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**PROPOSED CAPITAL REORGANISATION
AND
PROPOSED CHANGE IN BOARD LOT SIZE**

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation involving:

(1) Share Consolidation

every eighty (80) issued Existing Shares of HK\$0.10 each shall be consolidated into one (1) issued Consolidated Share of HK\$8.00 each, and every eighty (80) unissued Existing Shares of HK\$0.10 each shall be consolidated into one (1) unissued Consolidated Share of HK\$8.00 each.

(2) Capital Reduction

immediately upon completion of the Share Consolidation, the issued share capital of the Company shall be reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) cancelling the paid up capital of the Company to the extent of HK\$7.99 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$8.00 to HK\$0.01. The credit arising from the Capital Reduction in the amount of approximately HK\$3,864,993,607 (equivalent to approximately US\$495,512,001) will be applied to offset against the balance of the accumulated losses of the Company up to the effective date of the Capital Reduction.

(3) Sub-division

the Subdivision on the basis that every unissued Consolidated Share in the authorised share capital of the Company shall be sub-divided into eight hundred (800) New Shares of HK\$0.01 each.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 8,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 8,000 Existing Shares to 1,000 New Shares conditional upon the Capital Reorganisation becoming effective.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve resolutions for effecting the Capital Reorganisation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution(s) relating to the proposed Capital Reorganisation. A circular containing, among other things, (i) details of the Capital Reorganisation and the Change in Board Lot Size; and (ii) the notice convening the EGM is expected to be despatched to the Shareholders on or before 13 November 2020.

Shareholders and potential investors should note that the Capital Reorganisation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions of the Capital Reorganisation" below. Accordingly, the Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which involves:

(1) Share Consolidation

Every eighty (80) issued Existing Shares of HK\$0.10 each shall be consolidated into one (1) issued Consolidated Share of HK\$8.00 each, and every eighty (80) unissued Existing Shares of HK\$0.10 each shall be consolidated into one (1) unissued Consolidated Share of HK\$8.00 each.

(2) Capital Reduction

Immediately upon completion of the Share Consolidation, the issued share capital of the Company shall be reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) cancelling the paid up capital of the Company to the extent of HK\$7.99 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$8.00 to HK\$0.01.

The credit arising from the Capital Reduction in the amount of approximately HK\$3,864,993,607 (equivalent to approximately US\$495,512,001) will be applied to offset against the balance of the accumulated losses of the Company up to the effective date of the Capital Reduction.

(3) Sub-division

The Sub-division on the basis that every unissued Consolidated Share in the authorised share capital of the Company shall be sub-divided into eight hundred (800) New Shares of HK\$0.01 each.

Effect of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$10,000,000,000 divided into 100,000,000,000 Existing Shares of nominal value HK\$0.10 each of which 38,698,308,961 Existing Shares have been issued and are fully paid.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation, the authorised share capital of the Company will be HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of nominal value of HK\$0.01 each, of which 483,728,862 New Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$4,837,288.62 upon the Capital Reorganisation becoming effective.

Based on the 38,698,308,961 Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$3,864,993,607 (equivalent to approximately US\$495,512,001) will arise as a result of the Capital Reduction. It is proposed that the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective.

Shareholders and potential investors of the Company should note that the credits arising in the books from the Capital Reorganisation will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

Assuming that there are no other changes in the issued share capital of the Company from the date of this announcement up to the effective date of the Capital Reorganisation, the share capital structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Share Consolidation; and (iii) immediately after completion of the Capital Reorganisation is summarised below:

	As at the date of this announcement	Immediately after completion of the Share Consolidation	Immediately after completion of the Capital Reorganisation
Authorised share capital	HK\$10,000,000,000.00	HK\$10,000,000,000.00	HK\$10,000,000,000.00
Number of authorised shares	100,000,000,000 Existing Shares of HK\$0.10 each	1,250,000,000 Consolidated Shares of HK\$8.00 each	1,000,000,000,000 New Shares of HK\$0.01 each
Amount of issued share capital	HK\$3,869,830,896.10	HK\$3,869,830,896.00	HK\$4,837,288.62
Number of issued shares	38,698,308,961 Existing Shares of HK\$0.10 each	483,728,862 Consolidated Shares of HK\$8.00 each	483,728,862 New Shares of HK\$0.01 each
Number of unissued shares	61,301,691,039 Existing Shares of HK\$0.10 each	766,271,138 Consolidated Shares of HK\$8.00 each	999,516,271,138 New Shares of HK\$0.01 each

All New Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other in accordance with memorandum and articles of association of the Company.

Other than the expense to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders on the date on which the Capital Reorganisation is to be effected.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (a) the passing of the necessary resolution(s) by the Shareholders at the EGM to approve the Capital Reorganisation;
- (b) the Grand Court granting an order confirming the Capital Reduction;

- (c) compliance with any terms and conditions which the Grand Court may impose for the Capital Reduction to be effective;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue immediately upon the Capital Reorganisation becoming effective; and
- (e) the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minutes approved by the Grand Court containing the particulars required under the Companies Law with respect to the Capital Reduction.

The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisors to the Company (as to Cayman Islands Law) will apply to the Grand 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 Grand Court hearing date(s) is confirmed.

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 New Shares upon the Capital Reorganisation becoming effective.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange upon the Capital Reorganisation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, 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. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

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

Fractional entitlement to the Consolidated Shares

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

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 8,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 8,000 Existing Shares to 1,000 New Shares conditional upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.026 per Existing Share (equivalent to the theoretical closing price of HK\$2.08 per New Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$208; (ii) the value of each board lot of 8,000 New Shares would be HK\$16,640 assuming the Capital Reorganisation becoming effective; and (iii) the estimated value per board lot of 1,000 New Shares would be HK\$2,080 assuming that the Change in board lot size had also been effective. The Change in Board Lot Size will result in New Shares being traded in a more reasonable board lot size and value.

The Change in Board Lot Size will not result in change in the rights of the Shareholders.

ARRANGEMENT ON ODD LOT TRADING

In order to facilitate the trading of odd lots of the New Shares arising from the Capital Reorganisation, the Company has appointed Get Nice Securities Limited to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot arrangement will be set out in the circular to be despatched to the Shareholders.

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

EXCHANGE OF SHARE CERTIFICATES

Subject to the Capital Reorganisation becoming effective, the Shareholders may during the period from Monday, 25 January 2021 to Thursday, 4 March 2021 (both days inclusive) submit existing share certificates for the Existing Shares (in the colour of orange) to the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange for new share certificates for the New Shares (in the colour of light green) at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever is higher.

After 4:10 p.m. on Tuesday, 2 March 2021, trading will only be in New Shares. Share certificates for the Existing Shares will remain effective as documents of title and may be exchanged for share certificates for the New Shares at any time but will not be accepted for delivery, trading and settlement purposes.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

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

REASONS FOR THE PROPOSED CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Based on the closing price of HK\$0.026 per Existing Share (equivalent to the theoretical closing price of HK\$2.08 per New Share) as at the date of this announcement, the estimated market value per board lot of 1,000 New Shares would be HK\$2,080 assuming the Capital Reorganisation and the Change in Board Lot Size have been effective.

According to rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The Board considers that the proposed Capital Reorganisation, resulting in HK\$2.08 per New Share (based on the current closing price of HK\$0.026 per Existing Share as at the date of this announcement), would enable the Company to comply with the trading requirements under the Listing Rules.

It is expected that the Capital Reorganisation and Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price per New Share on the Stock Exchange. The Board believes that this will make investing in the Shares more

attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus further broaden the shareholder base of the Company. With a higher trading price of the New Shares and reduction in the transaction and handling costs as a proportion of the market value of each board lot, the Board believes that the Capital Reorganisation will enhance the corporate image of the Company so as to make investing in the New Shares more attractive to a broader range of institutional and professional investors and other members of the investing public.

In addition, under the Companies Law, the Company is restricted in its ability to issue Shares at a price lower than their nominal value. The Sub-division will reduce the nominal value of the Existing Shares, which will provide the Company with greater flexibility to accommodate the issue of further New Shares in the future when necessary. Further, the Capital Reduction will eliminate a substantial amount of the Company's accumulated loss, hence, allowing greater flexibility for the Company to pay dividends in the future.

In view of the above reasons, the Company considers the proposed Capital Reorganisation and Change in Board Lot Size is justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Capital Reorganisation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

Subject to prevailing market conditions, the Group may consider various fund raising activities to replenish its general working capital and/or to finance any potential business opportunities after completion of the Capital Reorganisation and Change in Board Lot Size. As at the date of this announcement, there is no understanding, agreement or arrangement for any such fund raising activity nor is there any plan or conclusion for the format of any such corporate actions or arrangements for such fund raising.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation and Change in Board Lot Size is as follows:

Event	Expected date/time
Despatch date of circular with notice of the EGM	Friday, 13 November 2020
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:30 p.m on Wednesday, 25 November 2020

Closure of the register of members for the entitlement to attend and vote at the EGM Thursday, 26 November 2020 to Tuesday, 1 December 2020 (both days inclusive)

Latest date and time for lodging the proxy forms for the EGM 10:00 a.m. on Sunday, 29 November 2020

Record date for attending the EGM Tuesday, 1 December 2020

Date and time of the EGM 10:00 a.m. on Tuesday, 1 December 2020

Publication of announcement of voting results of the EGM Tuesday, 1 December 2020

The following events are conditional on the results of the EGM and the fulfilment of the conditions of the Capital Reorganisation:

Event	Expected date/time
Grand Court hearing of petition to confirm the Capital Reduction	Tuesday, 19 January 2021 (Cayman Islands time)
Registration of court order confirming the Capital Reduction and the minute of the Order of the Capital Reduction with the Registrar of Companies in the Cayman Islands	Friday, 22 January 2021 (Cayman Islands time)
Effective date of the Capital Reorganisation	Monday, 25 January 2021
Dealing in the New Shares commence	9:00 a.m. on Monday, 25 January 2021
First day for free exchange of existing share certificates for new share certificates for the New Shares	Monday, 25 January 2021
Original counter for trading in the Existing Shares in board lots of 8,000 Existing Shares temporarily closes	9:00 a.m. on Monday, 25 January 2021

Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) opens 9:00 a.m. on Monday, 25 January 2021

Original counter for trading in the New Shares in board lots of 1,000 New Shares (in the form of new share certificates) re-opens 9:00 a.m. on Monday, 8 February 2021

Parallel trading in the New Shares (in form of new share certificates and existing share certificates) commences 9:00 a.m. on Monday, 8 February 2021

Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares 9:00 a.m. on Monday, 8 February 2021

Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) closes 4:10 p.m. on Tuesday, 2 March 2021

Parallel trading in the New Shares (in form of new share certificates and existing share certificates) ends 4:10 p.m. on Tuesday, 2 March 2021

Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares 4:10 p.m. on Tuesday, 2 March 2021

Last day for free exchange of existing share certificates for new share certificates for the New Shares Thursday, 4 March 2021

The expected timetable set out above is subject to the results of the EGM and is therefore for indicative purpose only. All times and dates in this announcement refer to Hong Kong local times and dates, unless otherwise specified. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders' entitlement to attend and vote at the EGM, the register of members will be closed from Thursday, 26 November 2020 to Tuesday, 1 December 2020 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at EGM, Shareholders must lodge all transfer

“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising (i) the Capital Reduction; (ii) the Share Consolidation; and (iii) Sub-division
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Existing Shares to 1,000 New Shares
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	CST Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 985)
“Consolidated Share(s)”	ordinary share(s) of HK\$8.00 each of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	the 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 Reorganisation
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the completion of the Share Consolidation
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the completion of the Capital Reorganisation

“Share Consolidation”	the proposed share consolidation of every eighty (80) issued and unissued Existing Shares into one (1) Consolidated Share
“Share(s)”	Existing Share(s), Consolidated Share(s), and/or New Share(s) as the case may be
“Shareholder(s)”	holder(s) of the Existing Share(s), or the Consolidated Share(s), or New Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the proposed sub-division of every unissued Consolidated Share in the authorised share capital of the Company into eight hundred (800) New Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

For illustration purpose only, amounts in US\$ in this announcement have been translated into HK\$ at the rate of US\$1 = HK\$7.8.

By Order of the Board
CST Group Limited
Chiu Tao
Executive Director and Chairman

Hong Kong, 29 October 2020

As of the date hereof, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. Tsui Ching Hung and Mr. Wah Wang Kei, Jackie as executive Directors; and (ii) Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive Directors.