of this announcement, save for the Rights Issue, the Placing and the adjustment to the Convertible Price (including the granting of the Specific Mandate), the Company did not have any plan and had not entered into any negotiation, agreement, arrangement or undertaking to conduct any other corporate action or arrangement that may affect the trading of the Company's shares in the next 12 months.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man, will be established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the independent financial adviser to be appointed by the Company. 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. An announcement will be made by the Company upon the appointment of the independent financial adviser.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Rights Issue and the respective transactions contemplated thereunder, the allotment and issue of the Additional Conversion Shares, and the grant of the Specific Mandate.

A circular containing, among other things, (i) further details of the Rights Issue; (ii) further details of the adjustment of the Conversion Price; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on Monday, 3 April 2023, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only to the extent permitted under the relevant laws and regulations and reasonably practicable.

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

The Shares will be dealt on an ex-rights basis from Thursday, 23 March 2023. Dealings in the nil-paid rights are expected to take place from Thursday, 6 April 2023 to Monday, 17 April 2023 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed “Conditions of the Rights Issue” in this announcement) are not fulfilled, the Rights Issue will not proceed.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

DEFINITIONS

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

“AI”	artificial intelligent
“2022 Rights Issue”	the Rights issue previously conducted by the Company as announced on 14 January 2022 and completed in April 2022
“Additional Conversion Shares”	new Shares to be issued and allotted by the Company pursuant to the adjustment of the Conversion Price
“Adjusted Conversion Price”	the adjusted Conversion Price, which is approximately HK\$0.449
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the Board of Directors
“Bondholder(s)”	the CB Placee(s) and/or any person who is for the time being the registered holder of the Convertible Bond(s)
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business

“CB Placee(s)”	any individual, institutional or other professional investor procured by the CB Placing Agent to subscribe for and Convertible Bond in performance of the obligations of the CB Placing Agent under the CB Placing Agreement
“CB Placing”	the placing of the Convertible Bond pursuant to the CB Placing Agreement
“CB Placing Agent”	Astrum Capital Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“CB Placing Agreement”	the agreement dated 23 May 2022 entered into between the Company and the CB Placing Agent in respect of the placing of Convertible Bonds
“CB Placing Period”	the placing period of the placing of the Convertible Bond pursuant to the CB Placing Agreement and was extended by the previous extension letter dated 11 November 2022
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Company”	State Innovation Holdings Limited, a company incorporated in the Cayman Island with limited liability whose issued share are listed on the Stock Exchange (stock code: 8275)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	conversion price of the Convertible Bond(s)
“Convertible Bond(s)”	the 2.5% unsecured redeemable convertible bonds in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company under the CB Placing Agreement

“Current Market Price”	in respect of a Share at a particular date, the average of the price published in the Stock Exchange’s daily quotation sheets for one Share for the five consecutive dealing days ending on the dealing day immediately preceding such date
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Rights Issue and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and transaction contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)

“Last Trading Day”	17 February 2023 being the last trading day of the Shares on the Stock Exchange prior to the publication of this announcement
“Latest Lodging Time”	4:30 p.m. on Friday, 24 March 2023 or such other date as the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 20 April 2023 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	Friday, 28 April 2023 or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
“McKinsey Survey”	the survey named The State of AI in 2020, dated 17 November 2020, by McKinsey Global Survey
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Non-Qualifying Shareholders (if any)
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that has/have not been sold by the Company

“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Excalibur Global Financial Group Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, being the placing agent appointed by the Company for the Placing
“Placing Agreement”	the placing agreement dated 17 February 2023 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Shares”	all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Period”	a period commencing from the second Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Tuesday, 25 April 2023, and ending at the 4:00 p.m. on Thursday 27 April 2023
“Prospectus Documents”	collectively, the Prospectus and PAL

“Prospectus Posting Date”	the date of despatch of the Prospectus Documents
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Friday, 31 March 2023 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Ltd., at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 240,002,067 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.5 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted to Directors to allot, issue and deal with the Additional Conversion Shares at the EGM
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$0.147 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

By Order of the Board
State Innovation Holdings Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 17 February 2023

As at the date of this announcement, the Board comprises Mr. Tang Kwai Leung Stanley as executive Director; and Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man as independent non-executive Directors.

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

This announcement will remain on the website of the Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.beavergroup.com.hk.