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STATE INNOVATION HOLDINGS LIMITED

國科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of State Innovation Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the nine months ended 31 December 2022 (the “**Third Quarter**”). This announcement, containing the full text of the third quarterly report 2022 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of third quarter results.

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

Hong Kong, 7 February 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “**Directors**”) of State Innovation Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 report misleading.

THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of the Company presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2022, together with the unaudited comparative figures for the corresponding periods in 2021 as follows:

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the three and nine months ended 31 December 2022

| | Note | Three months ended 31 December | | Nine months ended 31 December | |
|---|------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Revenue | 3 | 28,319 | 36,850 | 86,344 | 108,981 |
| Cost of sales | | (15,868) | (39,239) | (93,751) | (106,601) |
| Gross (loss)/profit | | 12,451 | (2,389) | (7,407) | 2,380 |
| Other income and other loss | 4 | 387 | 105 | 2,216 | 453 |
| Administrative expenses | | (5,564) | (3,253) | (15,752) | (11,165) |
| Change in fair value of financial assets at fair value through profit or loss ("FVTPL") | | (128) | 50 | (494) | 94 |
| Reversal of/(allowance for) impairment loss of financial assets, net | | (688) | (499) | 889 | (8,139) |
| (Loss)/profit from operations | | 6,458 | (5,986) | (20,548) | (16,377) |
| Finance costs | 6 | (130) | (131) | (424) | (510) |
| (Loss)/profit before tax | | 6,328 | (6,117) | (20,972) | (16,887) |
| Income tax credit | 7 | 32 | 768 | 407 | 819 |
| (Loss)/profit for the period | | 6,360 | (5,349) | (20,565) | (16,068) |
| Attributable to | | | | | |
| Owners of the Company | | 6,435 | (5,349) | (20,490) | (16,068) |
| Non-controlling interests | | (75) | - | (75) | - |
| Other comprehensive loss: | | | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | | | |
| Exchange differences arising on translating foreign operations | | - | - | - | (249) |
| Other comprehensive loss for the period, net of tax | | - | - | - | (249) |
| Total comprehensive (loss)/income for the period | | 6,360 | (5,349) | (20,565) | (16,317) |
| Attributable to | | | | | |
| Owners of the Company | | 6,435 | (5,349) | (20,490) | (16,317) |
| Non-controlling interests | | (75) | - | (75) | - |
| (Loss)/earnings per share | | | | | |
| Basic and diluted (HK cents) | 9 | 4.5 | (2.0) | (16.0) | (7.1) |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | Total equity HK\$'000 |
|--|---------------------------------------|---------------------------|----------------------------|--|-------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Foreign | Retained earnings HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | |
| | | | | currency translation reserve HK\$'000 | | | | |
| For the nine months ended | | | | | | | | |
| 31 December 2021 | | | | | | | | |
| At 1 April 2021 (audited) | 9,000 | 40,447 | 22 | 249 | 5,048 | 54,766 | - | 54,766 |
| Issuance of shares under rights issue | 13,500 | 14,850 | - | - | - | 28,350 | - | 28,350 |
| Transaction costs on issuance of share upon rights issue | - | (946) | - | - | - | (946) | - | (946) |
| Placing new shares | 4,500 | 3,375 | - | - | - | 7,875 | - | 7,875 |
| Transaction costs on issuance of shares on placement | - | (456) | - | - | - | (456) | - | (456) |
| Release of translation reserve upon deregistration of a subsidiary | - | - | - | (249) | - | (249) | - | (249) |
| Total comprehensive loss for the period (unaudited) | - | - | - | - | (16,068) | (16,068) | - | (16,068) |
| At 31 December 2021 (unaudited) | 27,000 | 57,270 | 22 | - | (11,020) | 73,272 | - | 73,272 |
| For the nine months ended | | | | | | | | |
| 31 December 2022 | | | | | | | | |
| At 1 April 2022 (audited) | 27,000 | 56,252 | 22 | - | (32,748) | 50,526 | - | 50,526 |
| Issuance of shares under rights issue | 40,500 | 4,050 | - | - | - | 44,550 | - | 44,550 |
| Transaction costs on issuance of share upon rights issue | - | (1,441) | - | - | - | (1,441) | - | (1,441) |
| Placing new shares | 12,501 | (5,750) | - | - | - | 6,751 | - | 6,751 |
| Transaction costs on issuance of shares on placement | - | (238) | - | - | - | (238) | - | (238) |
| Release of translation reserve upon deregistration of a subsidiary | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the period (unaudited) | - | - | - | - | (20,490) | (20,490) | (75) | (20,565) |
| At 31 December 2022 (unaudited) | 80,001 | 52,873 | 22 | - | (53,238) | 79,658 | (75) | 79,583 |

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 January 2017. The address of its registered office is at PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares were listed on the GEM of the Stock Exchange on 16 October 2017.

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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2022. The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2022.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“**HK\$’000**”), unless otherwise indicated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee (the “**Audit Committee**”).

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers by major service lines for the periods is as follows:

| Revenue from contracts with customers within the scope of HKFRS 15 | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|-------------------------|----------------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Construction contract income | 27,596 | 36,850 | 83,837 | 108,981 |
| Rental income from machinery | 723 | – | 2,507 | – |
| | 28,319 | 36,850 | 86,344 | 108,981 |

The Group derives revenue over time from the following major service lines:

| For the nine months ended 31 December | Construction contract income | | Rental income from machinery | | Total | |
|--|---------------------------------|-------------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| | 83,837 | 108,981 | 2,507 | – | 86,344 | 108,981 |
| Total | 83,837 | 108,981 | 2,507 | – | 86,344 | 108,981 |

Timing of revenue recognition

| | | | | | | |
|--------------|---------------|---------|--------------|---|---------------|---------|
| – Over time | 83,837 | 108,981 | 2,507 | – | 86,344 | 108,981 |
| Total | 83,837 | 108,981 | 2,507 | – | 86,344 | 108,981 |

| For the three months ended 31 December | Construction contract income | | Rental income from machinery | | Total | |
|---|---------------------------------|-------------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| | 27,596 | 36,850 | 723 | – | 28,319 | 36,850 |
| Total | 27,596 | 36,850 | 723 | – | 28,319 | 36,850 |

Timing of revenue recognition

| | | | | | | |
|--------------|---------------|--------|------------|---|---------------|--------|
| – Over time | 27,596 | 36,850 | 723 | – | 28,319 | 36,850 |
| Total | 27,596 | 36,850 | 723 | – | 28,319 | 36,850 |

4. OTHER INCOME, AND OTHER LOSS

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|-------------|
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Gain on deregistration of a subsidiary (Note (i)) | - | - | - | 249 |
| Government grants (Note (ii)) | 186 | - | 2,054 | - |
| (Loss)/gain on disposal of financial assets at FVTPL | 5 | - | (198) | - |
| Gain on disposal of property, plant and machinery | 60 | - | 60 | - |
| Others | 136 | 105 | 300 | 204 |
| Total | 387 | 105 | 2,216 | 453 |

Notes:

- (i) Upon the deregistration of 濠傑建築工程一人有限公司 (“**Ho Kit Construction**”), the subsidiary in Macau which did not have any material assets and liabilities at the time of deregistration, the corresponding foreign currency translation reserve in relation to this subsidiary of approximately HK\$249,000 was released and recognised in profit or loss for the nine months ended 31 December 2021.
- (ii) For the nine months ended 31 December 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government amounted to approximately HK\$2,054,000. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the respective segments and to assess its performance.

As the Group principally engages in the provision of foundation work, ancillary services and machinery rental in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the loss before tax of the Group as a whole. Therefore, the management considers there is only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

Geographical information

All of the group's revenue, loss before taxation, assets and liabilities were derived from or located in Hong Kong, and therefore no geographical information is presented.

5. SEGMENT INFORMATION (Continued)

Revenue from major customers

Customer base for whom transactions have exceeded 10% of the Group's revenue is as below:

| | Nine months ended 31 December | |
|------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Customer 1 | – | 13,776 |
| Customer 2 | – | 38,108 |
| Customer 3 | 9,175 | 34,829 |
| Customer 4 | 39,180 | * |
| Customer 5 | 11,534 | – |
| Customer 6 | 10,311 | – |
| Customer 7 | 9,159 | – |

* Revenue for the year is less than 10% of total revenue

6. FINANCE COSTS

| | Three months ended 31 December | | Nine months ended 31 December | |
|-----------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Interest on: | | | | |
| – bank and other borrowings | 30 | 100 | 133 | 319 |
| – lease liabilities | 100 | 31 | 291 | 191 |
| | 130 | 131 | 424 | 510 |

7. INCOME TAX CREDIT

| | Three months ended 31 December | | Nine months ended 31 December | |
|-------------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Current tax – Hong Kong Profits Tax | | | | |
| – Provision for the period | – | – | – | – |
| Deferred tax | 32 | 768 | 407 | 819 |
| | 32 | 768 | 407 | 819 |

Hong Kong Profits Tax has been provided at a rate of 16.5% (2021: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

7. INCOME TAX CREDIT (Continued)

For the nine months ended 31 December 2022 and 2021, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will continue to be taxed at 16.5%.

Other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% based on the assessable profits less allowable losses brought forward.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDENDS

The Board does not recommend the payment of dividend for the nine months ended 31 December 2022 (for the nine months ended 31 December 2021: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on the followings:

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|-------------|
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| (Loss)/profit for the period attributable to owners of the Company (HK\$'000) | 6,435 | (5,349) | (20,490) | (16,068) |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share ('000) | 143,153 | 270,000 | 128,302 | 225,491 |
| (Loss)/earnings per share | | | | |
| Basic and diluted (HK cents) | 4.5 | (2.0) | (16.0) | (7.1) |

The weighted average number of ordinary shares used as denominator in calculating the basic and diluted loss per share.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue for the periods ended 31 December 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 the machinery and the Group possesses all standard plant and machinery and equipment necessary for its construction of bored piles. The Group also engaged in leasing of machinery.

For the nine months ended 31 December 2022, the Group recorded net loss attributable to owners of the Company of approximately HK\$20.5 million as compared to net loss attributable to owners of the Company of approximately HK\$16.1 million for the same period in 2021. The Board considers that the net loss attributable to owners of the Company was primarily attributable to (i) the decrease in revenue due to fewer and lower value of contracts awarded to the Group; (ii) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; and (iii) the increase in administrative expenses due to the increase in legal and professional fee for the Company's rights issue in 2022.

Outlook

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 throughout the period 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 Group will invest in the manpower and information system to enhance its operational capacity and efficiency in foundation and site formation works and bored piling works.

The Group will also proactively seek potential business opportunities that will broaden the sources of income and increase the return of shareholders of the Company. On 9 November 2022, the Company newly incorporated and held 51% of equity interest of a subsidiary, Goldstone Communications Limited, which principal activity is engaged in public relation services, brand building and marketing services.

The Directors believe that the finance and fintech industry has a promising prospect and the development of finance and fintech will enable the Group to benefit from diversified revenue streams, as well as market deployment and preparation in advance for its entry into the Hong Kong financial services market which offers growth potential and better capital return. On 28 December 2022, the Company newly incorporated a direct wholly owned subsidiary, Goldstone Finance Limited ("**Goldstone Finance**"), which principal activity is engaged in investment holding.

Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to strive to improve its operational efficiency and profitability of its businesses.

Financial Review

Revenue

The Group's revenue for the nine months ended 31 December 2022 was approximately HK\$86.3 million, representing a decrease of approximately 20.8% from approximately HK\$109.0 million for the nine months ended 31 December 2021, which was primarily due to the decrease of construction contract income with fewer and lower value of contracts awarded to the Group.

Costs of Sales

The Group's cost of sales for the nine months ended 31 December 2022 was approximately HK\$93.8 million, representing a decrease of approximately 12.0% from approximately HK\$106.6 million for the nine months ended 31 December 2021, which was primarily due to the net off effect of decrease in construction contract income and the increases of construction material and labour costs as a result of delay in progress of certain projects.

Gross Profit and Gross Profit Margin

The Group's gross loss for the nine months ended 31 December 2022 was approximately HK\$7.4 million, representing a decrease of approximately 408.3% from gross profit approximately HK\$2.4 million for the nine months ended 31 December 2021. The Group's gross profit margin decreased from approximately 2.2% to gross loss margin of approximately 8.6% for the period of comparison. Such decrease was primarily due to higher construction material and labour cost as a result of delay in progress of certain projects.

Administrative Expenses

The Group's administrative expenses for the nine months ended 31 December 2022 were approximately HK\$15.8 million, representing an increase of approximately 41.1% from approximately HK\$11.2 million for the nine months ended 31 December 2021. The increase was mainly attributable to the increase in legal and professional fee due to the Company's rights issue completed on 3 May 2022.

Loss for the Period

For the nine months ended 31 December 2022, the Group recorded a loss attributed to owners of the Company of approximately HK\$20.5 million as compared to a loss for the nine months ended 31 December 2021 of approximately HK\$16.1 million. The Board considers that the net loss was mainly attributable to (i) the decrease in revenue due to fewer and lower value of contracts awarded to the Group; (ii) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; and (iii) the increase in administrative expenses due to the increase in legal and professional fee for the Company's rights issue in 2022.

Dividend

The Board does not recommend the payment of dividend for the nine months ended 31 December 2022 (for the nine months ended 31 December 2021: Nil).

2022 Rights Issue

On 14 January 2022, to satisfy its funding needs and ease its cashflow pressure, the Company announced a proposed rights issue on the basis of 3 Rights Shares for every 2 consolidated shares in issue at a subscription price of HK\$0.55 per Rights Share (the “**2022 Rights Issue**”) to raise approximately HK\$44.55 million by issuing 81,000,000 Rights Shares to the qualifying shareholders. Under the relevant compensatory arrangements, all the unsubscribed Rights Shares were placed by the placing agent to no less than 6 independent places at the subscription price.

On 3 May 2022, the Company completed the 2022 Rights Issue and issued 81,000,000 Rights Shares with par value of HK\$0.5 each at a subscription price of HK\$0.55 per Rights Shares determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price per Share was HK\$0.725 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 14 January 2022, being the last trading day). The net proceeds from the 2022 Rights Issue (after deducting the estimated expenses) were approximately HK\$42.6 million, representing a net price of approximately HK\$0.53 per Rights Share, which were used as to (i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the Promissory Note to be due six months after the date of issue of the Promissory Note (i.e. 13 June 2022); (ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost; (iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group’s operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income; (iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group’s customer base and acquire more projects; and (v) the remaining balance of approximately HK\$9.5 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.

Upon the completion of the 2022 Rights Issue in May 2022, the number of shares in issue became 135,000,000 of par value HK\$0.5 each thereafter. Details of the 2022 Rights Issue are set out in the Company’s announcements dated 14 January 2022, 27 January 2022, 19 April 2022, 29 April 2022, 3 May 2022, circular dated 24 February 2022 and prospectus dated 29 March 2022.

As at 31 December 2022, the actual use of the net proceeds of the 2022 Rights Issue was as follows:

| | Planned use of net proceeds as stated in the prospectus dated 29 March 2022 | Actual use of proceeds up to 31 December 2022 | Unutilised net proceeds up to 31 December 2022 | Expected timeline for unutilised net proceeds |
|--|--|--|---|--|
| Repayment of the principal amount and interest accrued thereon of the Promissory Notes | 3.1 | 3.1 | – | N/A |
| Acquisition of a new office premise and the relevant renovation cost | 20.0 | 17.6 | 2.4 | by 30 June 2023 |
| Recruitment of additional full-time staff | 7.0 | – | 7.0 | by 30 June 2024 |
| Business development and marketing expenses | 3.0 | 1.2 | 1.8 | by 30 June 2024 |
| General working capital | 9.5 | 9.5 | – | N/A |
| Total | 42.6 | 31.4 | 11.2 | |

As at 31 December 2022, the net proceeds in the amount of approximately HK\$31.4 million have been utilized and the remaining balance of HK\$11.2 million will be utilized as intended.

2022 Convertible Bonds

On 24 May 2022, to satisfy the acquisition of 100% equity interest of the Tiger Faith Holdings Limited, the Company announced (i) the issue of convertible bond (the “**Convertible Bond (I)**”); and (ii) placing of convertible bond (the “**Convertible Bond (II)**”, together with the Convertible Bond (I), the “**2022 Convertible Bonds**”) to raise approximately HK\$29.4 million.

Convertible Bond (I) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of HK\$10,000,000 to be issued by the Company to the relevant vendor for settlement and discharge of part of the consideration for the above acquisition. The issue of the Convertible Bond (I) has been terminated as the above acquisition has been terminated on 12 December 2022. Convertible Bond (II) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company under the placing agreement dated 23 May 2022.

Details of the 2022 Convertible Bond are set out in the Company’s announcements dated 24 May 2022, 13 June 2022, 12 August 2022, 23 September 2022, 11 November 2022, 12 December 2022, 14 December 2022 and circular dated 2 September 2022.

The placing of Convertible Bond (II) is yet to be completed as at the date of this report. The issue of the Convertible Bond (I) has been terminated as the above acquisition has been terminated on 12 December 2022. Completion of the placing of Convertible Bond (II) is subject to the fulfillment of the conditions set out in the placing agreement. On 11 November 2022, the Company and the placing agent of the Convertible Bond (II) has entered into an extension letter to extend the closing date of the placing of the Convertible Bond (II) to 31 March 2023, and pursuant to the terms and conditions of the Convertible Bond (II), the conversion price of the Convertible Bond (II) has been adjusted from HK\$0.55 to approximately HK\$0.53. It is expected that the net proceeds of the placing of Convertible Bond (II) will be in the amount of HK\$29,400,000. As the above acquisition has been terminated on 12 December 2022, the Company intended to reallocation all the net proceeds of the placing of the Convertible Bond (II) to develop the financial assistance business. Further announcement(s) in relation to the completion of the placing of Convertible Bond (II) will be made by the Company as and when appropriate in accordance with the requirements under the GEM Listing Rules.

2022 Placing of New Shares

On 11 November 2022 (after trading hours of the Stock Exchange), the Company entered into the placing agreement with Orient Securities Limited (the **"Placing Agent"**), pursuant to which the Placing Agent conditionally agreed, as agent of the Company, to procure on a best effort basis then expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 25,001,378 Placing Shares at the placing price of HK\$0.27 per new share to be placed (the **"Placing Share"**) (the **"2022 Placing of New Shares"**). The Company was of the view that the 2022 Placing of New Shares represented an attractive opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position for its future operation.

On 2 December 2022, the 2022 Placing of New Shares was completed and a total of 25,001,378 Placing Shares were placed by the Placing Agent to not less than six placees at the placing price of HK\$0.27 per Placing Share, representing (i) 18.52% of the issued share capital of the Company immediately before completion of the 2022 Placing of New Shares; and (ii) approximately 15.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the 2022 Placing of New Shares, determined with reference to the prevailing market price. The closing price per share of the Company as quoted on the Stock Exchange on 11 November 2022, being the date of the placing agreement, was HK\$0.295 per share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the placees is independent of and not connected with the Company, its connected persons and their respective associates, who and whose ultimate beneficial owner(s) (where applicable) are all independent third parties. The net proceeds from the 2022 Placing of New Shares (after deducting the estimated expenses) were approximately HK\$6.5 million, representing a net issue price of approximately HK\$0.26 per Placing Share, which were used as to approximately HK\$6.5 million for general working capital of the Group. Details of the 2022 Placing of New Shares are set out in the Company's announcements dated 11 November 2022, 15 November 2022 and 2 December 2022.

As at 31 December 2022, the actual use of the net proceeds of the 2022 Placing of New Shares was as follows:

| | Planned use of net proceeds as stated in the announcement dated 11 November 2022 (HK\$ million) | Actual use of proceeds up to 31 December 2022 (HK\$ million) | Unutilised net proceeds up to 31 December 2022 (HK\$ million) | Expected timeline for unutilised net proceeds |
|-------------------------|--|---|--|--|
| General working capital | 6.5 | 2.7 | 3.8 | by 31 March 2023 |
| Total | 6.5 | 2.7 | 3.8 | |

As at 31 December 2022, the net proceeds in the amount of HK\$2.7 million have been utilised for general working capital of the Group and the remaining balance of HK\$3.8 million will be utilised as intended.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Plans for Material Investments or Capital Assets

A wholly-owned subsidiary of the Company, Longson Enterprise Development Company Limited (“**Longson**”) entered into the agreement, pursuant to which Longson agreed to purchase a property situated at office no. 3, 4 & 5 on 2nd floor Yue Shing Commercial Building, 15–16 Queen Victoria Street & 3–7 Man Yee Lane, Hong Kong (the “**Property**”) as a new office premise in the consideration of HK\$15,500,000, which has been settled by the proceeds from the 2022 Rights Issue. The purchase of the Property was completed on 18 July 2022. For details, please refer to the announcements of the Company dated 23 May 2022 and 26 May 2022.

On 24 May 2022, the Company entered into the acquisition agreement (the “**Acquisition Agreement**”), pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Tiger Faith Holdings Limited at the consideration of HK\$20,000,000 (the “**Acquisition**”), of which (i) HK\$10,000,000 shall be satisfied by cash and (ii) HK\$10,000,000 shall be settled by the issue of convertible bonds. In the light of the current market situation, after careful consideration, the parties to the Acquisition Agreement have mutually agreed to terminate the Acquisition Agreement on 12 December 2022. The issue of the Convertible Bond (I), which is part of the consideration of the Acquisition, has been terminated and the relevant deposit has been refunded. For details, please refer to the announcements of the Company dated 24 May 2022, 13 June 2022, 12 August 2022, 23 September 2022, 12 December 2022 and circular of the Company dated 2 September 2022.

On 29 January 2023, a wholly-owned subsidiary of the Company, Goldstone Finance, entered into a sales and purchase agreement, pursuant to which, Goldstone Finance agree to purchase 14.23% of issued share capital of Central Champion Holding Limited at the consideration of HK\$8,100,000. For details, please refer to the announcement of the Company dated 29 January 2023.

Save as disclosed in this report, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the nine months ended 31 December 2022 and there is no other plan for material investments or capital assets as at 31 December 2022.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2022, none of the Directors and chief executives of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial and Other Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executives of the Company, as at 31 December 2022, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long positions in ordinary shares and underlying shares of the Company

| Name | Capacity/ Nature of interest | Number of shares held/ interested | Approximate percentage of shareholding |
|-------------------------------------|---------------------------------------|---|--|
| Goldstone 1 LPF | Beneficial owner | 33,098,750 <i>(Note 1)</i> | 20.69% |
| Goldstone Wealth Management Limited | Beneficial owner | 33,098,750 <i>(Note 1)</i> | 20.69% |
| Mr. Lam Yu Chor Paul | Interested in controlled corporations | 33,098,750 <i>(Note 1)</i> | 20.69% |
| Success Run International Limited | Beneficial owner | 18,350,000 <i>(Note 2)</i> | 11.47% |
| Ms. Wong Fei Heung Terbe | Interested in controlled corporations | 21,790,000 <i>(Notes 2)</i> | 13.62% |
| Mr. Tai Pik Yeung Tyler | Beneficial owner | 8,834,000 | 5.52% |

Notes:

1. Mr. Lam Yu Chor Paul ("**Mr. Lam**") legally and beneficially owns the entire issued share capital of Goldstone Wealth Management Limited ("**Goldstone**"). Goldstone is the general partner of Goldstone 1 LPF. Therefore, Mr. Lam is deemed, or taken to be, interested in all the Shares held by Goldstone for the purpose of the Securities and Futures Ordinance (the "**SFO**"). Mr. Lam is the director of Goldstone.
2. Ms. Wong Fei Heung Terbe ("**Ms. Wong**") legally and beneficially owns the entire issued share capital of Success Run International Limited ("**Success Run**") and Lion Spring Enterprises Limited ("**Lion Spring**"), the latter of which hold 3,440,000 Shares, representing approximately 2.15% of the entire issued share capital of the Company. Therefore, Ms. Wong is deemed, or taken to be, interested in all the Shares held by Success Run and Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run and the director of Lion Spring.

Save as disclosed above, as at 31 December 2022, there was no persons or corporations, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or the Company or any other members of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2022.

Competition and Conflict of Interest

None of the Directors, the controlling shareholders (if any) or substantial shareholders of the Company or any of its respective closed associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interest with the Group during the nine months ended 31 December 2022.

Directors' Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and the code of conduct for securities transactions by the Directors during the nine months ended 31 December 2022.

Share Option Scheme

The Company operates a share option scheme (the **"Share Option Scheme"**) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 22 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

For the nine months ended 31 December 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Corporate Governance Practice

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code (the **"CG Code"**) set out in Appendix 15 of the GEM Listing Rules. During the nine months ended 31 December 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Audit Committee

The Audit Committee was established on 22 September 2017. The chairman of the Audit Committee is Mr. He Dingding, and other members include Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man, all being the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Publication of Quarterly Results and Quarterly Report

The quarterly results announcement and the quarterly report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.bevergroup.com.hk. The quarterly report of the Company for the nine months ended 31 December 2022 will be despatched to the shareholders of the Company electronically. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed quarterly report, free of charge, at any time by writing to the Company or the Company's branch registrar, Tricor Investor Services Limited.

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

Hong Kong, 7 February 2023

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