
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Beaver Group (Holding) Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS
SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD
ON THE RECORD DATE; AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**

六福金融
LUKFOOK FINANCIAL

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 13 to 38 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 39 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 73 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 19 March 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 1 April 2021 to Tuesday, 13 April 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 1 April 2021 to Tuesday, 13 April 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Tuesday, 16 March 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. 14 March 2021 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. 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 places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or 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. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

27 February 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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PRECAUTIONARY MEASURES FOR THE EGM

In light of the COVID-19 pandemic, and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree Celsius, or who has any flulike symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear surgical face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees;
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue; and
8. other safe distancing measures as appropriate.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

“2020 Rights Issue”	the rights issue previously conducted by the Company as announced on 10 August 2020 and completed in October 2020
“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 25 January 2021 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or “black” rainstorm warning signal is hoisted or remains hoisted or “extreme conditions” caused by super typhoons in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“C3J Development”	C3J Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Tang and the legal and beneficial owner of 187,000,000 Existing Shares as at the Latest Practicable Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Beaver Group (Holding) Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM

DEFINITIONS

“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 circular
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Consolidated Share(s)”	issued and unissued ordinary share(s) of HK\$0.1 each in the share capital of the Company upon the Share Consolidation becoming effective
“Controlling Shareholder”	has the same meaning ascribed thereto under the GEM Listing Rules
“COVID-19”	novel coronavirus pandemic (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“Existing Share(s)”	issued and unissued ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries (from time to time)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Hunter Corporate”	Hunter Corporate Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Chui and the legal and beneficial owner of 183,000,000 Existing Shares as at the Latest Practicable Date
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$10 million divided into 100,000,000 Consolidated Shares to HK\$100 million divided into 1,000,000,000 Consolidated Shares by creating additional 900,000,000 Consolidated Shares
“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
“Independent Financial Adviser”	Luk Fook Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	a person(s) or company(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Last Trading Day”	25 January 2021, being the last full trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Lodging Time”	4:30 p.m. on Monday, 22 March 2021 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

DEFINITIONS

“Latest Practicable Date”	25 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 16 April 2021 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”	4:00 p.m. on the first Business Day after the latest time for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“Mr. Chui”	Mr. Chui Koon Yau, an executive Director
“Mr. Tang”	Mr. Tang Kwai Leung Stanley, the chairman of the Board and an executive Director
“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)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that have not been sold by the Company

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong, if any
“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“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”	Gransing Securities Co., Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 25 January 2021 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 Period”	the period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business day after the Latest Time for Acceptance
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 30 March 2021, or such other day as may be determined by the Company for the despatch of the Prospectus Documents

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Monday, 29 March 2021 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue
“Registrar”	the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	new Consolidated Shares to be allotted and issued under the proposed Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares in issue on the Record Date, being 135,000,000 Consolidated Shares based on the Company’s issued share capital as at the date of the Announcement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in issue and unissued share capital of the Company
“Share Consolidation”	proposed consolidation of the issued and unissued Shares on the basis of ten (10) Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.21 per Rights Share
“substantial shareholder”	has the same meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation and the Rights Issue is set out below.

Event	Time and Date 2021
Latest time for lodging transfer documents of the Existing Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 9 March
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Wednesday, 10 March to Tuesday, 16 March
Latest time for lodging proxy forms for the EGM	11 a.m. on Sunday, 14 March
Record date for attendance and voting at the EGM	Tuesday, 16 March
Expected date and time of the EGM to approve the proposed Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing	11 a.m. on Tuesday, 16 March
Announcement of the poll result of the EGM	Tuesday, 16 March
Register of members re-open	Wednesday, 17 March
The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue as set out in this circular.	
Effective date of the Share Consolidation	Thursday, 18 March
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Thursday, 18 March
Original counter for trading in Existing Shares in the board lot size of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 18 March

EXPECTED TIMETABLE

Event	Time and Date 2021
Temporary counter for trading in the Consolidated Shares in the board lot size of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 18 March
First day of free exchange of existing share certificates for new share certificates for Consolidated Share	Thursday, 18 March
Last day of dealings in Consolidated Shares on a cum-rights basis	Thursday, 18 March
First day of dealings in Consolidated Shares on an ex-rights basis	Friday, 19 March
Latest time for the Shareholders to lodge transfer documents to Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 22 March
Register of members of the Company closes (both days inclusive)	Tuesday, 23 March to Monday, 29 March
Record Date for determining entitlements to the Rights Issue	Monday, 29 March
Register of members of the Company re-opens	Tuesday, 30 March
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Tuesday, 30 March
First day of dealing in nil-paid Rights Shares	Thursday, 1 April
Original counter for trading in the Consolidated Shares in the board lot size of 10,000 Consolidated Shares (in the form of new share certificates) reopens	Thursday, 1 April
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	Thursday, 1 April
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	Thursday, 1 April
Latest time for splitting the PAL	4:30 p.m. on Thursday, 8 April

EXPECTED TIMETABLE

Event	Time and Date 2021
Last day of dealings in nil-paid Rights Shares	Tuesday, 13 April
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 16 April
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	Tuesday, 20 April
Commencement of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	Wednesday, 21 April
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Friday, 23 April
Latest Time for Termination	4:00 p.m. on Monday, 26 April
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Monday, 26 April
Temporary counter for trading in the Consolidated Shares in the board lot size of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 26 April
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Monday, 26 April
Latest time for free exchange of existing share certificates for new share certificates	4:00 p.m. on Wednesday, 28 April
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)	Friday, 30 April

EXPECTED TIMETABLE

Event	Time and Date 2021
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications	Monday, 3 May
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 4 May
Payment of Net Gain to relevant No Action Shareholders (if any)	Tuesday, 11 May

Note: All times and dates in this circular refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 16 April 2021. 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 Friday, 16 April 2021. 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 Friday, 16 April 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

Executive Directors:

Mr. Tang Kwai Leung Stanley (*Chairman*)

Mr. Chui Koon Yau

Independent non-executive Directors:

Mr. Cheung Chung Chuen George

Mr. Law Ching Ning Paschal

Mr. Leung Wai Hung

Registered office:

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Room 1204, 12/F, Block 2

Golden Industrial Building

16–26 Kwai Tak Street

Kwai Chung, New Territories

Hong Kong

27 February 2021

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS
SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD
ON THE RECORD DATE; AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent Financial Adviser to the

LETTER FROM THE BOARD

Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM.

(I) PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every ten (10) Existing Shares be consolidated into one (1) Consolidated Share.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the GEM Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

As at the Latest Practicable Date, all the above conditions remain unfulfilled.

Listing application

An application has been made by the Company to the GEM Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated 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 Consolidated 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 Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

LETTER FROM THE BOARD

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

Reason for the Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The existing board lot value has been less than HK\$2,000. It is expected that the Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share. Immediately prior to the date of the Announcement, the last trading price of the Company was HK\$0.032 per Share, with a board lot size of 10,000, and the existing board lot value was only HK\$320, which was less than HK\$2,000. Upon the Share Consolidation becoming effective, based on the last trading price of HK\$0.032 per Share, the share price of the Company would be adjusted to HK\$0.32 per Share. With a board lot size of 10,000, the new board lot value would be HK\$3,200, which would be more than the required HK\$2,000. As such, the proposed Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules. Thus, the Board considers that, despite such Share Consolidation would lead to odd lots, it would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company.

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. It is hoped 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 help to further broaden the shareholder base of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

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As at the Latest Practicable Date, save as disclosed in this circular, the Company (i) has not had any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has had no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation is fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

Fractional entitlement to Consolidated Shares

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

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$10,000,000 divided into 1,000,000,000 ordinary Shares of HK\$0.01 each, of which 900,000,000 ordinary Shares had been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$10,000,000 divided into 100,000,000 ordinary Shares of HK\$0.1 each, of which 90,000,000 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the

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Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Other securities of the Company

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Gransing Securities Co., Limited to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. 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 new board lot, may directly or through their brokers, contact Ms. Annie Wong of Gransing Securities Co., Limited at (852) 3162 6883 or by facsimile at (852) 3162 6802 during the period from Thursday, 1 April 2021 to 4:00 p.m. on Monday, 26 April 2021 (both days inclusive).

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, the Shareholders may during the period from Thursday, 18 March 2021 to Wednesday, 28 April 2021 (both days inclusive) submit existing share certificates in the colour of blue for the Existing Shares to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for exchange for new share certificates in the colour of red for the Consolidated Shares at the expense of the Company.

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

After 4:00 p.m. on Wednesday, 28 April 2021, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for share certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

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Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Share Consolidation having become effective, the Company proposes to seek the approval of the Shareholders by way of ordinary resolution at the EGM for an increase in its authorised share capital from HK\$10,000,000 divided into 100,000,000 Consolidated Shares to HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares by creating additional 900,000,000 Consolidated Shares in order to facilitate the Rights Issue. The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

The Board believes that the Increase in Authorised Share Capital will provide the Company with greater flexibility to raise funds and is in the interests of the Company and the Shareholders as a whole.

(III) PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.21 per Rights Share, to raise HK\$28.35 million by issuing 135,000,000 Rights Shares to the Qualifying Shareholders. The Rights Issue will only be 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) Consolidated Shares held on the Record Date
Subscription Price:	HK\$0.21 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	900,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective:	90,000,000 Consolidated Shares

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Number of Rights Shares (assuming that the Rights Issue is fully subscribed):	135,000,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares (assuming that the Rights Issue is fully subscribed):	HK\$13,500,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares (assuming that the Rights Issue is fully subscribed):	225,000,000 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 135,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 60% of the issued share capital of the Company after completion of the Share Consolidation and 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 places 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

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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 Latest Practicable Date, 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 at 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\$0.21 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 approximately 22.22% to the theoretical closing price of HK\$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 34.38% to the theoretical closing price of HK\$0.32 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.82% to the theoretical average closing price of approximately HK\$0.31 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.031 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 17.32% to the theoretical ex-rights price of approximately HK\$0.25 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the theoretical ex-rights price of approximately HK\$0.025 per Share and closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 20.63%, represented by the theoretical diluted price of approximately HK\$0.25 per Consolidated Share to the theoretical benchmarked price of HK\$0.32 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.032 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 the Announcement of approximately HK\$0.031 per Share);
- (vi) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the 2020 Rights Issue represented by a discount of approximately 24.48%, represented by the cumulative theoretical diluted price of approximately HK\$0.29 per Consolidated Share to the theoretical benchmarked price of HK\$0.38 per Consolidated Share in respect of the 2020 Rights Issue (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the benchmarked price of the 2020 Rights Issue, being HK\$0.038 per Share); and
- (vii) a discount of approximately 69.82% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.70 (based on the consolidated net asset value of the Company as at 31 March 2020 of approximately HK\$62,616,000 and the number of issued Consolidated Shares after the Share Consolidation, which will be 90,000,000).

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\$0.19.

The Subscription Price was determined after by the Company with reference to, among others, (i) the market price of the Shares under the prevailing market conditions, (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” in this circular.

It is a common market practice that, in order to enhance the attractiveness of rights issue to existing shareholders, the subscription price would be set at a discount to the prevailing market prices of the relevant shares. The Company considers that the

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Subscription Price provides a more attractive opportunity to encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company and is therefore fair and reasonable.

The Independent Financial Adviser also considers the historical price performance and trading liquidity of the Company as well as the comparison with other rights issue exercises and they are of the view that the Subscription Price is reasonable so far as the Independent Shareholders are concerned. For details, please refer to the paragraph headed “5. Assessment of the principal terms of the Rights Issue – Subscription price” of the letter from the Independent Financial Adviser.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

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 members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Monday, 22 March 2021.

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The last day of dealing in the Shares on cum-rights basis is Thursday, 18 March 2021. The Shares will be dealt with on an ex-rights basis from Friday, 19 March 2021.

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 Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

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). As at the Latest Practicable Date, there is no Overseas Shareholder.

The basis for excluding the Non-Qualifying Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

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. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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Closure of register of members

The register of members of the Company will be closed from Tuesday, 23 March 2021 to Monday, 29 March 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every two (2) Consolidated 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, a designated broker, Gransing Securities Co., Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Gransing Securities Co., Limited 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 Ms. Annie Wong at (852) 3162 6883 of Gransing Securities Co., Limited or by facsimile at (852) 3162 6802. 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.

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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 Monday, 3 May 2021. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Monday, 3 May 2021 by ordinary post to the applicants at their own risk, to their registered addresses.

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 places for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 25 January 2021 (after trading hours of the Stock Exchange), 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 places 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 places 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 Friday, 23 April 2021, 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.

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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.

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

Details of the Placing Agreement are summarised as follows:

Date: 25 January 2021

Issuer: The Company

Placing Agent: Gransing Securities Co., Limited was appointed as the Placing Agent to procure, on a best efforts basis, places to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

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: The period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance.

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- Commission and expenses: Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% 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 the 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 as a result of the Placing.
- Ranking of Unsubscribed Rights Shares and the 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 obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
 - (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and

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- (iii) 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 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). As at the Latest Practicable Date, all of the above conditions remain unfulfilled.

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (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 Third Parties 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;

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- (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) (a) are not Shareholder; and (b) 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.

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee of the Stock Exchange 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

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 10,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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.

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Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing of the necessary resolutions at the EGM to approve the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the GEM Listing Rules or other applicable laws and regulations if necessary);
- (b) the Share Consolidation having become effective;
- (c) the Increase in Authorised Share Capital having become effective;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) not later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (f) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and 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; and
- (g) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The above conditions precedent are incapable of being waived. If any of the above conditions precedent is not satisfied by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, all of the above conditions remain unfulfilled.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED 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 disclosed in the interim report of the Company for the six months ended 30 September 2020, for the said period, the Group recorded an unaudited net loss of approximately HK\$2.4 million as compared to a net loss of approximately HK\$2.2 million for the same period in 2019. The Directors are of the view that the net loss was primarily due to decrease in rental income from machinery and provision of allowance for impairment loss of financial assets. The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 pandemic since early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts 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.

As at 31 January 2021, the Company's accounts payable which were due for over 120 days amounted to approximately HK\$11 million. The Company also had two bank loans with a total outstanding principal amount of HK\$2 million which would be due in April 2021. Furthermore, under the Pre-approved Principal Payment Holiday Scheme (the "**Payment Holiday**"), which has been implemented by the Hong Kong Monetary Authority since April 2020 to alleviate the financial pressure on corporates in light of the COVID-19 outbreak, the Company has been deferring principal repayments and paying only the interest for two other bank loans with a total outstanding amount of approximately HK\$14.83 million (the "**Loans**"). However, the Payment Holiday for the Loans will end in April and May 2021 respectively and there is no indication that it will be extended. Accordingly, from May and June 2021 respectively, the Company will be required to resume monthly payment of principal plus interest of the Loans, which will in aggregate amount to approximately HK\$300,000 per month until the end of their terms, being April 2025 and June 2025 respectively. In order to save up to approximately HK\$938,000 in interest payment and ease the burden of the Company to repay approximately HK\$300,000 per month for the remaining terms of the Loans after expiration of the Payment Holiday, the Company intends to make an early repayment of the Loans in full prior to the expiration of the Payment Holiday.

Despite the rights issue completed in October 2020, of which all the net proceeds raised had been fully utilised by the Group for repayment of outstanding bank loans and the Group's payable to its suppliers in November 2020, the Board is concerned that the Group still maintains a high level of gearing ratio of approximately 52.20% as at 31 December 2020. In addition, the monthly net operating cash outflow of the Company generally ranged from approximately HK\$3.08 million to approximately HK\$9.13 million during the period from October 2020 to December 2020. However, the Company maintained its cash and cash equivalents at a low level of approximately HK\$3.85 million as at 31 December 2020 and the Company will not be able to cover the monthly instalment for all the bank and other borrowings.

LETTER FROM THE BOARD

Given that (i) the low level of bank and cash balance of the Company as at 31 December 2020; (ii) the obligation to repay the bank loans of HK\$2 million due in April 2021, which is unlikely that the bank will agree to extend the maturity date of the bank loans; (iii) the obligation to pay the monthly instalment for the Loans upon the end of the Payment Holiday; (iv) the expected monthly net cash outflow of the Company; (v) the Directors' expectation that the general outlook of the industry and the business environment in which the Group operates will remain challenging; (vi) the accounts payable for a number of suppliers have been overdue for 120 days and some even up to 180 days; and (vii) some suppliers no longer grant credit period to the Group, such that the daily operation of the Group has been adversely affected, the Company considers that it is justifiable, appropriate and necessary under these circumstances to conduct the Rights Issue to ease its cashflow pressure.

As disclosed in the prospectus of the Company dated 29 September 2020, taking into account the then internal financial resources available to the Group, the estimated net proceeds from the 2020 Rights Issue and the Group's internally generated funds, the Directors were of the view that the Group would have sufficient working capital to satisfy its then requirements for at least twelve months from the date of the prospectus in the absence of unforeseen circumstances.

However, after completion of the 2020 Rights Issue, a bank which has provided a loan in the maximum amount of HK\$10 million to the Company became aware that the shareholding interests of C3J Development and Hunter Corporate were reduced and they ceased to be the controlling shareholders of the Company. The bank has met Mr. Tang in late 2020 and expressed its concern to Mr. Tang as to the fact that C3J Development and Hunter Corporate were no longer the controlling shareholders of the Company and that the bank has the right to demand for early repayment of the bank loans at anytime. In addition, the Company became aware in late 2020 that (i) the recoverability of account receivables of the Company was worse than expected as most of the customers would only settle their invoices longer than the originally expected credit terms of 120 days; and (ii) some suppliers started to request the Company to settle the purchase price in advance instead of the usual practice to allow the Company to have a credit term of 30 days in the past. The above change of circumstances, which have not been envisaged by the Company at the time when the 2020 Rights Issue was proposed, resulted in less operating cash inflow received by the Company and hence tighten cash flow burden on the Company as well as a potential risk of demand for early repayment of loans from the bank.

In light of the above, the Company intends to raise funds by way of the Rights Issue. The maximum net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$25 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.19. The Company intends to use the net proceeds from the Rights Issue as to (i) approximately HK\$8 million for the repayment of overdue accounts payable; and (ii) approximately HK\$17 million for the repayment of bank loans. If the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and

LETTER FROM THE BOARD

the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for repayment of the bank loans; and
- (ii) for repayment of the overdue accounts payable.

If the net proceeds from the Rights Issue is insufficient to repay all the bank loans and overdue accounts payable, the Company will consider other fund-raising alternatives available to the Group, including debt financing such as bank borrowings and other equity financing such as placing or subscription of new Shares as and when appropriate.

Further details of the use of proceeds which will be made by the Company in the announcement of results of the Rights Issue.

The Company had considered other fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares.

The Company is of the view that debt financing will result in additional interest burden and will further increase the gearing ratio of the Group which is not beneficial to the Group given that the Group had incurred a net loss for the year ended 31 March 2020 and for the six months ended 30 September 2020 respectively. The Board considers that financing the funding needs of the Group in the form of equity is a better alternative. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate.

In the contrary, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs. Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company, the Board considers that raising capital through the Rights Issue is in the best interest 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.

RISK FACTORS

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the significant risks relating to the business are as follows:

- (a) the Group determines project price based on the estimated time and costs involved in a project, which may deviate from actual time and costs incurred. Inaccurate estimation may adversely affect its financial results;

LETTER FROM THE BOARD

- (b) the Group's foundation works are exposed to the risk of unexpected geological or sub-soil conditions;
- (c) non-performance, delayed performance, sub-standard performance, non-compliance or unavailability of the Group's subcontractors may adversely affect its operation and profitability; and
- (d) the Group's customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment will be paid to us on time and in full, or that retention money is fully released to us upon completion of a project.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Share Consolidation and the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Share Consolidation		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		(iv) 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	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
C3J								
Development ^(Note 1)	187,000,000	20.78	18,700,000	20.78	46,750,000	20.78	18,700,000	8.31
Hunter Corporate ^(Note 2)	183,000,000	20.33	18,300,000	20.33	45,750,000	20.33	18,300,000	8.13
Public Shareholders	530,000,000	58.89	53,000,000	58.89	132,500,000	58.89	53,000,000	23.56
Independent placees	—	—	—	—	—	—	135,000,000	60
Total	<u>900,000,000</u>	<u>100.00</u>	<u>90,000,000</u>	<u>100.00</u>	<u>225,000,000</u>	<u>100.00</u>	<u>225,000,000</u>	<u>100.00</u>

Notes:

- C3J Development is owned as to 100% by Mr. Tang who is deemed to be interested in 187,000,000 Existing Shares pursuant to the Part XV of the SFO.
- Hunter Corporate is owned as to 100% by Mr. Chui who is deemed to be interested in 183,000,000 Existing Shares pursuant to the Part XV of the SFO.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activity in the past twelve months immediately before the date of the Announcement:

Date of announcement/ prospectus	Fund raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
10 August 2020, 18 August 2020, 16 September 2020, 29 September 2020 and 22 October 2020	The 2020 Rights Issue	Approximately HK\$6.9 million	Approximately HK\$4.2 million for repayment of outstanding principal, interest amount and relevant administrative expenses of loans and the remaining balance of approximately HK\$2.7 million for repayment of debts owing by the Group to its suppliers.	All net proceeds have been fully utilised as intended.

Save as disclosed above, the Company had not conducted any fund raising activity involving issue of its securities in the past twelve months immediately preceding the date of this circular.

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 Latest Practicable Date, the Company does not have any Controlling Shareholder. As such, Mr. Tang, being an executive Director, and his associates, including C3J Development which is the legal and beneficial owner of 187,000,000 Existing Shares, and Mr. Chui, being an executive Director, and his associates, including Hunter Corporate which is the legal and beneficial owner of 183,000,000 Existing Shares, shall abstain from voting at the EGM in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as

LETTER FROM THE BOARD

disclosed above, none of the Directors or the chief executive of the Company or their respective associates are interested in any Existing Share.

The Rights Issue (whether on its own or when aggregated with the 2020 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.

GENERAL

The EGM will be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing. The register of members of the Company will be closed from Wednesday, 10 March 2021 to Tuesday, 16 March 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

In order to be registered as members of the Company on the record date for attendance and voting at the EGM, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 9 March 2021.

The Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The notice convening the EGM to be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Tuesday, 16 March 2021 at 11:00 a.m. is set out on pages EMG-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Sunday, 14 March 2021, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

In compliance with the GEM Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

LETTER FROM THE BOARD

Subject to the approval of the Share Consolidation and the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 30 March 2021.

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

The Shares will be dealt on an ex-rights basis from Friday, 19 March 2021. Dealings in the nil-paid rights are expected to take place from Thursday, 1 April 2021 to Tuesday, 13 April 2021 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed “Conditions of the Rights Issue” in this letter from the Board) are not fulfilled, the Rights Issue will not proceed.

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

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.

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Cheung Chung Chuen George, Mr. Law Ching Ning Paschal and Mr. Leung Wai Hung, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Luk Fook Capital (HK) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 40 to 73 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

27 February 2021

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE

We refer to the circular of the Company dated 27 February 2021 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

Luk Fook Capital (HK) Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue, and the advice from Luk Fook Capital (HK) Limited, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Mr. Cheung Chung Chuen
George

Mr. Law Ching Ning
Paschal

Mr. Leung Wai Hung

Independent non-executive Directors
Beaver Group (Holding) Company Limited

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular.



27 February 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in fairness and reasonableness of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the circular dated 27 February 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 25 January 2021, the Company proposes to (i) implement the Share Consolidation on the basis that every ten (10) Existing Shares be consolidated into (1) Consolidated Share; (ii) increase the authorised share capital of the Company from HK\$10,000,000 divided into 100,000,000 Consolidated Shares to HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares by creating additional 900,000,000 Consolidated Shares in order to facilitate the Rights Issue, subject to the Share Consolidation having become effective; and (iii) implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.21 per Rights Share, to raise approximately HK\$28.35 million by issuing 135,000,000 Rights Shares to the Qualifying Shareholders. The Rights Issue will only be available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any).

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 the respective associates or where there is no Controlling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Latest Practicable Date, the Company does not have any Controlling Shareholder. As such, Mr. Tang, being an executive Director, and his associates, including C3J Development which is the legal and beneficial owner of 187,000,000 Existing Shares, and Mr. Chui, being an executive Director, and his associates, including Hunter Corporate which is the legal and beneficial owner of 183,000,000 Existing Shares, shall abstain from voting at the EGM in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the Directors or chief executive of the Company or their respective associates are interested in any Existing Share.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely, Mr. Cheung Chung Chuen George, Mr. Law Ching Ning Paschal and Mr. Leung Wai Hung, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. We, Luk Fook Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of us. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Rights Issue, there were no other engagements between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, its substantial shareholders or Controlling Shareholders. Accordingly, we are considered eligible to give independent advice on the Rights Issue and transaction contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have reviewed, among others, (i) the Announcement; (ii) the information contained in the Circular; (iii) the annual report of the Group for the year ended 31 March 2020 (the “**2020 Annual Report**”) and the interim report of the Group for the six months ended 30 September 2020 (the “**2020 Interim Report**”); and (iv) the announcements of the Company dated 10 August, 18 August, 16 September, and 22 October 2020, respectively and the prospectus dated 29 September 2020 issued by the Company in relation to the 2020 Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the above information and representations, and the opinions expressed by the management of the Group and the Directors, and have assumed that such information and statements, and representations made to us or referred in the Circular, for which they are solely responsible, are true, accurate and complete in all material respects at the time when they were provided and continued to be so as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinions, expectations and intentions made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been omitted or withheld from the information contained or opinion expressed in the Circular or to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and the Directors.

We have also sought and received confirmation from the Directors that no material facts have been omitted or withheld from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group were true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so as at the Latest Practicable Date.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out an independent verification of the information provided, representations made or opinions expressed by the Directors or the management of the Group, nor have we conducted any form of in-depth independent investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Rights Issue and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

As disclosed in the Letter from the Board and the 2020 Interim Report, the Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group's results of operations and financial position as extracted from the 2020 Annual Report and 2020 Interim Report respectively.

	For the year ended		For the six months ended	
	31 March		30 September	
	2019	2020	2019	2020
	("FY2019")	("FY2020")	("1H2019")	("1H2020")
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	152,484	86,999	48,150	57,474
Construction contract income	131,829	75,611	37,689	56,142
Ancillary service income	2,719	–	–	–
Rental income from machinery	17,936	11,388	10,461	1,332
Cost of sales	(138,719)	(76,606)	(39,960)	(49,440)
Gross profit	13,765	10,393	8,190	8,034
Gross profit margin	9.03%	11.95%	17.01%	13.98%
Other income	4,353	1,222	28	2,032
Administrative expenses	(14,184)	(14,895)	(6,637)	(7,637)
Allowance for impairment loss of financial assets, net	(4,432)	(6,750)	(824)	(3,958)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	–	(1,573)	(1,667)	114
Loss from operations	(498)	(11,603)	(910)	(1,415)
Finance costs	(1,239)	(2,305)	(1,155)	(814)
Loss before tax	(1,737)	(13,908)	(2,065)	(2,229)
Income tax (expenses)/ credit	(669)	1,304	(179)	(181)
Loss for the year/ period attributable to the owners of the Company	<u>(2,406)</u>	<u>(12,604)</u>	<u>(2,244)</u>	<u>(2,410)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March		As at 30
	2019	2020	September
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
	(audited)	(audited)	(unaudited)
Non-current assets			
Property, plant and equipment	60,489	51,898	48,519
Right-of-use assets	–	8,683	8,338
Financial assets at FVTPL	–	8,427	8,415
	<hr/>	<hr/>	<hr/>
Total	60,489	69,008	65,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Current assets			
Trade and retention receivables	51,229	48,432	32,869
Contract assets	14,208	18,807	33,693
Deposits, prepayments and other receivables	4,336	2,073	3,351
Income tax recoverable	442	159	19
Bank and cash balances	15,250	5,454	6,424
	<hr/>	<hr/>	<hr/>
Total	85,465	74,925	76,356
	<hr/>	<hr/>	<hr/>
Total assets	145,954	143,933	141,628
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Current liabilities			
Trade and retention payables	28,561	21,067	25,474
Accruals and other payables	7,408	8,002	7,220
Bank and other borrowings	25,907	38,350	35,209
Lease liabilities	–	2,113	2,173
Finance lease payables	765	–	–
Current tax liabilities	301	32	32
	<hr/>	<hr/>	<hr/>
Total	62,942	69,564	70,108
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March		As at 30
	2019	2020	September
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
	(audited)	(audited)	(unaudited)
Non-current liabilities			
Lease liabilities	–	7,031	6,589
Finance lease payables	1,750	–	–
Deferred tax liabilities	6,039	4,722	4,728
	<hr/>	<hr/>	<hr/>
Total	7,789	11,753	11,317
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>70,731</u>	<u>81,317</u>	<u>81,425</u>
	<hr/>	<hr/>	<hr/>
Net current assets	22,523	5,361	6,248
Net assets	75,223	62,616	60,203
Gearing ratio <i>(Note)</i>	34.44%	75.85%	73.04%

Note: Gearing ratio is calculated by total debts, comprising bank and other borrowings and lease liabilities, divided by the net assets.

Review of historical results of operations and financial position

1H2020 compared to 1H2019

According to the 2020 Interim Report, the Group's revenue in 1H2020 was approximately HK\$57.47 million, representing an increase of approximately 19.36% from approximately HK\$48.15 million for 1H2019, which was primarily due to the increase of construction contract income with increasing number of projects being awarded. The Group's cost of sales for 1H2020 was approximately HK\$49.44 million, representing an increase of approximately 23.72% from approximately HK\$39.96 million for 1H2019, which was primarily due to the increases of the construction material and subcontractor charge due to an increasing numbers of project being awarded. The Group's gross profit margin decreased from approximately 17.01% for 1H2019 to 13.98% for 1H2020. Such decrease was primarily due to less rental income from machinery being recognised, which relatively carried a relatively higher gross profit margin.

For 1H2020, the Group recorded net loss of approximately HK\$2.41 million as compared to net loss of approximately HK\$2.24 million for 1H2019, which was mainly attributable to less rental income from machinery and provision of allowance for impairment loss of financial assets.

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As at 30 September 2020, the Group had bank and cash balances of approximately HK\$6.42 million as compared to that of approximately HK\$5.45 million as at 31 March 2020. As of the same date, the Group's total liabilities amounted to approximately HK\$81.43 million, representing a slight increase of approximately 0.13% compared to that as at 31 March 2020. The Group's gearing ratio remained relatively stable at approximately 73.04% as at 30 September 2020, compared to 75.85% as at 31 March 2020.

FY2020 compared to FY2019

According to the 2020 Annual Report, the Group's revenue for FY2020 was approximately HK\$87.00 million, representing a decrease by approximately 42.95% from approximately HK\$152.48 million for FY2019, which was primarily attributable to delay in progress of certain projects and lower value of contracts awarded to the Group. The Group's cost of sales for FY2020 was approximately HK\$76.61 million, representing a decrease of approximately 44.78% from approximately HK\$138.72 million for FY2019, which was primarily due to decrease in direct costs, such as cost of construction from materials, subcontractor charge and transportation expense as a result of the decreasing construction activities of the projects undertaken during FY2020. The Group's gross profit margin increased from approximately 9.03% for FY2019 to 11.95% for FY2020, as a result of a higher level of decrease in the Group's cost of sales during FY2020.

For FY2020, the Group recorded a net loss of approximately HK\$12.60 million as compared to a net loss of approximately HK\$2.41 million for FY2019. The loss attributable to owners of the Company was mainly due to (i) delay in progress of certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic and lower value of contracts awarded to the Group, resulting in the decrease in the Group's revenue and gross profit; (ii) loss arising from change in fair value of the financial assets at FVTPL; and (iii) an increase in finance costs due to increase in borrowings and lease liabilities during FY2020.

As at 31 March 2020, the Group had bank and cash balances of approximately HK\$5.45 million as compared to that of approximately HK\$15.25 million as at 31 March 2019. As of the same date, the Group's total liabilities amounted to approximately HK\$81.32 million as compared to that of approximately HK\$70.73 million as at 31 March 2019, representing an increase of approximately 14.97%. As such, the Group's gearing ratio increased significantly from approximately 34.44% as at 31 March 2019 to approximately 75.85% as at 31 March 2020.

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Set out below is a summary of the Group's cash flow activities as extracted from the 2020 Annual Report and 2020 Interim Report respectively.

	For the year ended		For the six months ended	
	31 March		30 September	
	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(audited)
Net cash generated from/ (used in) operating activities	4,804	(3,940)	(8,729)	6,937
Net cash used in investing activities	(5,865)	(15,952)	(14,253)	(1,754)
Net cash (used in)/generated from financing activities	(907)	10,099	20,552	(4,210)
Cash and cash equivalents at beginning of year/period	17,082	15,250	15,250	5,454
Cash and cash equivalents at end of year/period	15,250	5,454	12,817	6,424

The Group recorded a net cash inflow from operating activities of approximately HK\$4.80 million for FY2019 but a net cash outflow from operating activities of approximately HK\$3.94 million for FY2020. As a result, the cash and cash equivalents of the Group decreased from approximately HK\$15.25 million as at 31 March 2019 to approximately HK\$5.45 million as at 31 March 2020. The Group recorded a net cash inflow from operating activities of approximately HK\$6.94 million during 1H2020. As at 30 September 2020, the Group's cash and cash equivalents slightly increased to approximately HK\$6.42 million, as compared to approximately HK\$5.45 million as at 31 March 2020.

In a nutshell, we noted that:

- (i) the overall financial performance of the Group deteriorated during FY2019 and FY2020. The Group recorded increasing losses from approximately HK\$2.41 million for FY2019 to HK\$12.61 million for FY2020, representing an increase of approximately 423.86%;

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- (ii) the Group maintained a high level of gearing ratio, which increased from approximately 34.44% as at 31 March 2019 to approximately 73.04% as at 30 September 2020 and its bank and other borrowings increased from approximately HK\$25.91 million as at 31 March 2019 to approximately HK\$35.21 million as at 30 September 2020; and
- (iii) the Group recorded a net cash outflow infrom operating activities in FY2020. Although it recorded a net cash inflow from operating activities during 1H2020, the cash resources had largely been utilised infor the repayment of liabilities, thus maintaining its cash and cash equivalents at a low level of approximately HK\$6.42 million as at 30 September 2020.

As set out the 2020 Interim Report, the Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 pandemic since early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts 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. Accordingly, it is sensible for the Company to conduct the Rights Issue to reduce its liabilities and finance costs amidst of the future challenging prospect.

2. Reasons for the Rights Issue and proposed use of proceeds

As stated in the Letter from the Board, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$25.00 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.19. The Company intends to use the net proceeds from the Rights Issue as to (i) approximately HK\$17.00 million for the repayment of bank loans; and (ii) approximately HK\$8.00 million for the repayment of overdue accounts payable.

If the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from Rights Issue will be applied by the Company in the following order of priority:

- (i) for repayment of the bank loans; and
- (ii) for repayment of the overdue accounts payable.

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Repayment of the bank loans

With reference to the 2020 Annual Report, the bank and other borrowings of the Company increased from approximately HK\$25.91 million as at 31 March 2019, to HK\$38.35 million as at 31 March 2020. As a result, the finance costs increased from approximately HK\$1.24 million for FY2019 to approximately HK\$2.31 million for FY2020, of which approximately HK\$2.16 million was attributable to the interests on the bank borrowings of the Group. As stated in the 2020 Annual Report, the bank and other borrowings of the Group as at 31 March 2020 mainly comprised (i) secured banking borrowing of HK\$5.16 million; (ii) unsecured bank borrowing of HK\$20.04 million; and (iii) other secured borrowings of HK\$13.15 million. According to the 2020 Interim Report, the net cash inflow from operating activities of approximately HK\$6.94 million had largely been utilised in repayment of bank and other borrowings and lease liabilities, lowering the outstanding bank and other borrowings slightly to approximately HK\$35.21 million as at 30 September 2020. As set out in the Letter of the Board, the Company raised net proceeds of approximately HK\$6.90 million from the 2020 Rights Issue which was completed on October 2020, of which approximately HK\$4.20 million was utilised for the repayment of outstanding principal, interest amount and relevant administrative expenses of the loans and the remaining balance of approximately HK\$2.70 million was utilised for the repayment of the debts owing by the Group to its suppliers.

As stated in the Letter from the Board, the Company intends to use the net proceeds from the Rights Issue to repay its bank loans so as to enhance its financial position. The Company had two bank borrowings with a total outstanding principal amount of HK\$2.00 million which will be due in April 2021 (the “**First Loan**”). As stated in the Letter from the Board, the Company maintained its bank and cash balance at a low level of only approximately HK\$3.85 million as at 31 December 2020. If the Company settles the First Loan by its bank and cash balances, the Company is expected to have available bank and cash balances of only HK\$1.85 million which would not be sufficient to cover its daily operational needs. We have also discussed with the management of the Company regarding the possibility of extending the First Loan with the respective banks, however, it is unlikely the banks will provide such extension.

In addition, the Company intends to utilise the proceeds from the Rights Issue to early repay (i) an instalment loan with outstanding amount of approximately HK\$4.9 million, carrying an interest rate of 1.33% per annum; and (ii) an instalment loan with outstanding amount of approximately HK\$9.9 million, carrying an interest rate of 3.70% per annum (together, the “**Second Loan**”), so that the Group would save interest expenses of up to approximately HK\$0.94 million in total, and reduce monthly cash outflow for the repayment of loan instalment of approximately HK\$0.30 million until the end of their terms, being April 2025 and June 2025 respectively by way of early repayment. As set out in the Letter from the Board, the Company currently benefits from the Pre-approved Principal Payment Holiday Scheme (the “**Payment**”).

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Holiday”), which has been implemented by the Hong Kong Monetary Authority since April 2020 to alleviate the financial pressure on corporates in light of the COVID-19 outbreak, the Company has been deferring principal repayments and paying only the interest for the Second Loan. During the Payment Holiday, the Company paid only the monthly interest expenses of the Second Loan which amounted to approximately HK\$35,000. However, the Payment Holiday for the Second Loan will end in April and May 2021 respectively and there is no indication that it will be extended. Upon the expiration of the Payment Holiday, the Company is expected to pay the monthly payment of principal plus interest of the Second Loan of approximately HK\$0.30 million per month until the end of the terms of the Second Loan.

As discussed with the management of the Company, and as disclosed in the 2020 Interim Report of the Company, it recorded a net loss of approximately HK\$2.41 million in 1H2020 as compared to a net loss of approximately HK\$2.24 million for 1H2019. In addition, the Directors expected that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 pandemic since early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts 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. The Directors consider that the Company should reserve its financial resources and liquidity in order to survive the challenging business environment in the near future. The Company will face difficulties in paying the monthly instalment of all of its bank and other borrowings in the amount of approximately HK\$0.30 million after the end of the Payment Holiday. Given that the monthly net operating cash outflow of the Company generally ranged from approximately HK\$3.08 million to approximately HK\$9.13 million for the past months during the period from October 2020 to December 2020, it will not be able to cover the monthly instalment for all the bank and other borrowings.

Given that (i) the low level of bank and cash balances of the Company of approximately HK\$3.85 million as at 31 December 2020; (ii) the obligation to repay the bank loans of HK\$2.00 million due in April 2021; (iii) the obligation to pay the monthly instalment for the Second Loan upon the end of the Payment Holiday; (iv) the expected monthly net cash outflow of the Company; and (v) the Directors’ expectation that the general outlook of the industry and the business environment in which the Group operates will remain challenging, we are of the view that it is justifiable for the Group to apply the net proceeds from the Rights Issue to repay the bank loans.

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Repayment of the overdue accounts payable

With reference to the 2020 Interim Report, the aging analysis of the trade payables based on the invoice date, is as follows:

	As at 31 March 2020	As at 30 September 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(unaudited)
0 to 30 days	1,456	3,439
31 to 60 days	1,844	2,128
61 to 90 days	463	1,381
Over 90 days	16,265	18,071
	<u>20,028</u>	<u>25,019</u>

As set out in the Letter from the Board, if the net proceeds from the Rights Issue would exceed HK\$17.0 million, the Company will utilise the excess amount to repay its overdue accounts payable. As discussed with the management of the Company, the accounts payable which have been overdue for over 120 days to 11 suppliers amount to an aggregate amount of HK\$11.30 million. In particular, the accounts payable for 8 out of the 11 suppliers have been due for 180 days. The credit periods of the 11 suppliers granted to the Company were generally up to 30 days. As advised by the management of the Company, due to the long delay in payment, the suppliers have waived the credit period granted to the Company, and request cash-on-deliver for its purchases, which imposes additional financial burden on the daily operations of the Company. As discussed with the management of the Company, if the suppliers initiate legal actions against the Company, there will be a possibility that the banks request early repayment of loans from the Company based on the on-demand clause of the loans. As set out in the 2020 Annual Report, all of the bank and other borrowings as at 31 March 2020 had an on-demand clause. Up to the Latest Practicable Date, the Company has not faced any legal actions from the suppliers to which the accounts payables are overdue.

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As mentioned above, the monthly net operating cash outflow of the Company generally ranged from approximately HK\$3.08 million to approximately HK\$9.13 million for the past months during the period from October 2020 to December 2020, which will not be able to cover the monthly instalment for all the bank and other borrowings, let alone overdue accounts payables. As a result, the Company prioritised the cash flow to settle the monthly instalment for bank loans, and delay the payment to suppliers whereas possible. Some of the accounts payables therefore have been overdue for up to 180 days. The Directors are of the view that the Company's financial position would be adversely affected if the accounts payables are not settled in time.

Taking into consideration that (i) the accounts payable for a number of suppliers have been overdue for 120 days, and some even up to 180 days; and (ii) some suppliers no longer grant credit period to the Group, such that the daily operation of the Group has been adversely affected, we are of the view that it is justifiable to utilise the net proceeds from the Rights Issue to repay the overdue accounts payable.

As set out in the Letter from the Board, the 2020 Rights Issue was completed in October 2020, of which all the net proceeds raised had been fully utilised by the Group for the repayment of outstanding bank loans and the Group's payable to its suppliers in November 2020. After the completion of the 2020 Rights Issue, the Group still maintained a high level of gearing ratio of approximately 52.20% and low level of bank and cash balance of approximately HK\$3.85 million as at 31 December 2020. In addition, the monthly net operating cash outflow of the Company generally ranged from approximately HK\$3.08 million to approximately HK\$9.13 million during the period from October 2020 to December 2020. Therefore, the Group will not be able to cover the monthly instalment for all the bank and other borrowings and overdue accounts payable.

However, as disclosed in the prospectus of the Company in respect of the 2020 Rights Issue dated 29 September 2020, the Directors were of the view that the Group would have sufficient working capital for at least twelve months from the date of prospectus in the absence of unforeseen circumstances. With regard to the gap between the Directors' initial view above and actual financial position of the Group, as set out in the Letter from the Board, the Company became aware in late 2020 that (i) the recoverability of account receivables of the Company was worse than expected as most of the customers would only settle their invoices longer than the originally expected credit terms of 120 days; and (ii) some suppliers started to request the Company to settle the purchase price in advance instead of the usual practice to allow the Company to have a credit term of 30 days in the past. The above change of circumstances, which have not been envisaged by the Company at the time when the 2020 Rights Issue was proposed, resulted in less actual operating cash inflow received by the Company.

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Given that (i) the change of abovementioned circumstances which were out of the Company's expectation and led to decrease in operating cash inflow as a result; (ii) the low level of bank and cash balance of the Company as at 31 December 2020; (iii) the obligation to repay the bank loans of HK\$2 million due in April 2021, which is unlikely that the banks will agree to extend the maturity date of the bank loans; (iv) the obligation to pay the monthly instalment for the Loans upon the end of the Payment Holiday; (v) the expected monthly net cash outflow of the Company; (vi) the Directors' expectation that the general outlook of the industry and the business environment of the Group operates will remain challenging; (vii) the account payables for a number of suppliers have been overdue for 120 days and some even up to 180 days; and (viii) some suppliers no longer grant credit period to the Group, such that the daily operation of the Group has been adversely affected, we concur with the Company's view that it is justifiable, appropriate and necessary under these circumstances to conduct the Rights Issue to ease its cashflow pressures.

3. Alternative fund-raising methods considered

As set out in the Letter from the Board, the Group had considered other fund-raising methods available to the Group including bank borrowings, and other equity financing such as placing or subscription of new Shares.

Debt financing

As set out in the Letter from the Board, the Company is of the view that debt financing will result in additional interest burden and will further increase the gearing ratio of the Group which is not beneficial to the Group given that the Group had incurred a net loss for FY2020 and 1H2020 respectively. Apart from the above, having considered that (i) the management of the Company considers that the Group does not have any significant assets which is satisfactory to serve as collaterals for bank loan, the relevant financial institutions has indicated that it was unlikely for the Group to obtain its proposed bank loan financing without the pledge of liquid assets, such as bank balances and/or time deposits, which would only allow the Group to obtain bank loan financing for an amount equivalent to the pledged liquid assets; and (ii) debt financing would normally subject to lengthy due diligence and negotiations with banks, debt financing would be an undesirable option for the Group.

Placing or subscription of new Shares

Based on above, and as set out in the Letter from the Board, the Board considers that financing the funding needs of the Group in the form of equity is a better alternative. However, among the equity financing methods, placing or subscription of new Shares under general mandate or specific mandate would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate and maintain their proportionate interests in the Company. Furthermore, the current market capitalisation of the Company of not more than HK\$24.30 million as at

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the Last Practicable Date, which would not be able for the Group to would raise the same amount of net proceeds by way of placing or subscription of new Shares under the general mandate.

After taking into account all of the above factors and considerations, the current fund raising method by way of the Rights Issue, which (i) offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares to avoid dilution; (ii) allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits as compared with an open offer; and (iii) allows the Company to strengthen its capital base and liquidity without incurring finance costs and also enables the Company to reduce its debts, is appropriate and in the interest of the Company and its Shareholders as a whole.

4. Principal terms of the Rights Issue and the Placing Agreement

The Rights Issue

As set out in the Letter from the Board, the Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.21 per Rights Shares, to raise HK\$28.35 million by issuing 135,000,000 Rights Shares to the Qualifying Shareholders. The Rights Issue will only be available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. 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) Consolidated Shares held on the Record Date
Subscription Price:	HK\$0.21 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	900,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective:	90,000,000 Consolidated Shares

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Number of Rights Shares (assuming that the Rights Issue is fully subscribed):	135,000,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares (assuming that the Rights Issue is fully subscribed):	HK\$13,500,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares (assuming that the Rights Issue is fully subscribed):	225,000,000 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 135,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represent (i) 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 60% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

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

Set out below is the principal terms of the Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares:

Date: 25 January 2021

Issuer: The Company

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- Placing Agent: Gransing Securities Co., Limited was appointed as the Placing Agent to procure, on a best efforts basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.
- 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: The period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance.
- Commission and expenses: Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% 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 depend 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).

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For the avoidance of doubt, no placee shall become a substantial shareholder of the Company as a result of the Placing.

As stated in the Letter from the Board, 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, 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 places on a best effort basis and any premium over the Subscription Price of those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis.

In addition, as set out in the Letter from the Board, the engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (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 (including the commission payable) in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

5. Assessment of the principal terms of the Rights Issue

Subscription price

The Subscription Price is HK\$0.21 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 approximately 22.22% to the theoretical closing price of HK\$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 34.38% to the theoretical closing price of HK\$0.32 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 31.82% to the theoretical average closing price of approximately HK\$0.31 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.031 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 17.32% to the theoretical ex-rights price of approximately HK\$0.25 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the theoretical ex-rights price of approximately HK\$0.025 per Share and closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 20.63%, represented by the theoretical diluted price of approximately HK\$0.25 per Consolidated Share to the theoretical benchmarked price of HK\$0.32 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.032 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 the Announcement of approximately HK\$0.031 per Share); and
- (vi) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the 2020 Rights Issue represented by a discount of approximately 24.48%, represented by the cumulative theoretical diluted price of approximately HK\$0.29 per Consolidated Share to the theoretical benchmarked price of HK\$0.38 per Consolidated Share in respect of the 2020 Rights Issue (after taking account into the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the benchmarked price of the 2020 Rights Issue, being HK\$0.038 per Share); and
- (vii) a discount of approximately 69.82% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.70 (based on the consolidated net asset value of the Company as at 31 March 2020 of approximately HK\$62,616,000 and the number of issued Consolidated Shares after the Share Consolidation, which will be 90,000,000);

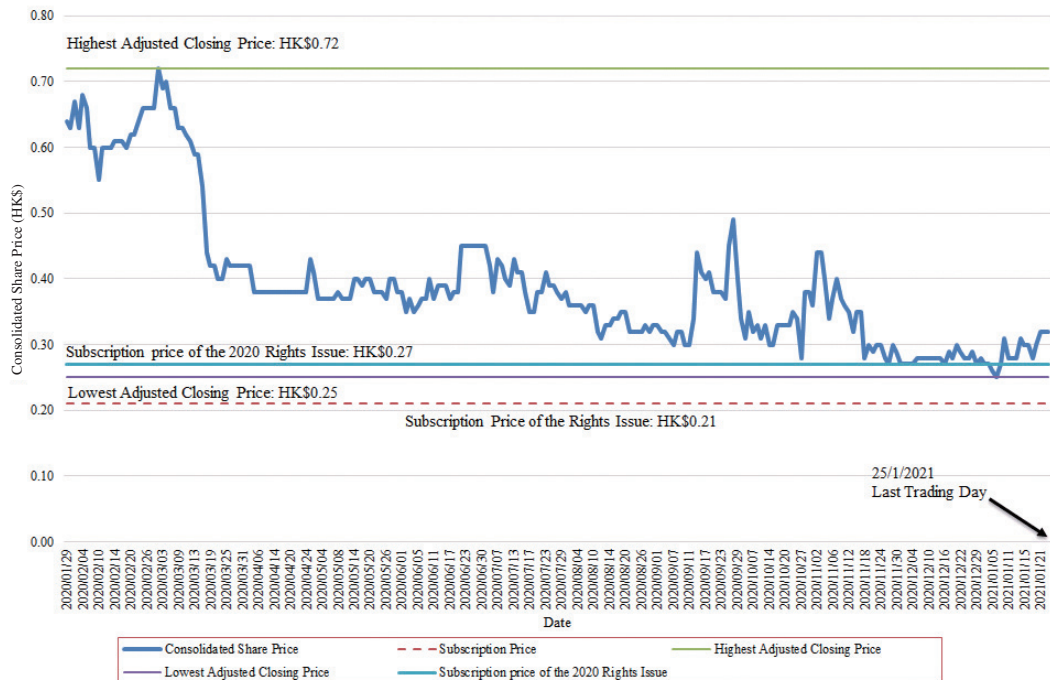
As stated in the Letter from the Board, the Subscription Price was determined after by the Company with reference to, among others, (i) the market price of the Shares under the prevailing market conditions (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the net proceeds from the Rights Issue can fulfil the funding needs of the Group.

Historical price performance and trading liquidity of the Company

Set out below is a chart showing the movement of the adjusted daily closing prices (as adjusted for the Share Consolidation) of the Shares for the twelve-month period ended on and including the Last Trading Day (i.e. from 26 January 2020 to 25 January 2021) (the “**Review Period**”) and compared them with the Subscription Price. We consider the Review Period is adequate to reflect the general market sentiment primarily after the outbreak of COVID-19 pandemic in January 2020 and illustrates the general trend and level of movement of the adjusted daily closing price of the Consolidated Shares before the Subscription Price was determined.



Source: the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the average adjusted closing price was approximately HK\$0.39 per Consolidated Share (the “**Average Adjusted Closing Price**”). The daily adjusted closing price ranged from HK\$0.25 per Consolidated Share (the “**Lowest Adjusted Closing Price**”), as recorded on 6 January 2021, to HK\$0.72 per Consolidated Share, as recorded on 2 March 2020 (the “**Highest Adjusted Closing Price**”) during the Review Period. As illustrated in the diagram above, the closing price of the Shares demonstrated an overall declining trend. The Subscription Price is lower than the Lowest Adjusted Closing Price during the Review Period and lower than the subscription price of HK\$0.27 per Consolidated Share in the 2020 Rights Issue.

We noted that it is a common market practice that, in order to enhance the attractiveness of rights issue to existing shareholders, the subscription price would be set at a discount to the prevailing market prices of the relevant shares. As discussed in further details in the paragraph headed “Comparison with other rights issue exercises” below, the Subscription Price, which represents a discount of approximately 34.38% to the theoretical closing price of HK\$0.32 per Consolidated Share on the Last Trading Day and approximately 17.32% to the theoretical ex-rights price of HK\$0.25 per Consolidated Share, shows a higher discount than the relevant average and median figures of the Comparables (as defined hereinafter). Accordingly, we consider that the Subscription Price provides a more attractive opportunity to encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

Comparison with other rights issue exercises

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, to the best of our knowledge, we have identified an exhaustive list of 43 rights issue exercises as announced by companies listed on the Stock Exchange (the “**Comparables**”) since 26 January 2020 up to the Last Trading Day, being the Review Period. We consider the Review Period is adequate and appropriate given that (i) such period would provide us the recent and relevant information to demonstrate the prevailing market practice prior to the Last Trading Day under the prevailing market conditions, in particular, the effect of the recent COVID-19 pandemic which has significantly affected the economic and market sentiment; and (ii) sufficient samples for comparison were obtained during the Review Period. Although the market capitalisation, business, operations, financial positions and prospects of the Company may not be the same as those of the Comparables and none of the Comparables engaged in identical or similar business as the Group, it can still illustrate the recent market practices of rights issue transactions in the market conducted by listed companies in Hong Kong, so that we can determine whether the Subscription Price and the terms of the Rights Issue are in line with recent rights issue conducted in the market. Set out below is a summary of the Comparables:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (%)	Premium/ (Discount) of subscription price to/over the theoretical ex-rights price on the benchmarked price prior to the release of the rights issue announcement (%)	Theoretical dilution effect (Note 1) (%)	Maximum dilution (Note 2) (%)	Underwriting commission (%)	Fully underwritten	Excess application
20-Jan-21	Rona Group Limited	8072	3 for 1	(31.32)	(10.07)	(23.65)	75.00	2.50	Y	Y
6-Jan-21	Sinolink Worldwide Holdings Limited	1168	4 for 5	(42.86)	(31.37)	(20.09)	44.44	N/A	N	Y
31-Dec-20	Pacific Century Premium Developments Limited	432	1 for 2	0.00	0.00	(0.36) ^(Note 3)	33.33	N/A	N	Y
22-Dec-20	FDG Kinetic Limited ("FDG")	378	9 for 20	(91.30)	(51.00)	(82.10) ^(Note 3, 4)	31.03	N/A	N	N
14-Dec-20	Chinlink International Holdings Limited	997	3 for 1	(13.64)	(4.58)	(11.70)	75.00	2.50	Y	Y
3-Dec-20	Capital Finance Holdings Limited	8239	2 for 1	4.65	1.50	3.10 ^(Note 3)	66.67	N/A	N	N
22-Nov-20	Global Strategic Group Limited	8007	4 for 1	(20.79)	(4.76)	(17.56)	80.00	3.00	N	Y
10-Nov-20	China Fortune Holdings Limited	110	1 for 1	(5.36)	(2.75)	(2.75)	50.00	N/A	N	Y
5-Nov-20	Asia-Pac Financial Investment Company Limited	8193	3 for 1	(10.70)	(3.70)	(9.90)	75.00	N/A	N	N
4-Nov-20	Top Form International Limited	333	2 for 5	(21.88)	(16.67)	(6.25)	28.57	0.00	Y	N
27-Oct-20	Longhui International Holdings Limited	1007	1 for 1	(29.00)	(16.96)	(14.50)	50.00	Higher of HK\$100,000 or 1.5%	N	Y
19-Oct-20	CHK Oil Limited	632	3 for 8	26.58	17.99	6.96	27.27	N/A	N	Y
16-Oct-20	The Hong Kong Building and Loan Agency Limited	145	1 for 3	(13.90)	(10.90)	(3.50)	25.00	1.50	Y	Y
25-Sep-20	Green International Holdings Limited	2700	1 for 1	(17.81)	(9.77)	(14.03)	50.00	2.50	N	Y
18-Sep-20	Wan Cheng Metal Packaging Company Limited	8291	3 for 1	(19.40)	(5.70)	(14.52)	75.00	N/A	N	N
11-Sep-20	Amber Hill Financial Holdings Limited	33	3 for 1	(23.66)	(7.79)	(20.41)	75.00	N/A	N	N

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (%)	Premium/ (Discount) of subscription price to/over the theoretical ex-rights price on the benchmarked price prior to the release of the rights issue announcement (%)	Theoretical dilution effect (%) ^(Note 1)	Maximum dilution (%) ^(Note 2)	Underwriting commission (%)	Fully underwritten	Excess application
3-Sep-20	Aaso Holding Limited	8341	3 for 1	(16.70)	(4.80)	(12.50)	75.00	N/A	N	N
28-Aug-20	Royal Century Resources Holdings Limited	8125	2 for 1	(25.00)	(10.00)	(19.05)	66.67	N/A	N	N
28-Aug-20	Milan Station Holdings Limited	1150	5 for 2	(10.57)	(3.51)	(9.17) ^(Note 3)	71.43	2.00	Y	Y
24-Aug-20	Wealth Glory Holdings Limited	8269	5 for 2	(11.10)	(3.60)	(8.50)	71.43	2.50	Y	Y
10-Aug-20	The Company	8275	1 for 2	(28.96)	(20.59)	(10.53)	33.33	5.00	Y	Y
5-Aug-20	Greatwall Inc.	8315	1 for 3	(27.54)	(21.88)	(7.25)	25.00	HK\$200,000	Y	Y
30-Jul-20	Larry Jewelry International Company Limited	8351	5 for 1	(29.17)	(6.59)	(24.31) ^(Note 3)	83.33	5.00	Y	Y
16-Jul-20	Langham Hospitality Investment Limited	1270	1 for 2	(13.60)	(9.50)	(5.20)	33.33	N/A	N	Y
7-Jul-20	National Investment Fund Limited	1227	5 for 1	(28.57)	(6.25)	(23.81)	83.33	3.50	N	Y
6-Jul-20	China Merchants Securities Co., Ltd	6099	3 for 10	(24.91)	(20.33)	(9.64)	23.08	Not mentioned	Y	Y
2 Jul-20	Luxey International (Holdings) Limited	8041	1 for 2	(58.30)	(48.20)	(19.90)	33.33	N/A	N	Y
9-June-20	Cathay Pacific Airways Limited	293	7 for 11	(46.90)	(35.00)	(15.40)	38.89	2.00	Y	Y
1-June-20	Summit Ascent Holdings Limited	102	3 for 2	0.00	0.00	0.00	60.00	0.00	Y	N
29-May-20	Forebase International Holdings Limited	2310	1 for 2	0.00	0.00	(0.09)	33.33	N/A	N	N
27-May-20	Teamway International Group Holdings Limited	1239	2 for 1	(14.89)	(5.51)	(10.70)	66.67	N/A	N	Y
26-May-20	Chinese Strategic Holdings Limited	8089	1 for 2	(24.53)	(17.81)	(9.90)	33.33	3.00	Y	Y
22-May-20	Future World Financial Holding Limited	572	1 for 2	(10.00)	(6.90)	(10.95)	33.33	5.00	Y	N
19-May-20	hmvd Limited ("hmvd")	8103	5 for 1	(64.00)	(22.90)	(64.59) ^(Note 3, 4)	83.33	3.00	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (%)	Premium/ (Discount) of subscription price to/over the theoretical ex-rights price on the benchmarked price prior to the release of the rights issue announcement (%)	Theoretical dilution effect (%) ^(Note 1)	Maximum dilution (%) ^(Note 2)	Underwriting commission (%)	Fully underwritten	Excess application
15-May-20	HongDa Financial Holding Limited	1822	1 for 5	0.00	0.00	0.00	16.67	N/A	N	Y
11-May-20	Victory City International Holdings Limited	539	2 for 1	(30.35)	(12.50)	(20.40)	66.67	1.75	Y	Y
9-Apr-20	Shen You Holdings Limited	8377	1 for 2	(12.20)	(8.50)	(4.10)	33.33	3.50	Y	Y
25-Mar-20	Anxian Yuan China Holdings Limited	922	3 for 2	(32.89)	(18.09)	(21.34) ^(Note 3)	60.00	N/A	N	Y
6-Mar-20	Moody Technology Holdings Limited	1400	1 for 2	(26.06)	(17.75)	(8.69) ^(Note 3)	33.33	N/A	N	Y
3-Mar-20	China New Economy Fund	80	3 for 1	(27.30)	(15.80)	(12.80)	75.00	N/A	N	Y
11-Feb-20	Ares Asia Limited	645	1 for 2	(20.24)	(14.47)	(6.70) ^(Note 3)	33.33	N/A	N	Y
3-Feb-20	CMMB Vision Holdings Limited	471	1 for 2	(5.80)	(8.96)	(4.29) ^(Note 3)	33.33	N/A	N	N
21-Jan-20	FDG Electric Vehicles Limited	729	1 for 2	(14.16)	(11.50)	(7.14)	33.33	N/A	N	N

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (%)	Premium/ (Discount) of subscription price to/over the theoretical ex-rights price on the benchmarked price prior to the release of the rights issue announcement (%)	Theoretical dilution effect (Note 1) (%)	Maximum dilution (Note 2) (%)	Underwriting commission (%)	Fully underwritten	Excess application
			Average	(21.26)	(11.80)	(13.45)	51.03			
			Median	(20.24)	(9.50)	(10.53)	50.00			
			Maximum	26.58	17.99	6.96	83.33			
			Minimum	(91.30)	(51.00)	(82.10)	16.67			
			Excluding the outliers (Note 4),							
			Average	(18.51)	(10.57)	(10.52)	50.73			
			Median	(19.40)	(8.96)	(9.90)	50.00			
			Maximum	26.58	17.99	6.96	83.33			
			Minimum	(58.30)	(48.20)	(24.31)	16.67			
	The Company	8275	3 for 2	(34.38)	(17.32)	(20.63)	60.00			

Source: the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Theoretical dilution effect of a rights issue refers to the premium/ (discount) of “theoretical diluted price” to the “benchmark price” of shares, where “theoretical diluted price” and “benchmark price” are defined in the Note 1(a) and (b) of Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) or Rule 10.44A of the GEM Listing Rules.
2. The maximum dilution of each Comparable is calculated by the number of new rights shares divided by the total number of issued shares as enlarged by the issue of the new rights shares.
3. The relevant announcements did not disclose the theoretical dilution effect. The theoretical dilution effect were either calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the GEM Listing Rules or extracted from circular or prospectus in respect of right issue.
4. Having considered the theoretical dilution effect of FDG and hmvd were over 25.00% and therefore exempted from compliance with Rule 7.27B of the Listing Rules, the rights issue implemented by both FDG and hmvd are regarded as the outliers.

As shown by the above table, we noted that:

- (i) the premium/discount of the subscription prices over/to the closing price on the last trading day prior to the rights issue announcement of the Comparables excluding the outliers ranged from a discount of approximately 58.30% to a premium of approximately 26.58%, with average and median of approximately a discount of 18.51% and a discount of approximately 19.40%, respectively; and
- (ii) the premium/discount of the subscription prices over/to the theoretical ex-rights prices per share based on the benchmarked price in accordance with the Listing Rules or the GEM Listing Rules prior to the rights issue announcement of the Comparables excluding the outliers ranged from a discount of approximately 48.20% to a premium of approximately 17.99%, with average and median of approximately a discount of 10.57% and approximately a discount of 8.96%, respectively.

We noted that the discounts of the Subscription Price to the theoretical closing price of the Consolidated Shares on the Last Trading Day and the theoretical ex-rights prices, being approximately 34.38% and 17.32% respectively, all fall within the range of those of the Comparables (excluding the outliers), but are higher than the average and median of the Comparables (excluding the outliers). To this extent, the Subscription Price provides a more attractive opportunity to the Qualifying Shareholders to participate in the Rights Issue as compared to the Comparable Transactions. We are of the view that the Subscription Price is reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No application for excess Rights Shares

As stated in the Letter from the Board, there will be no excess application arrangements in relation to the Rights Issue. We noted that 13 out of the 43 Comparable Transactions did not offer excess application to their respective shareholders. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice.

Although the absence of excess application arrangement might not be desirable for those Qualifying Shareholders who wish to take up additional Rights Shares in excess of their assured entitlements, after having considered that (i) the Rights Issue gives the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company; (ii) the Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full can maintain their respective existing shareholdings in the Company after completion of the Rights Issue; and (iii) the absence of excess application arrangement is not an uncommon market practice, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Non-underwritten basis

As set out the Letter of the Board, 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 places 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.

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Although the Rights Issue is on a non-underwritten basis and there is no minimum amount to be raised which it is uncertain to raise sufficient funds to satisfy the funding needs, taking into account (i) as mentioned above, the placing obligation of the Placing Agent is more or less similar to an underwriter of the Rights Issue (except that Placing Agent is on best effort basis) and therefore the Placing under the Compensatory Arrangement in a certain extent would help to ensure sufficient funds to be raised; (ii) among the Comparables, it is noted that 26 out of 43 of the Comparables were conducted on a non-underwritten basis, and therefore it is not uncommon for rights issue to be proceed on a non-underwritten basis; and (iii) the implied cost of the Rights Issue of approximately HK\$3.35 million is lower than the repayment obligation of the Second Loan after expiration of the Payment Holiday, the Rights Issue on a non-underwritten basis is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Compensatory Arrangements

As set out in the Letter from Board, pursuant 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 No Action Shareholders. Accordingly, on 25 January 2021 (after trading hours of the Stock Exchange), 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.

As set out in the Letter from the Board, the placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (the “**Placing Price**”) shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of Placing, meaning that the placees under the Placing will not be preferentially treated over the Qualifying Shareholders who are entitled to participate in the Rights Issue at the Subscription Price. Given that the Placing Price shall be at least equal to the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company.

As set out in the Letter from the Board, pursuant to the Placing Agreement, the Company shall pay the Placing Agent a commission of 3.5% of the aggregate Placing Price in respect of such number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent. As advised by the Directors, the commission was determined after arm’s length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the placing commission was between 0% and 5% for the Comparable Transactions, and the placing commission of 3.5% payable by the Company is within the market range.

We also noted the following characteristics of the Compensatory Arrangements and considered these terms are customary as compared to those in the Comparable Transactions having such arrangement:

- (i) the Compensatory Arrangements under the Placing Agreement are in compliance with Rule 10.31(1)(b) of the GEM Listing Rules;
- (ii) the Compensatory Arrangements will provide a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company;
- (iii) the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders if they neither subscribe for the Rights Shares nor sell their nil-paid rights since under such arrangements, the Unsubscribed Rights Shares or NQS Unsold Rights Shares will be first offered to independent placees on a pro-rata basis and any premium over the Subscription Price will be paid to the No Action Shareholders; and
- (iv) the Compensatory Arrangements will be managed by the Placing Agent which is an Independent Third Party, indicating that the terms of the Placing Agreement were arrived at after arm's length negotiation between the Company and the Placing Agent;

We consider that the terms of the Compensatory Arrangements including the Placing Price and the placing commission under the Placing Agreement, are in line with normal market terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effect of the Rights Issue on shareholding interests

For illustrative purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Share Consolidation and the Rights Issue:

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		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	
	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>
C3J Development ^(Note 1)	187,000,000	20.78	18,700,000	20.78	46,750,000	20.78	18,700,000	8.31
Hunter Corporate ^(Note 2)	183,000,000	20.33	18,300,000	20.33	45,750,000	20.33	18,300,000	8.13
Public Shareholders	530,000,000	58.89	53,000,000	58.89	132,500,000	58.89	53,000,000	23.56
Independent places	-	-	-	-	-	-	135,000,000	60.00
Total	900,000,000	100.00	90,000,000	100.00	225,000,000	100.00	225,000,000	100.00

Notes:

1. C3J Development is owned as to 100% by Mr. Tang who is deemed to be interested in 187,000,000 Existing Shares pursuant to the Part XV of the SFO.
2. Hunter Corporate is owned as to 100% by Mr. Chui who is deemed to be interested in 183,000,000 Existing Shares pursuant to the Part XV of the SFO.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements, subject to the then prevailing market conditions, can consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 60.00%.

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We are aware of the potential dilution effects as mentioned above. Nonetheless, we consider that the foregoing is balanced against by the following factors:

- (i) the intended use of proceeds from the Rights Issue will relieve the Group's financial burden and reduce future financing costs;
- (ii) the inherent dilutive nature of rights issue is a general market practice and the maximum dilution of 60.00% is within the range of maximum dilution of the Comparables excluding the outliers from 16.67% to 83.33% respectively;
- (iii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

As such, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares in full, is acceptable.

7. Fund raising activities involving issue of securities in the past 12 months

The Company has conducted the following equity fund raising activity in the past twelve months immediately before the date of Announcement:

Date of announcement /prospectus	Fund raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
10 August 2020, 18 August 2020, 16 September 2020, 29 September 2020 and 22 October 2020	The 2020 Rights Issue	Approximately HK\$6.90 million	Approximately HK\$4.20 million for repayment of outstanding principal, interest amount and relevant administrative expenses of loans and the remaining balance of approximately HK\$2.70 million for repayment of debts owing by the Group to its suppliers	All net proceeds have been fully utilised as intended.

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Save as disclosed above, the Company had not conducted any fund raising activity involving issue of its securities in the past twelve months immediately preceding the date of the Circular. We noted that the Company conducted the 2020 Rights Issue raising gross and net proceeds of approximately HK\$8.10 million and approximately HK\$6.90 million on a one-for-two shares basis for the purpose of reducing debts. The cost of fund raising in the 2020 Rights Issue was approximately HK\$1.20 million, representing approximately 16.05% of the gross amount of fund raised. The size of the Rights Issue is higher, raising gross and net proceeds of up to HK\$28.35 million and approximately HK\$25.00 million respectively on a three-for-two basis for the same purpose of reducing debts. The cost of fund raising in the Rights Issue is approximately HK\$3.35 million, representing approximately 11.82% of the gross fund raised. In view of the financing needs of the Group to reduce its debts, a larger size of the Rights Issue is a more cost efficient approach to raise the adequate fund to serve its purposes. To this extent, the terms of the Rights Issue are more sensible arrangement to raise fund.

8. Financial impacts of the Rights Issue

a. Earnings

Following the completion of the Rights Issue, assuming all the 135,000,000 Rights Shares will be issued in full, the total liabilities of the Group will be reduced by HK\$25.00 million, and the early repayment of bank borrowings will save the Company an aggregate finance costs of approximately HK\$0.90 million, as such it will reduce the finance costs and bring a positive impact on the earnings of the Company.

b. Liquidity

As stated in the Letter from the Board, the bank and cash balances of the Company was approximately HK\$3.85 million as at 31 December 2020, and the net proceeds from the Rights Issue will be applied to repay bank borrowings and overdue accounts payable, which will improve the Company's liquidity upon completion of the Rights Issue.

c. Gearing ratio

According to the 2020 Annual Report, the finance costs were approximately HK\$2.31 million for FY 2020. The gearing ratio was 73.04% as at 30 September 2020. As set out in the Letter from the Board, the net proceeds from the Rights Issue will be used to improve the Group's liquidity and reduce future finance costs, thus it is expected that the gearing ratio of the Group would be decreased.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the aforementioned analysis are for illustrative purpose and do not represent how the financial position of the Group will be upon completion of the Rights Issue, we are of the view that the improvement in the liquidity and financial position of the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

d. Net assets

With reference to the unaudited pro forma financial information of the Group as set out in “Appendix II – Unaudited Pro Forma Financial Information of the Group” to the Circular, the adjusted unaudited consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$60.20 million as at 30 September 2020. After taking into account the net proceeds from the 2020 Rights Issue of 300,000,000 Shares which completed on 22 October 2020 and the Rights Issue of a maximum of 135,000,000 Rights Shares, the adjusted unaudited pro forma consolidated net tangible assets of the Group will increase to approximately HK\$92.77 million.

The consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 30 September 2020 was HK\$0.10 per Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributed to owners of the Company after the completion of the Rights Issue (based on maximum number of 135,000,000 Rights Shares to be issued) will be HK\$0.41 per Share. Excluding the effect of the net proceeds from 2020 Rights Issue of 300,000,000 Shares which completed on 22 October 2020, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributed to owners of the Company after the completion of the Rights Issue would be HK\$0.38, which represents an immediate improvement on the net assets of the Group.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the intended use of proceeds from the Rights Issue will reduce the indebtedness, relieve the Group’s financial burden and reduce future financing costs;
- (ii) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution and the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the principal terms of the Rights Issue, in particular the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned;
- (iv) the major terms and conditions of the Placing Agreement are in line with the market practice; and
- (v) the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue,

We are of the opinion that the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interest of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions at the EGM for approving the Rights Issue and the transactions contemplated thereunder.

Your faithfully,

For and on behalf of

Luk Fook Capital (HK) Limited

Keith Lou

Helen Zee

Managing Director

Managing Director

Mr. Keith Lou and Ms. Helen Zee are licensed persons registered with the Securities and Futures Commission and responsible officers of Luk Fook Capital (HK) Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the years ended 31 March 2018, 2019 and 2020 and the unaudited financial information of the Group for the three months ended 30 June 2020 and six months ended 30 September 2020 are disclosed in the following annual reports of the Company for the years ended 31 March 2018, 2019 and 2020, first quarterly report of the Company for the three months ended 30 June 2020 and interim report of the Company for the six months ended 30 September 2020 respectively which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.beavergroup.com.hk):

- (a) the annual report of the Company for the year ended 31 March 2018 published on 29 June 2018 (pages 53 to 113) in relation to the financial information of the Group for the same year

(<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0629/gln20180629277.pdf>);

- (b) the annual report of the Company for the year ended 31 March 2019 published on 28 June 2019 (pages 65 to 139) in relation to the financial information of the Group for the same year

(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628255.pdf>);

- (c) the annual report of the Company for the year ended 31 March 2020 published on 30 June 2020 (pages 63 to 129) in relation to the financial information of the Group for the same year

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063000681.pdf>);

- (d) the first quarterly report of the Company for the three months ended 30 June 2020 published on 13 August 2020 in relation to the financial information of the Group for the same period

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0813/2020081300642.pdf>);

and

- (e) the interim report of the Company for the six months ended 30 September 2020 published on 13 November 2020 in relation to the financial information of the Group for the same period

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1113/2020111300412.pdf>).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding indebtedness:

(a) Borrowings

The Group had aggregate outstanding borrowings of approximately HK\$26,920,000 comprising:

- (i) Outstanding bank borrowings of approximately HK\$19,930,000, among which HK\$6,971,000 are secured by a charge over the insurance policies with a fair value of approximately HK\$8,415,000, and HK\$12,959,000 are unsecured;
- (ii) Other borrowings of approximately HK\$4,490,000 are secured by a charge over the property, plant and equipment with carrying amount of approximately HK\$12,713,000; and
- (iii) Unsecured loan from Mr. Chui, a Director who owns 100% of Hunter Corporate which is a Shareholder, of HK\$2,500,000.

Except for (i) an unsecured loan from Mr. Chui of HK\$2,500,000; and (ii) an unsecured bank borrowing of approximately HK\$3,101,000 which is guaranteed by the Government of the Hong Kong Special Administrative Region and personally guaranteed by Mr. Tang and Mr. Chui, being the executive Directors, all the bank and other borrowings are guaranteed by the Company. Bank and other borrowings that will be due for repayment after one year with repayment on demand clause were classified as current liabilities.

(b) Lease liabilities

The Group had lease liabilities of approximately HK\$1,902,000 in respect of finance leases for certain property, plant and equipment and approximately HK\$6,328,000 in respect of an operating lease under HKFRS 16 Lease. Lease liabilities of approximately HK\$659,000 in respect of finance leases are guaranteed by the Company.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 31 December 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2020 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

The Group's business in the provision of construction services in the construction industry has been confronting challenges under slower growth of the construction industry and intensified market competition. Revenue generated for the construction contract has decreased over the previous year caused by a decrease in awards of contracts during the year ended 31 March 2020.

Despite the underperformed result and stringent market environment of the construction industry, the Group will continue to deploy efforts in tendering for contracts, particularly contracts which yield higher margins in price and make concerted efforts in controlling and managing the contract and operating costs, in order to foster improvement in results of this business.

Looking forward to 2021, the Company still faces impacts arising from the outbreak of the COVID-19, unstable political and economic policies, fierce competition in Hong Kong's construction industry and other adverse factors. However, the Company believes there will be opportunities in the challenges. The Group will give sustained impetus to the growth of the group from two aspects.

Firstly, the Company strives to improve its operational efficiency and better the profitability of our business by implementing tightened cost control. The Company is also actively seeking potential business opportunities that can widen the income streams and increase the return of shareholders.

Secondly, the Company continues to put great efforts on talent cultivation. The speciality and quality of employees will have an important impact on the development of the Group.

The following is the text of a report received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with Paragraph 13 of Appendix 1B and Rule 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2020.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020, as extracted from the published interim report of the Group for the six months ended 30 September 2020, and is adjusted to reflect the effect of the Rights Issue.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2020 or to any future dates following the Rights Issue.

	Unaudited consolidated net tangible asset of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000 (Note 1)	Net proceeds from right issue of 300,000,000 Shares completed on 22 October 2020 HK\$'000 (Note 2)	Estimated net proceeds from Rights Issue HK\$'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000
Based on right issue of 300,000,000 Shares of subscription price of HK\$0.027 on 22 October 2020 and Rights Issue of 135,000,000 Shares at subscription price of HK\$0.21 per Rights Share after share consolidation	60,203	6,917	25,650	92,770

Unaudited consolidated net tangible asset of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000 (Note 1)	Net proceeds from right issue of 300,000,000 Shares completed on 22 October 2020 HK\$'000 (Note 2)	Estimated net proceeds from Rights Issue HK\$'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000
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Consolidated net tangible assets of
the Group per Share attributable to
owners of the Company as at
30 September 2020 ^(Note 4)

HK\$0.10

Unaudited pro forma adjusted
consolidated net tangible assets of
the Group per Share attributed to
owners of the Company after the
completion of the Rights Issue ^(Note 5)

HK\$0.41

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2020 were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 included in the Group's published interim report for the six months ended 30 September 2020.
2. The estimated net proceeds from the rights issue completed on 22 October 2020 of approximately HK\$6,917,000 are calculated based on gross proceeds of HK\$8,100,000 from the issue of 300,000,000 rights shares at the subscription price of HK\$0.027 per offer share and after deducting estimated expenses of approximately HK\$1,183,000 attributable to the right issue.

3. The estimated net proceeds from the Rights Issue of approximately HK\$25,650,000 are calculated based on gross proceeds of HK\$28,350,000 from the issue of 135,000,000 Rights Shares at the Subscription Price of HK\$0.21 per Offer Share and after deducting estimated expenses of approximately HK\$2,700,000 attributable to the Rights Issue.
4. The number of Shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company prior to the completion of the right issue of 300,000,000 Shares on 22 October 2020 and completion of Rights Issue is based on 600,000,000 Shares in issue as at 30 September 2020.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 September 2020 immediately after the completion of the Rights Issue and Share Consolidation as if the right issue of 300,000,000 Shares on 22 October 2020 (30,000,000 shares after the effect of Share Consolidation) and the Rights Issue of 135,000,000 Shares had been completed on 30 September 2020.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Share Consolidation and the Increase in Authorised Share Capital but before the completion of the Rights Issue; and (iii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) are as follows:

- (a) As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Existing Shares of HK\$0.01 each	<u>10,000,000</u>
<i>Issued and fully paid:</i>		
<u>900,000,000</u>	Existing Shares of HK\$0.01 each	<u>9,000,000</u>

- (b) The Shares in issue immediately following the Share Consolidation and the Increase in Authorised Share Capital but before the completion of the Rights Issue (assuming no further issue and/or repurchase of Existing Shares from the Latest Practicable Date to the effective date of the Share Consolidation and the Increase in Authorised Share Capital) will be as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
<u>90,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>9,000,000</u>

- (c) The Shares in issue immediately following the completion of the Rights Issue (assuming no further issue and/or repurchase of the Existing Shares and/or Consolidated Shares from the Latest Practicable Date to the completion of the Rights Issue) will be as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>100,000,000</u>
 <i>Issued and fully paid:</i>		
90,000,000	Consolidated Shares of HK\$0.10 each	9,000,000
135,000,000	Rights Shares to be allotted and issued under the Rights Issue	13,500,000
<u>225,000,000</u>	Total	<u>22,500,000</u>

All of the Rights Shares to be issued will rank pari passu in all respects with each other. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or (iii) otherwise which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions in the Shares and the underlying Shares

Name	Capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. Tang	Interest of a controlled corporation (<i>Note (i)</i>)	187,000,000	20.78%
Mr. Chui	Interest of a controlled corporation (<i>Note (ii)</i>)	183,000,000	20.33%

Notes:

- (i) Mr. Tang legally and beneficially owns the entire issued share capital of C3J Development. Therefore, Mr. Tang is deemed, or taken to be, interested in all the shares held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.
- (ii) Mr. Chui legally and beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Mr. Chui is deemed, or taken to be, interested in all the shares held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or (iii) otherwise which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

(b) Interests of substantial Shareholders

So far as known to the Directors, as at the Latest Practicable Date, the following persons/corporations (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

Long positions in the Shares and the underlying shares

Name	Capacity	Number of Shares held/interested	Approximate percentage of shareholding
C3J Development	Beneficial owner	187,000,000	20.78%
Ms. Lam Ka Yi (Note (i))	Interest of spouse	187,000,000	20.78%
Hunter Corporate	Beneficial owner	183,000,000	20.33%
Ms. Wong Kit Chun (Note (ii))	Interest of spouse	183,000,000	20.33%
China New Economy Fund Limited	Beneficial owner	85,050,000	9.45%

Notes:

- (i) Ms. Lam Ka Yi is the spouse of Mr. Tang. Mr. Tang legally and beneficially owns the entire issued share capital of C3J Development. Therefore, Ms. Lam Ka Yi is deemed, or taken to be, interested in all the shares held by C3J Development for the purpose of the SFO.
- (ii) Ms. Wong Kit Chun is the spouse of Mr. Chui. Mr. Chui legally and beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Ms. Wong Kit Chun is deemed, or taken to be, interested in all the shares held by Hunter Corporate for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/corporations who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

8. MATERIAL CONTRACTS

Save as disclosed below, there had been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the underwriting agreement dated 10 August 2020 entered into between the Company and Gransing Securities Co., Limited as underwriter in relation to the underwriting arrangement in respect of the 2020 Rights Issue; and
- (b) the Placing Agreement.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular (the “**Experts**”):

Name	Qualification
RSM Hong Kong	certified public accountants
Luk Fook Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and placing all Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$3.35 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	<i>Executive Directors</i> Mr. Tang Kwai Leung Stanley (<i>Chairman</i>) Mr. Chui Koon Yau <i>Independent non-executive Directors</i> Mr. Cheung Chung Chuen George Mr. Law Ching Ning Paschal Mr. Leung Wai Hung
Audit committee	Mr. Leung Wai Hung (<i>Chairman</i>) Mr. Cheung Chung Chuen George Mr. Law Ching Ning Paschal
Nomination committee	Mr. Cheung Chung Chuen George (<i>Chairman</i>) Mr. Law Ching Ning Paschal Mr. Leung Wai Hung
Remuneration committee	Mr. Law Ching Ning Paschal (<i>Chairman</i>) Mr. Cheung Chung Chuen George Mr. Leung Wai Hung
Registered office	Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business	Room 1204, 12/F, Block 2, Golden Industrial Building 16–26 Kwai Tak Street, Kwai Chung New Territories, Hong Kong
Authorised representatives	Mr. Tang Kwai Leung Stanley Ms. Yim Sau Ping (FCPA)
Company secretary	Ms. Yim Sau Ping (FCPA)
Compliance officer	Mr. Tang Kwai Leung Stanley
Share registrar in Hong Kong	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Principal banker	Nanyang Commercial Bank, Limited The Hongkong and Shanghai Banking Corporation Limited DBS Bank (Hong Kong) Limited
Auditors and reporting accountants	RSM Hong Kong <i>Certified Public Accountants</i> 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay, Hong Kong
Legal adviser to the Company as to Hong Kong laws	Michael Li & Co. 19th Floor, Prosperity Tower 39 Queen's Road Central Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Luk Fook Capital (HK) Limited Units 2201–2207 & 2213–2214 22/F Cosco Tower 183 Queen's Road Central Hong Kong
Placing Agent	Gransing Securities Co., Limited Unit 2508, 25/F., Cosco Tower 183 Queen's Road Central, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Tang Kwai Leung Stanley (“**Mr. Tang**”), aged 52, is the executive Director and chairman of the Board responsible for overseeing the corporate strategy, operational management of the Group, and a co-founder of the Group. Mr. Tang attended secondary school education in Hong Kong. Mr. Tang completed a construction safety supervisor course organised by the Construction Industry Training Authority in 1999. He also obtained a trade test certification card for piling operative (bored pile) issued by the Construction Industry Training Authority in 2002, a certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in November 2008 and a certificate for operation of crawler-mounted mobile crane in May 2014.

Mr. Tang has approximately 22 years of experience in construction and foundation work industry. Before establishing Triangular Force Construction Engineering Limited (“**Triangular Force**”) in 2008, he accumulated approximately 10 years of experience working for China Overseas (Hong Kong) Limited as a foreman for intermittent periods

from October 1994 to December 2007, his last position as a general foreman. He also worked for Hsin Chong (Foundations) Limited as a site foreman from August 2000 to May 2001.

Mr. Chui Koon Yau (“**Mr. Chui**”), aged 53, is the executive Director, responsible for overseeing the operational management and quality control of projects of the Group, and a co-founder of the Group. Mr. Chui attended secondary school education in Hong Kong. Mr. Chui is a registered construction worker under to the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). He obtained a trade test certification card for plant and equipment operator (bored pile) issued by the Construction Industry Training Authority in 2003 and a certificate for operation of crawler-mounted mobile crane in May 2014. Mr. Chui has also obtained several certificates on construction safety including the certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in December 2008.

Mr. Chui has approximately 28 years of experience in construction and foundation work industry. Before establishing Triangular Force in 2008, Mr. Chui worked as a foreman and a crane operator from 1995 to 2000 for various construction or foundation companies. Mr. Chui then worked as a crane operator and a general foreman in Vibro Construction Company Limited from 2000 to 2005, and from 2005 to 2008, respectively.

Independent non-executive Directors

Mr. Cheung Chung Chuen George (“**Mr. Cheung**”), aged 47, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the audit committee of the Company (the “**Audit Committee**”) and remuneration committee of the Company (the “**Remuneration Committee**”).

In November 1998, Mr. Cheung obtained a degree of bachelor of laws from City University of Hong Kong. He then obtained a postgraduate certificate in laws from the same university in July 1999. He was admitted as a solicitor of the High Court of Hong Kong in September 2001.

Mr. Cheung has approximately 18 years of experience in legal industry specialising in conveyancing. He worked in a number of law firms throughout the years. He worked for Ng & Shum Solicitors & Notaries in association with D&S Law Firm from August 2002 to January 2005, and Iu, Lai & Li Solicitors & Notaries from January 2005 to September 2006 as an assistant solicitor. He worked at Woo, Kwan, Lee & Lo from October 2006 to July 2008 as an assistant solicitor. Later on, he worked for Allen & Overy from July 2008 to April 2011, his last position held was a senior associate. Mr. Cheung then worked for Kao, Lee & Yip from April 2011 to February 2012, his last position held was an assistant solicitor. He subsequently joined T.K. Tsui & Co., Solicitors as assistant solicitor in May 2012, and was admitted as a partner in August 2012, he left the firm in March 2014. He has been a consultant of Cheung & Yeung, Solicitors from April 2014 to June 2017 and he

joined Eversheds Legal Services (Hong Kong) Limited in June 2017. Mr. Cheung was a tutor that provided conveyancing and probate practice for the postgraduate certificate in laws programme for the City University of Hong Kong from September to December 2007.

Mr. Law Ching Ning Paschal (“**Mr. Law**”), aged 51, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Law obtained a degree of bachelor of science (architecture) and a degree of bachelor of architecture from The University of Sydney in June 1992 and in June 1995, respectively. Mr. Law is currently an authorised signatory of Law Chi Yip Construction Company Limited.

Mr. Law has approximately 22 years of experience in the architectural and construction industry. He worked for Law Chi Yip Construction Company Limited as an assistant manager in January 1997 and was promoted to a project manager in July 2000 and acted as the project-in-charge for a number of projects from 2002 onwards. Mr. Law started working at LCY Design Limited as a director since December 1996.

Mr. Leung Wai Hung (“**Mr. Leung**”), aged 53, was appointed as the independent non-executive Director on 22 September 2017. He is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Leung holds a Bachelor Degree of Business Administration from The Chinese University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Leung has more than 20 years working experience in various listed companies in Hong Kong mainly engaged in property development including Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001). Mr. Leung has extensive experience in real estate investment trust (“**REIT**”). He participated in the IPO setup of the first private sector REIT, Prosperity REIT (stock code: 808) in Hong Kong in 2005 and worked for the manager of Fortune REIT (stock code: 778) as a Finance Director from 2011 to 2012. Fortune REIT was dually listed in both Hong Kong and Singapore. Other than property development, he has also worked as the financial controller of Shougang Concord International Enterprises Company Limited (now known as Shoucheng Holdings Limited) (stock code: 697) (“**SCIECL**”) from 2013 to 2018. SCIECL is a state-owned enterprise and a member of Shougang Group Co., Ltd, one of the top 10 steel producers in the world.

Mr. Leung also has extensive financial knowledge in initial public offering, merger and acquisition as well as fund raising and is familiar with the business environment of both Hong Kong and the Mainland China.

He is also an independent non- executive director of Fineland Real Estate Services Group Limited (“**Fineland**”) (stock code: 9978). Fineland is a listed company on GEM of the Stock Exchange since 15 November 2017 and transfer of listing from GEM to the Main Board on 28 May 2020.

Senior management

Mr. Che Ping Hin (“**Mr. Che**”), aged 38, joined the Group in March 2018. He is currently appointed as project manager and responsible for the day to day management and safety of the projects of the Company.

Mr. Che obtained a higher diploma in Structural engineering from HKIVE(TY) in September 2003. Mr. Che has approximately 17 years of experience in engineering and construction project management.

Prior to joining the Group, Mr. Che worked as a project manager for various projects under his employments with different companies.

Mr. Che first got into the industry in April 2004 through working for Baily Construction and Engineering Limited as an assistant engineer. He worked there until September 2006, he then worked for Bluet Hydroseeding Limited as a project manager from October 2006 to July 2011. Later on, he worked for Salotto (China) Limited from August 2011 to December 2013. He then worked for Hon Fung Engineering Limited as a project manager from December 2013 to February 2018.

Company secretary

Ms. Yim Sau Ping (“**Ms. Yim**”), aged 38, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 12 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Leung Wai Hung (the Chairman of the Audit Committee), Mr. Cheung Chung Chuen George and Mr. Law Ching Ning Paschal. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2018, 2019 and 2020;
- (c) the first quarterly report of the Company for the three months ended 30 June 2020;
- (d) the interim report of the Company for the six months ended 30 September 2020;
- (e) the Placing Agreement;
- (f) the letter from the Board, the text of which is set out on pages 13 to 38 of this circular;
- (g) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 39 of this circular;
- (h) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 40 to 73 of this circular;
- (i) the accountant’s report on the unaudited pro forma financial information of the Group issued by RSM Hong Kong, the text of which is set out in Appendix II to this circular;
- (j) the material contracts referred to in the paragraph headed “8. Material Contracts” of this appendix;

- (k) the written consent referred to in paragraph headed “9. Qualification and consent of Experts” of this appendix; and
- (l) this circular.

15. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EGM

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Beaver Group (Holding) Company Limited (the “**Company**”) will be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Tuesday, 16 March 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
 - (i) every ten (10) issued and unissued shares in the share capital of the Company be consolidated into one (1) share (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
 - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (each a “**Director**”) of the Company may think fit; and
 - (iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”
2. “**THAT**
 - (i) subject to and conditional upon the passing of the resolution numbered 1, the authorised share capital of the Company be and is hereby increased from HK\$10,000,000 divided into 100,000,000 Consolidated Shares of HK\$0.10 each (the “**Shares**”) to HK\$100,000,000 divided into 1,000,000,000 Consolidated

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Shares by the creation of an additional 900,000,000 Consolidated Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum and articles of association of the Company (the “**Increase in Authorised Share Capital**”); and

- (ii) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

3. “**THAT**

- (i) subject to and conditional upon the passing of the resolutions numbered 1 and 2, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (ii) the allotment and issue of 135,000,000 new Consolidated Shares (assuming no further issue and repurchase of shares of the Company up to the Record Date (as defined below)) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.21 per Rights Share (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on 29 March 2021, or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 27 February 2021 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (“**Non-Qualifying Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
- (iii) the placing agreement dated 25 January 2021 (the “**Placing Agreement**”) and entered into between the Company and Gransing Securities Co., Limited (a copy of which has been produced to the Meeting marked “B” and signed by the

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chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (iv) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (v) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

By order of the Board
Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 27 February 2021

Registered office:
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Room 1204, 12/F, Block 2
Golden Industrial Building
16–26 Kwai Tak Street, Kwai Chung
New Territories, Hong Kong

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Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the Meeting (i.e. 11:00 a.m. on 14 March 2021) or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from 10 March 2021 to 16 March 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 9 March 2021.
4. A form of proxy for use at the Meeting is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.beavergroup.com.hk).
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will post an announcement on the websites of the Company at www.beavergroup.com.hk and the Stock Exchange at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
6. Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the Meeting:
 - compulsory body temperature checks and health declarations for all attendees
 - compulsory wearing of a surgical face mask for each attendee throughout the Meeting
 - no distribution of corporate gift nor provision of refreshment

Any Shareholders or their proxies who does not comply with these precautionary measures may be denied entry into the Meeting venue. Shareholders are reminded that, in order to avoid attending the meeting in person, they may appoint the chairman of the meeting as their proxy to vote on any resolutions at the Meeting in accordance with the voting preferences indicated on the enclosed proxy form.