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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)

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SHARE PREMIUM REDUCTION AND SUB-DIVISION OF UNISSUED SHARES

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SHARE PREMIUM REDUCTION

The Company proposes to implement (i) the Capital Reduction involving the reduction of the par value of each issued Share from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share so that following such reduction, each issued Share with a par value of HK\$0.01 in the share capital of the Company shall become one New Share; and (ii) the Share Premium Reduction involving the reduction of the entire amount standing to the credit of the Share Premium Account. The credit arising from the Capital Reduction and Share Premium Reduction will be applied towards offsetting the Accumulated Losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company, and the balance of any such credit remaining after offsetting the Accumulated Losses may be applied by the Company in any manner as permitted by all applicable laws, the memorandum and articles of association of the Company.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will be sub-divided into fifty (50) authorised but unissued New Shares with a par value of HK\$0.01 each.

As at the date of this announcement, 160,001,378 Shares were issued and were fully paid or credited as fully paid. Assuming that the par value of each of the 160,001,378 issued Shares will be reduced from HK\$0.50 to HK\$0.01 per issued Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$80,000,689.00 will be reduced by HK\$78,400,675.22 to HK\$1,600,013.78.

The Capital Reduction, Share Premium Reduction and Sub-division are conditional upon fulfillment of the conditions contained in the section headed “Conditions of the Capital Reduction, Share Premium Reduction and Sub-division” in this announcement.

A circular containing, among other matters, details of the Capital Reduction, Share Premium Reduction and Sub-division, together with a notice of EGM and the related proxy form, will be sent to the Shareholders on Wednesday, 3 May 2023.

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SHARE PREMIUM REDUCTION AND SUB-DIVISION OF UNISSUED SHARES

As at the date of this announcement, the authorised share capital of the Company was HK\$450,000,000 divided into 900,000,000 Shares of par value HK\$0.50 each, of which 160,001,378 Shares were issued and were fully paid or credited as fully paid. The Board proposes the Capital Reduction, Share Premium Reduction and Sub-division to be implemented in the following manner:

- (i) the par value of each of the issued Shares be reduced from HK\$0.50 to HK\$0.01 per issued Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share;
- (ii) the reduction of the entire amount standing to the credit of the Share Premium Account, which shall be effective when the Capital Reduction becomes effective;
- (iii) the credit arising from the Capital Reduction and Share Premium Reduction will be applied towards offsetting the accumulated losses (the “**Accumulated Losses**”) of the Company as at the effective date of the Capital Reduction, and the balance of any such credit remaining after offsetting the Accumulated Losses will be applied by the Company in any manner as permitted by all applicable laws, the memorandum and articles of association of the Company;
- (iv) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Shares with par value of HK\$0.50 each be sub-divided into 50 authorised but unissued New Shares with par value of HK\$0.01 each; and
- (v) each of the New Shares arising from the Capital Reduction and Sub-division shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction and Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and the Sub-division becoming effective
Par Value	HK\$0.50 per Share	HK\$0.01 per New Share
Amount of the authorised share capital	HK\$450,000,000	HK\$450,000,000
Number of authorised shares	900,000,000 Shares	45,000,000,000 New Shares
Amount of the issued share capital	HK\$80,000,689.00	HK\$1,600,103.78
Number of issued shares	160,001,378	160,001,378

As at the date of this announcement, 160,001,378 Shares were issued and were fully paid or credited as fully paid. Assuming that the par value of each of the 160,001,378 issued Shares will be reduced from HK\$0.50 to HK\$0.01 per issued Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$80,000,689.00 will be reduced by HK\$78,400,675.22 to HK\$1,600,013.78.

Reasons for and effects of the Capital Reduction, Share Premium Reduction and Subdivision

The proposed Capital Reduction and Sub-division will enable the par value of the Shares to be reduced from HK\$0.50 to HK\$0.01 each. The credit arising from the Capital Reduction and Share Premium Reduction will be applied towards offsetting the Accumulated Losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company, and the balance of any such credit remaining after offsetting the Accumulated Losses may be applied by the Company in any manner as permitted by all applicable laws, the memorandum and articles of association of the Company.

The Board is of the opinion that the proposed Capital Reduction and Share Premium Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. It is important for Shareholders to note that, at this stage, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue New Shares, even if the Capital Reduction and Sub-division take effect.

As at the date of this announcement, save for the 2023 Rights Issue and 2022 CB Placing, the Company has no concrete plan or intention to conduct any equity fund raising exercise, including the issuance of equity securities, in the next 12 months. However, the Company cannot rule out the possibility of conducting equity fund raising exercises when required by business development and expansion in the future, relief of liabilities and/or when suitable fund raising opportunities arise. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules.

As such, the Directors are of the view that the Capital Reduction, Share Premium Reduction and Sub-division are in the best interests of the Company and its Shareholders as a whole.

Save for applying the credit arising from the Capital Reduction and Share Premium Reduction towards offsetting the Accumulated Losses of the Company and the expenses to be incurred in relation to the Capital Reduction, Share Premium Reduction and Sub-division, the Directors consider that the Capital Reduction, Share Premium Reduction and Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

Conditions of the Capital Reduction, Share Premium Reduction and Sub-division

The Capital Reduction, Share Premium Reduction and Sub-division are conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reduction, Share Premium Reduction and Sub-division;
- (ii) an order being made by the Court confirming the Capital Reduction;
- (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the GEM Listing Committee granting the listing of, and permission to deal in the New Shares arising from the Capital Reduction and Sub-division.

The Capital Reduction, Share Premium Reduction and Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction, Share Premium Reduction and Sub-division at the EGM, the legal advisors to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

Listing and Dealings

Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and Sub-division.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Free Exchange of share certificates for the New Shares

As the Court hearing date(s) is yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction and Sub-division become effective, Shareholders may submit existing certificates for the Shares to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction and Sub-division, for certificates for the New Shares. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and Sub-division is ascertained.

All existing certificates of the Shares will continue to be evidence of title to such Shares and be valid for delivery, trading and settlement purpose.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 12 May 2023.

EXPECTED TIMETABLE OF THE CAPITAL REDUCTION, SHARE PREMIUM REDUCTION AND SUB-DIVISION

Set out below is the expected timetable for the implementation of the Capital Reduction, Share Premium Reduction and Sub-division. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reduction, Share Premium Reduction and Subdivision and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates.

Expected Timetable	Date 2023
Despatch date of the circular with notice of the EGM	Wednesday, 3 May
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.	4:30 p.m. on Friday, 12 May
Closure of the register of members of the Company for attending the EGM (both days inclusive).	Monday, 15 May to Thursday, 18 May
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Tuesday, 16 May
Record date for determining attendance and voting at the EGM	Thursday, 18 May
Expected date and time of the EGM	11:00 a.m. on Thursday, 18 May
Announcement of the poll result of the EGM	Thursday, 18 May
Register of members of the Company re-opens	Friday, 19 May

The following events are conditional on the results of the EGM and the approval from the Court and therefore the dates are tentative:

Expected Timetable	Date 2023
Expected time of the Capital Reduction and the Sub-division	Before Friday, 30 June
Commencement of dealing in the New Shares	Friday, 30 June
First day of free exchange of existing share certificates for new share certificates for the New Shares	Friday, 30 June
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Monday, 7 August

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction, Share Premium Reduction and Sub-division. A circular containing, among other things, further details of the Capital Reduction, Share Premium Reduction and Sub-division, together with a notice convening the EGM and the related proxy form, will be despatched by the Company to the Shareholders on Wednesday, 3 May 2023.

As no Shareholders have a material interest in the proposed Capital Reduction, Share Premium Reduction and Sub-division, no Shareholders will be required to abstain from voting on the resolution to approve the Capital Reduction, Share Premium Reduction and Sub-division.

DEFINITIONS

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

“2022 CB Placing”	the placing of convertible bonds under specific mandate previously conducted by the Company as announced on 23 May 2022 and approved on 23 September 2022
“2023 Rights Issue”	the rights issue previously conducted by the Company as announced on 17 February 2023 and approved on 12 April 2023
“Board”	the Board of Directors

“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
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Share from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Companies Act”	the Companies Act of the Cayman Islands as consolidated and revised
“Company”	State Innovation Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued share are listed on the Stock Exchange (stock code: 8275)
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Reduction, Share Premium Reduction and Sub-division
“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
“Registrar”	the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“New Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction and Sub-division becoming effective
“Share(s)”	ordinary share(s) of par value HK\$0.50 each in the share capital of the Company prior to the Capital Reduction and Sub-division becoming effective
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s)
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the Share Premium Account
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Sub-division”	the proposed sub-division of each authorised but unissued Share into fifty (50) authorised and unissued New Shares

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

Hong Kong, 25 April 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 Stock 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 Stock 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.