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M-Resources Group Limited
脈資資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 08186)

ISSUANCE OF NEW SHARES UNDER SPECIFIC MANDATE

THE SCHEME TRANSACTIONS

As disclosed in its announcement dated 8 June 2022, the Company has been pursuing a debt restructuring by way of the Scheme. The Scheme was sanctioned by the Hong Kong Court on 22 July 2022 and became effective on 27 July 2022.

Under the Scheme, the Scheme Creditors are entitled to elect either (i) the Cash Payment, under which the Scheme Creditors will receive cash payment representing 2% of their Admitted Claims; or (ii) the Scheme Shares Allotment, under which the Scheme Creditors will be allotted and issued with such number of Scheme Shares on the basis of one Scheme Share for every HK\$10 of their Admitted Claims, to fully settle their respective Admitted Claims.

In addition, in order to finance the operating costs of the Company and the costs associated with the Scheme, the Company has entered into the Facility Agreement with the Subscriber for provision of the Working Capital Loan. Under the Scheme, the Working Capital Loan will be settled by way of the allotment and issue of the Subscriber Shares to the Subscriber at the Subscriber Shares Issue Price. Accordingly, on 24 August 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in respect of the Subscriber Shares Allotment.

SPECIFIC MANDATE

The issue of the Scheme Shares and the Subscriber Shares will be made under the Specific Mandate. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares and the Subscriber Shares.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Scheme Transactions and the Specific Mandate in respect of the Scheme Shares Allotment and the Subscriber Shares Allotment. To the best knowledge, information and belief of the Directors, no Shareholder has a material interest in the Scheme Transactions and is required to abstain from voting on the resolution(s) for approving the Scheme Transactions.

Shareholders and potential investors should note that the Scheme Transactions are subject to fulfillment of conditions precedent and the Scheme Transactions may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SCHEME TRANSACTIONS

Background

As disclosed in its announcement dated 8 June 2022, the Company has been pursuing a debt restructuring by way of the Scheme. The Scheme was sanctioned by the Hong Kong Court on 22 July 2022 and became effective on 27 July 2022.

Under the Scheme, the Scheme Creditors are entitled to elect either (i) the Cash Payment, under which the Scheme Creditors will receive cash payment representing 2% of their Admitted Claims; or (ii) the Scheme Shares Allotment, under which the Scheme Creditors will be allotted and issued with such number of Scheme Shares on the basis of one Scheme Share for every HK\$10 of their Admitted Claims, to fully settle their respective Admitted Claims. In addition, the Company has entered into the Facility Agreement with the Subscriber for provision of the Working Capital Loan of up to HK\$5 million to finance the operating costs of the Company and the costs associated with the Scheme. Under the Scheme, the Working Capital Loan will be settled by way of the allotment and issue of the Subscriber Shares to the Subscriber at the Subscriber Shares Issue Price of HK\$0.55.

The Scheme Shares Allotment

The principal terms of the Scheme Shares Allotment are summarised as follows:

Parties

- (i) the Company as the issuer; and
- (ii) the Scheme Creditors as the subscribers

The Scheme Shares

Assuming there will be no change in the number of issued Shares between the date of this announcement and completion of the Scheme Transactions, the Scheme Shares represent 34.3% of the issued Shares as at the date of this announcement or 18.2% of the issued Shares as enlarged by the allotment and issue of the Scheme Shares and the Subscriber Shares.

Based on the closing price of the Shares of HK\$0.18 as at the date of this announcement, the 5,342,402 Scheme Shares have a market value of HK\$961,632 and a nominal value of HK\$427,392.

The Scheme Shares will be allotted and issued to no less than six Scheme Creditors and will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of the issue of the Scheme Shares. The number of Scheme Shares to be allotted and issued to each Scheme Creditor shall be rounded down to the nearest integral number of Scheme Shares, and no fraction of Scheme Share shall be allotted and issued, and in any event, no fraction of any Scheme Shares will be aggregated for allotment or issue.

Scheme Shares Issue Price

The Scheme Shares Issue Price of HK\$0.18 (i) is the same as the closing price of the Shares as quoted on the Stock Exchange on the date of this announcement; (ii) represents a discount of 5.3% to the average closing price of HK\$0.19 per Share for the last five consecutive trading days immediately prior to the date of this announcement and a discount of 10% to the average closing price of HK\$0.20 per Share for the last ten consecutive trading days immediately prior to the date of this announcement.

Conditions of the Scheme Shares Allotment

The Scheme Shares Allotment is subject to:

- (a) the Stock Exchange having granted the listing of, and permission to deal in, the Scheme Shares; and
- (b) the passing of the relevant resolution by way of poll at the SGM by the Shareholders for approving the Specific Mandate for the allotment and issue of the Scheme Shares.

Under the Scheme, in the event that any of the condition is not fulfilled in full and the Scheme Shares Allotment does not take place on or before 26 January 2023, those Scheme Creditors who have elected for the Scheme Shares Allotment will receive Cash Payment representing 0.5% of their Admitted Claims.

The Subscriber Shares Allotment

On 24 August 2022, the Company entered into the Subscription Agreement with the Subscriber.

The principal terms of the Subscription Agreement are as follows:

Date

24 August 2022 (after trading hours)

Parties

- (i) The Company as the issuer; and
- (ii) The Subscriber as the subscriber

The Subscriber is wholly owned by Mr. Feng Wei Bo, a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The Subscriber Shares

Assuming there will be no change in the number of issued Shares from the date of this announcement and completion of the Scheme Transactions, the Subscriber Shares represent 54.4% of the issued Shares as at the date of this announcement or 28.8% of the issued Shares as enlarged by the allotment and issue of the Subscriber Shares and the Scheme Shares.

Based on the closing price of the Shares of HK\$0.18 as at the date of the Subscription Agreement, the Subscriber Shares have a market value of HK\$1,525,746 and a nominal value of HK\$678,109.

The Subscriber Shares will rank *pari passu* in all respects among themselves and with other Shares in issue on the date of allotment and issue of the Subscriber Shares.

The Subscriber Shares Issue Price

The Subscriber Shares Issue Price of HK\$0.55 was determined after arm's length negotiation between the Company and the Subscriber and represents (i) a premium of 206% over the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) a premium of 189% over the average closing price of HK\$0.19 per Share for the last five trading days immediately prior to the date of the Subscription Agreement.

The gross and the net proceeds from the Subscriber Shares Allotment is HK\$4,662,000 respectively and will be settled by the same amount of the Working Capital Loan. The net price per Subscriber Share is HK\$0.55.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Subscriber Shares;
- (b) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to completion of the Subscription Agreement;
- (c) there being no indication received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after completion of the Subscription Agreement;
- (d) the respective warranties of the Company and the Subscriber under the Subscription Agreement remaining true and accurate in all material respects;
- (e) the Company having obtained all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscriber Shares Allotment; and
- (f) the Subscriber having obtained all necessary consents and approvals as may be required to be obtained on the part of the Subscriber in respect of the Subscriber Shares Allotment.

Save and except that the Subscriber may, at its sole discretion, waive condition (d) in respect of the warranties given by the Company, all the conditions (a), (b), (c), (d), (e) and (f) shall not be waived by the Company and/or the Subscriber. In the event that any of the conditions not being fulfilled or waived in full by 26 January 2023 (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the provisions under the Subscription Agreement.

Completion of the Subscriber Shares Allotment will take place within 5 business days from fulfilment or waiver (as the case may be) of the conditions as set out above.

SPECIFIC MANDATE

The issue of the Scheme Shares and the Subscriber Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the SGM.

LISTING APPLICATION

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

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fundraising activities during the past twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there will be no change in the number of issued Shares from the date of this announcement and completion of the Scheme Transactions, the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Scheme Transactions are set out as below:

	As at the date of this announcement		Immediately after the Scheme Transactions	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mega Trillion International Corporation	2,596,875	16.7%	2,596,875	8.8%
Landmass Investments Limited	1,517,212	9.7%	1,517,212	5.2%
Jade Metro Limited	1,031,250	6.6%	1,031,250	3.5%
Director	676,127	4.3%	676,127	2.3%
Subscriber	–	–	8,476,364	28.8%
Scheme Creditors	–	–	5,342,402	18.2%
Public shareholders	9,763,867	62.7%	9,763,867	33.2%
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Total	<u>15,585,331</u>	<u>100.0%</u>	<u>29,404,097</u>	<u>100.0%</u>

REASONS AND BENEFIT OF THE SCHEME TRANSACTIONS

The Group is principally engaged in the household and plantation business and the other businesses (comprising the financial services business and the accessories business).

The Scheme Transactions form the Company's principal arrangements with the Scheme Creditors and the Subscriber for their supports to the Scheme. The success of the Scheme was resulted from the support of the Scheme Creditors and the Subscriber. The supporting Scheme Creditors and the Subscriber are therefore valuable assets to the Group's development. Having considered that (i) the Scheme will turn the Group's financial position from substantial net liabilities into net asset value; (ii) the Scheme Transactions are the principal terms relied upon by the Scheme Creditors and the Subscriber to render their support to the Scheme; (iii) the Company would have been placed under liquidation and the Shares would have become worthless if either the Scheme was not approved by the Scheme Creditors or the financial support was not provided by the Subscriber; and (iv) the Subscriber Shares Issue Price reflects a premium of over 200% to the current market price of the Shares, the Directors are of the view that the terms of the Scheme Transactions and the transactions contemplated thereunder (including the Subscriber Shares Issue Price) are fair and reasonable and the Scheme Transactions are in the interest of the Company and the Shareholders as a whole.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Scheme Transactions and the Specific Mandate in respect of the Scheme Shares Allotment and the Subscriber Shares Allotment. To the best knowledge, information and belief of the Directors, no Shareholder has a material interest in the Scheme Transactions and is required to abstain from voting on the resolution(s) for approving the Scheme Transactions at the SGM.

A circular containing, among other things, (i) details of the Scheme Transactions and the Specific Mandate in respect of the Scheme Shares Allotment and the Subscriber Shares Allotment; (ii) a notice to convene the SGM; and (iii) other information as required under the GEM Listing Rules, will be despatched to the Shareholders on or before 15 September 2022 in compliance with the GEM Listing Rules.

Shareholders and potential investors should note that the Scheme Transactions are subject to fulfillment of conditions precedent as set out above and the Scheme Transactions may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Admitted Claims”	the claims of the Scheme Creditors against the Company which are admitted by the administrator of the Scheme
“Cash Payment”	the full and final settlement of the Admitted Claims by way of payment in cash to the Scheme Creditors pursuant to the Scheme
“Company”	M-Resources Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM of the Stock Exchange
“Directors”	the directors of the Company
“Facility Agreement”	the loan facility agreement dated 7 June 2021 and entered into between the Subscriber and the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong Court”	the High Court of The Hong Kong Special Administrative Region
“Scheme”	the scheme of arrangement for the Company between the Company and the Scheme Creditors pursuant to Sections 670 and 673 of the Companies Ordinance and sanctioned by the Hong Kong Court on 22 July 2022
“Scheme Creditors”	creditors with claims against the Company that would be provable under Section 263 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) if an order for the winding up of the Company were made
“Scheme Share Issue Price”	HK\$0.18 per Scheme Share
“Scheme Shares”	5,342,402 new Shares to be allotted and issued to the Scheme Creditors under the Scheme Shares Allotment

“Scheme Shares Allotment”	the full and final settlement of the Admitted Claims by way of allotment and issue of the Scheme Shares to the Scheme Creditors pursuant to the Scheme
“Scheme Transactions”	the Scheme Shares Allotment and the Subscriber Shares Allotment
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider, and if thought fit, approve the Scheme Transactions and the Specific Mandate
“Share(s)”	the ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Directors at the SGM for the allotment and issue of the Scheme Shares and the Subscriber Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Epoch Unicorn Limited, a company incorporated in Samoa with limited liability
“Subscriber Shares”	8,476,364 new Shares to be allotted and issued to the Subscriber under the Subscriber Shares Allotment
“Subscriber Shares Allotment”	the allotment and issue of the Subscriber Shares to the Subscriber pursuant to the Subscription Agreement
“Subscriber Shares Issue Price”	HK\$0.55 per Subscriber Share
“Subscription Agreement”	the agreement dated 24 August 2022 and entered into between the Company and the Subscriber in relation to the Subscriber Shares Allotment
“Working Capital Loan”	the loan of up to HK\$5 million provided by the Subscriber under the Facility Agreement

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

For and on behalf of the board of directors

M-Resources Group Limited

Leung Ka Ho

Company Secretary

Hong Kong, 24 August 2022

As at the date of this announcement, the board of directors of the Company comprises Ms. Chan Ho Yee as executive director, and Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Huang Zhe as independent non-executive directors.

This announcement, for which the directors of the Company 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for seven days from the date of its publication and on the website of the Company at <http://www.m-resources.com.hk>.