
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 institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in State Energy Group International Assets Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED 國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

- (I) PROPOSED CAPITAL REORGANISATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES
FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE;
(IV) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
(V) APPLICATION FOR WHITEWASH WAIVER;
AND
(VI) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to State Energy Group International Assets Holdings Limited



Underwriters of the Rights Issue

Always Profit Development Limited



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



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 48 to 69 of this circular.

A notice convening the SGM to be held at Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 13 July 2021 is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend and vote at the SGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Precautionary measures to be taken at the SGM for better protection of the safety and health of the Shareholders and other participants at the meeting in light of COVID-19 are set out at on page 8 of this circular. Shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM in person.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to the Company served prior to 4:00 p.m. on Wednesday, 11 August 2021 to terminate the obligations of the Underwriters thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

21 June 2021

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Always Profit”	Always Profit Development Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Zhang, a controlling shareholder of the Company and one of the Underwriters
“Announcement”	the announcement of the Company dated 8 April 2021 in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“BVI”	British Virgin Islands
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time
“Capital Reduction”	the reduction of the par value of all the then issued Consolidated Shares from HK\$0.50 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share

DEFINITIONS

“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Share Subdivision, the Reduction of Share Premium Account and the Credit Transfer, details of which are set out under the section headed “Proposed Capital Reorganisation” in the “Letter from the Board” in this circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 6,000 Adjusted Shares
“Chairman”	chairman of the Board
“Company”	State Energy Group International Assets Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 918)
“Companies Act”	the Companies Act 1981 of Bermuda
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Credit Transfer”	the proposed transfer of the credit arising from the Capital Reduction and the Reduction of Share Premium Account to the contributed surplus account of the Company
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the existing share capital of the Company prior to the Capital Reorganisation having become effective

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“GLAM Capital” or “Placing Agent”	GLAM Capital Limited (港利資本有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement and one of the Underwriters pursuant to the Underwriting Agreement
“Gram Capital”	Gram Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chow Hiu Tung, Mr. Zhao Hangen and Ms. Yang Yanli, which has been established to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, and as to the voting action therefor
“Independent Shareholder(s)”	the Shareholder(s) other than (i) Always Profit, its associates and parties acting in concert with it, (ii) Mr. Tian and his associates (including Wenxi Investment), and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons

DEFINITIONS

“Irrevocable Undertaking”	the irrevocable undertaking dated 8 April 2021 (as amended and supplemented by the supplemental irrevocable undertaking dated 10 May 2021) given by Always Profit in favour of the Company and the Underwriters as described in the sub-section headed “The Irrevocable Undertaking” under the section headed “Proposed Rights Issue” in the “Letter from the Board” in this circular
“Last Trading Day”	Thursday, 8 April 2021, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	Friday, 18 June 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 4 August 2021, or such other time or date as may be agreed in writing between the Company and the Underwriters, being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 11 August 2021, or such other time or date as may be agreed between the Company and the Underwriters in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tian”	Mr. Tian Wenxi, an executive Director
“Mr. Zhang”	Mr. Zhang Jinbing, the Chairman, an executive Director and a controlling shareholder of the Company
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who does/do not subscribe for the Rights Shares (whether partially or fully) under the PALs, its/their renounees, or such person(s) who hold(s) any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholder(s) for the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with the connected persons of the Company and the Underwriters, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 331,626,168 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agreement”	the placing agreement dated 8 April 2021 (as amended and supplemented by the supplemental placing agreement dated 10 May 2021) entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholders for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Wednesday, 21 July 2021, or such later date as may be agreed in writing between the Company and the Underwriters, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date

DEFINITIONS

“Record Date”	Tuesday, 20 July 2021, or such other date as may be agreed in writing between the Company and the Underwriters, being the record date for determining entitlements of Shareholders to participate in the Rights Issue
“Reduction of Share Premium Account”	the proposed reduction of the entire amount standing to the credit of the share premium account of the Company
“Registrar”	Tricor Abacus Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Adjusted Share held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	the new Adjusted Share(s) to be allotted and issued under the Rights Issue
“Settlement Date”	Wednesday, 11 August 2021, being the fifth Business Day following the Latest Time for Acceptance (or such other time or date as the Underwriters and the Company may agree in writing) as the day for settlement of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Capital Reorganisation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver
“Share(s)”	the share(s) of the Company from time to time
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Existing Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$0.50 each
“Share Subdivision”	the proposed sub-division of every unissued Consolidated Share of par value of HK\$0.50 each in the authorised share capital of the Company following the Share Consolidation into fifty (50) Adjusted Shares of par value of HK\$0.01 each

DEFINITIONS

“Shareholder(s)”	holder(s) of the issued Share(s)
“Shareholder’s Loan”	the amount due from the Group to Always Profit
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.35 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter(s)”	Always Profit and GLAM Capital
“Underwriting Agreement”	the underwriting agreement dated 8 April 2021 (as amended and supplemented by the supplemental underwriting agreement dated 10 May 2021) entered into among the Company and the Underwriters in relation to the Rights Issue
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders
“Untaken Rights Shares”	the Unsubscribed Rights Shares which are not placed by the Placing Agent under the Compensatory Arrangements and the entitlement of the Non-Qualifying Shareholders to the Rights Shares which are not sold
“Wenxi Investment”	Wenxi Investment Management Co., Ltd., a company incorporated in the BVI with limited liability and wholly owned by Mr. Tian
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Always Profit to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Always Profit and parties acting in concert with it as a result of the taking up of the Rights Shares by Always Profit as an underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE SGM

The Company cares about the health of the Shareholders, staff and stakeholders which is of paramount importance. Should the COVID-19 pandemic continues to affect Hong Kong at or around the time of the SGM, the Company will implement precautionary measures at the SGM in the interests of the health and safety of the attendees of the SGM which include without limitation:

- (i) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the SGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the SGM.
- (ii) There will be compulsory body temperature screening for all persons before entering the SGM venue. Should anyone seeking to attend the SGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company will request such persons to stay in an isolated place for completing the voting procedures.
- (iii) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any Government of Hong Kong prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be requested to stay in an isolated place for completing the voting procedures.
- (iv) Appropriate distancing and spacing in line with the guidance from the Government of Hong Kong will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
- (v) Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
- (vi) No gifts, food or beverages will be provided at the SGM.
- (vii) Company staff and representatives at the SGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
- (viii) Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the SGM arrangements at short notice. Shareholders should check the Company's website.

Furthermore, the Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights and strongly recommends Shareholders to appoint the chairman of the SGM as their proxy and submit their form of proxy as early as possible.

If any Shareholder has any question relating to precautionary measures of the SGM, please contact the Company's branch share registrar, Tricor Abacus Limited, as follows:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

EXPECTED TIMETABLE

Set out below is the expected timetable for the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue. All times and dates stated in this circular refer to Hong Kong local times and dates. The expected timetable below is indicative only and has been prepared on the assumption that all the conditions of the Capital Reorganisation and the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	Date
Despatch date of this circular, the proxy form and the notice of SGM	Monday, 21 June 2021
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Tuesday, 6 July 2021
Closure of register of members of the Company for the SGM (both days inclusive)	Wednesday, 7 July 2021 to Tuesday, 13 July 2021
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Sunday, 11 July 2021
Record date for attending and voting at the SGM	Tuesday, 13 July 2021
Expected time and date of the SGM	10:00 a.m. on Tuesday, 13 July 2021
Announcement of the poll results of the SGM	Tuesday, 13 July 2021
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Wednesday, 14 July 2021
Effective date of the Capital Reorganisation	9:00 a.m. on Thursday, 15 July 2021
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Thursday, 15 July 2021
Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates in green colour) temporarily closes	9:00 a.m. on Thursday, 15 July 2021
Temporary counter for trading in board lots of 400 Adjusted Shares (in the form of existing share certificates in green colour) opens	9:00 a.m. on Thursday, 15 July 2021
First day of free exchange of existing share certificates for the Existing Shares in green colour for new share certificates in red colour for the Adjusted Shares	Thursday, 15 July 2021

EXPECTED TIMETABLE

First day of dealings in the Adjusted Shares on ex-rights basis relating to the Rights Issue	Thursday, 15 July 2021
Latest time for the Shareholders to lodge transfer of the Adjusted Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 16 July 2021
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Monday, 19 July 2021 to Tuesday, 20 July 2021
Record date for the Rights Issue	Tuesday, 20 July 2021
Despatch of the Prospectus Documents	Wednesday, 21 July 2021
First day of dealings in nil-paid Rights Shares	Friday, 23 July 2021
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 27 July 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Thursday, 29 July 2021
Original counter for trading in the Adjusted Shares in board lots of 6,000 Adjusted Shares (in the form of new share certificates in red colour) re-opens	9:00 a.m. on Thursday, 29 July 2021
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in green colour in board lots of 400 Adjusted Shares and new share certificates in red colour in board lots of 6,000 Adjusted Shares) commences	9:00 a.m. on Thursday, 29 July 2021
Last day of dealings in nil-paid Rights Shares	Friday, 30 July 2021
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Wednesday, 4 August 2021
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 4 August 2021
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Friday, 6 August 2021
Commencement of placing of the Unsubscribed Rights Shares by the Placing Agent	Monday, 9 August 2021

EXPECTED TIMETABLE

Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	Wednesday, 11 August 2021
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 11 August 2021
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements)	Tuesday, 17 August 2021
Despatch of share certificates for fully-paid Rights Shares and completion of the Placing to take place	Wednesday, 18 August 2021
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	Wednesday, 18 August 2021
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares	4:00 p.m. on Wednesday, 18 August 2021
Temporary counter for trading in board lots of 400 Adjusted Shares (in the form of existing share certificates in green colour) closes	4:10 p.m. on Wednesday, 18 August 2021
Parallel trading in Adjusted Shares (represented by both existing share certificates in green colour in board lots of 400 Adjusted Shares and new share certificates in red colour in board lots of 6,000 Adjusted Shares) ends	4:10 p.m. on Wednesday, 18 August 2021
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 19 August 2021
Last day for free exchange of existing share certificates for Existing Shares in green colour for new share certificates in red colour for the Adjusted Shares	Friday, 20 August 2021
Payment of Net Gain to relevant No Action Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any)	Thursday, 26 August 2021

EXPECTED TIMETABLE

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

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance 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 the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriters shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination, in the reasonable opinion of the Underwriters having consulted with the Company, the success of the Rights Issue would be materially and adversely affected by:

- (i) any material breach of any warranties or undertakings contained in the Underwriting Agreement coming to the knowledge of the Underwriters, or a material breach on the part of the Company of any other provision of the Underwriting Agreement or any matter which has arisen and would reasonably be expected to give rise to such a material breach or material claim in respect of the warranties or undertakings contained in the Underwriting Agreement; or
- (ii) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
- (iii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iv) any adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position or prospects of the Group as a whole which is material in the context of the Rights Issue; or
- (v) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism or strike occurred after the signing of the Underwriting Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (vi) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which is or might be material to the Group as a whole; or
- (vii) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (viii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (ix) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus were to be issued at the time, constitute a material omission therefrom.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriters, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine.

If the Underwriters terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriters.

LETTER FROM THE BOARD



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi

Mr. Wu Tingjun

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent Non-executive Directors:

Mr. Chow Hiu Tung

Ms. Yang Yanli

Mr. Zhao Hangen

Principal place of

business in Hong Kong:

Unit 13, 5/F, Tower 1

Harbour Centre

1 Hok Cheung Street

Hung Hom

Hong Kong

21 June 2021

To the Shareholders,

Dear Sir or Madam,

- (I) PROPOSED CAPITAL REORGANISATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES
FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE;
(IV) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
AND
(V) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in the aforesaid regards; (iv) a valuation report on the Group's properties in compliance with Rule 11 of the Takeovers Code; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the SGM.

PROPOSED CAPITAL REORGANISATION

Capital Reorganisation

The Board proposes to implement the Capital Reorganisation which will involve the following:

- (i) the Share Consolidation whereby every five (5) issued and unissued Existing Shares of HK\$0.10 each shall be consolidated into one (1) Consolidated Share of HK\$0.50 each;
- (ii) the Capital Reduction whereby the par value of all the then issued Consolidated Shares shall be reduced from HK\$0.50 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share;
- (iii) the Share Subdivision whereby every unissued Consolidated Share of par value of HK\$0.50 each in the authorised share capital of the Company shall be divided into fifty (50) Adjusted Shares of par value of HK\$0.01 each;
- (iv) the Reduction of Share Premium Account, being the reduction of the entire amount standing to the credit of the share premium of the Company;
- (v) the Credit Transfer whereby (a) the credit arising from the Capital Reduction in the amount equal to the total number of the then issued Consolidated Shares upon the Share Consolidation becoming effective multiplied by HK\$0.49; and (b) the amount arising from the Reduction of Share Premium Account shall be credited to the contributed surplus account of the Company within the meaning of the Companies Act; and
- (vi) the amount standing to the credit of the contributed surplus account be applied in full to set off the accumulated losses of the Company or be applied in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda.

LETTER FROM THE BOARD

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 Existing Shares of par value of HK\$0.10 each, and there are 956,312,771 Existing Shares in issue which are fully paid or credited as fully paid. Upon the Share Consolidation and the Capital Reduction becoming effective and on the basis that no further Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$300,000,000 divided into 30,000,000,000 Adjusted Shares of HK\$0.01 each, of which 191,262,554 Adjusted Shares will be in issue, which are fully paid or credited as fully paid. The Adjusted Shares will rank *pari passu* in all respects with each other in accordance with the Bye-laws.

The following table sets out the effects of the Capital Reorganisation on the share capital of the Company:

	Prior to the Capital Reorganisation	Immediately after the Capital Reorganisation becoming effective
Nominal value of each Share	HK\$0.10 per Existing Share	HK\$0.01 per Adjusted Share
Number of authorised Shares	3,000,000,000 Existing Shares	30,000,000,000 Adjusted Shares
Authorised share capital	HK\$300,000,000	HK\$300,000,000
Number of Shares in issue	956,312,771 Existing Shares	191,262,554 Adjusted Shares
Issued and fully paid-up share capital	HK\$95,631,277.10	HK\$1,912,625.54
Unissued share capital	HK\$204,368,722.90 comprising 2,043,687,229 Existing Shares	HK\$298,087,374.46 comprising 29,808,737,446 Adjusted Shares

Based on 956,312,771 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$93,718,652 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act which, together with the amount arising from the Reduction of Share Premium Account and any credit which may arise as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, will be applied in full by the Board to set off the accumulated losses of the Company or be applied in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda. As at 31 March 2021, the audited accumulated losses and share premium of the Company amounted to HK\$225,904,000 and HK\$129,957,000 respectively.

LETTER FROM THE BOARD

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or affect the proportionate interests and voting rights of the Shareholders in the Company.

The Company has adopted a share option scheme (the “**Share Option Scheme**”), which was approved by Shareholders on 28 September 2016, pursuant to which the Company may grant options to subscribe for Shares to selected eligible participants. The Shares that may be issued upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Company in aggregate shall not exceed 77,540,600 Existing Shares (representing 10% of the Shares in issue as at the date of approval of the Share Option Scheme). As at the Latest Practicable Date, no options under the Share Option Scheme have been granted. Immediately upon the Capital Reorganisation becoming effective, the Shares that may be issued upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Company in aggregate shall not exceed 15,508,120 Adjusted Shares.

As at the Latest Practicable Date, the Company has no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into any Shares.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the fulfilment of the following conditions:

- (i) the passing of a special resolution by the Shareholders to approve the Capital Reorganisation at the SGM;
- (ii) the compliance with all relevant procedures and requirements under the Listing Rules and the laws of Bermuda (where applicable) to effect the Capital Reorganisation, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

No Shareholder is required to abstain from voting on the Capital Reorganisation at the SGM.

Subject to fulfilment of the above conditions, the Capital Reorganisation will become effective on the second Business Day immediately following the SGM.

LETTER FROM THE BOARD

Application for listing

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, upon the Capital Reorganisation being effective, the Adjusted 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 Adjusted 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 Adjusted Shares to be admitted into CCASS established and operated by HKSCC.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot size of 2,000 Existing Shares. The Board proposes to change the board lot size for trading of the Shares on the Stock Exchange from 2,000 Existing Shares to 6,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.083 per Existing Share (equivalent to the theoretical closing price of HK\$0.415 per Adjusted Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 2,000 Existing Shares is HK\$166; (ii) the value of each board lot of 2,000 Adjusted Shares would be HK\$830 assuming the Capital Reorganisation becoming effective; and (iii) the estimated value per board lot of 6,000 Adjusted Shares would be HK\$2,490 assuming that the Change in Board Lot Size had also been effective.

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

OTHER ARRANGEMENTS IN RELATION TO THE CAPITAL REORGANISATION

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Adjusted Shares. Thereafter, existing share certificates for the Existing Shares will continue to be good evidence of legal title on the basis of five (5) Existing Shares for one (1) Adjusted Share and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration after 4:10 p.m. on Wednesday, 18 August 2021.

LETTER FROM THE BOARD

The new share certificates for the Adjusted Shares will be issued in red colour in order to distinguish them from the share certificates for the Existing Shares which are in green colour.

Fractional entitlement to Adjusted Shares

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

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares following the Capital Reorganisation and the Change in Board Lot Size, the Company has appointed GLAM Capital as an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Adjusted Shares on a best effort basis and the period of such matching services commences from 9:00 a.m. on Thursday, 29 July 2021 and ends at 4:00 p.m. on Wednesday, 18 August 2021 (both dates inclusive). Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the Adjusted Shares or top up to a full board lot may, directly or through their brokers, contact Mr. Andrew Lau of GLAM Capital at Room 908-911, 9th Floor, Nam Fung Tower, 88 Connaught Road Central, Central, Hong Kong (telephone number: 2130 2088) during office hours.

Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

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

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to 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 (the “**Guideline**”), the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.083. With a board lot size of 2,000 Existing Shares, the Existing Shares are trading under HK\$2,000 per board lot.

The Existing Shares have been constantly traded below HK\$1.00 since the resumption of trading of the Shares on 7 December 2020. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Adjusted Shares to more than HK\$2,000.

LETTER FROM THE BOARD

The Capital Reorganisation also involves the Capital Reduction and the Credit Transfer. Upon the Capital Reduction and the Credit Transfer becoming effective, the amount credited to the contributed surplus account of the Company will be used to offset against the balance of the accumulated losses of the Company and accordingly, the Company will have greater flexibility in declaring dividends for the benefit of its Shareholders in future as and when appropriate.

Based on the above, the Board believes the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Rights Issue Statistics

The Company proposes, subject to, among other things, the Capital Reorganisation having become effective, the Rights Issue with the terms set out as follows:

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated costs and expenses incurred in the Rights Issue)	:	Approximately HK\$0.34 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	956,312,771 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	191,262,554 Adjusted Shares (assuming there is no further issue or repurchase of Shares up to the effective date of the Capital Reorganisation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	573,787,662 Rights Shares (assuming there is no further issue or repurchase of Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$5,737,876.62
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	765,050,216 Adjusted Shares (assuming there is no further issue or repurchase of Shares on or before the Record Date)
Gross proceeds from the Rights Issue (before expenses)	:	Approximately HK\$200,825,682 (assuming no further issue or repurchase of Shares on or before the Record Date)

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Assuming there is no further issue or repurchase of Shares on or before the Record Date, the 573,787,662 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent (i) 300.0% of the total number of issued Adjusted Shares upon the Capital Reorganisation becomes effective; and (ii) approximately 75.0% of the total number of issued Adjusted Shares as enlarged immediately upon completion of the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.35 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 22.2% to the theoretical closing price of HK\$0.45 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.09 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.2% to the theoretical average closing price of approximately HK\$0.462 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0924 per Existing Share;
- (iii) a discount of approximately 27.3% to the theoretical average closing price of approximately HK\$0.4815 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0963 per Existing Share;
- (iv) a discount of approximately 7.4% to the theoretical ex-rights price of approximately HK\$0.378 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0924 per Existing Share;
- (v) a discount of approximately 15.7% to the theoretical closing price of HK\$0.415 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.083 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and

LETTER FROM THE BOARD

- (vi) a discount of approximately 42.4% to the net asset value of the Company of approximately HK\$0.608 per Adjusted Share, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$116,262,000 as at 31 March 2021 as shown in the Company's annual results announcement for the year ended 31 March 2021 published on 9 June 2021 by 191,262,554 Adjusted Shares assuming the Capital Reorganisation has become effective.

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 19.0%, representing a discount of the theoretical diluted price of approximately HK\$0.3798 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of HK\$0.469 per Adjusted Share (after taking into account the effect of the Capital Reorganisation). The aforesaid benchmarked price is based on the higher of the closing price on the date of the Announcement of HK\$0.09 per Existing Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the date of the Announcement of HK\$0.0938 per Existing Share. The aforesaid theoretical diluted price has taken into account the sum of (i) the product of the said benchmarked price and the 191,262,554 Adjusted Shares in issue immediately before the Rights Issue; and (ii) the gross proceeds from the Rights Issue of approximately HK\$200,825,682, and divided by the 765,050,216 Adjusted Shares in issue upon completion of the Rights Issue, assuming there is no further issue or repurchase of Shares on or before the Record Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, (i) the recent market prices of the Existing Shares under the then prevailing market conditions prior to the date of the Underwriting Agreement; (ii) the financial condition of the Group; and (iii) the funding needs of the Group to relieve its financial burden by repaying the amount due from the Group to Always Profit (the Company's controlling shareholder which is in turn wholly owned by Mr. Zhang, the Chairman and the executive Director) (i.e. the Shareholder's Loan), and to provide sufficient working capital for its daily operation and business development. After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this letter, the Directors consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

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In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Adjusted Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 16 July 2021.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 14 July 2021, and the Adjusted Shares will be dealt in on an ex-rights basis from Thursday, 15 July 2021.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Closure of register of members

The register of members of the Company will be closed from Monday, 19 July 2021 to Tuesday, 20 July 2021 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Adjusted Shares will be registered during the above book closure period.

Provisional allotments

The basis of the provisional allotments shall be three (3) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at the close of business on the Record Date.

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.

Rights of Overseas Shareholders

This circular and the Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, there were four Overseas Shareholders with registered addresses situated in the BVI, the United Kingdom and the United States of America. Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the jurisdictions set out above in compliance with Rule 13.36(2)(a) of the Listing Rules and taken into account the legal advice provided by the respective legal advisers of the BVI, the United Kingdom, the United States of America engaged by the Company as at the Latest Practicable Date, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the British Virgin Islands and the United Kingdom from the Rights Issue and the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

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The Directors are of the view that it is expedient not to extend the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the United States of America given the expenses and effort which may be incurred or involved in compliance with the relevant regulatory requirements in the United States of America, and such Overseas Shareholders shall be Non-Qualifying Shareholder.

The Company will continue to ascertain whether there are any other Overseas Shareholders at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold 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 from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be taken up by the Underwriters.

For the nil-paid Rights Shares that are sold in the market by the Company as described above, if the buyer(s) of such nil-paid Rights Shares does/do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to permit any Overseas Shareholder to take up Rights Shares if the Board, based on the legal advice from the legal advisers to the Company, is satisfied that the extending of the Rights Issue to such Overseas Shareholder is exempted from or not subject to the laws and regulations in the relevant place of his/her/its registered address which would otherwise give rise to restrictions in that place upon the offer or take-up of the Rights Shares and the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on Wednesday, 18 August 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on Wednesday, 18 August 2021 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

LETTER FROM THE BOARD

Fractional entitlement to the Rights Shares

On the basis of the provisional allotment of three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

The Irrevocable Undertaking

As at the Latest Practicable Date, Always Profit, a company wholly owned by Mr. Zhang, is interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Irrevocable Undertaking, Always Profit has undertaken to the Company and the Underwriters that (i) all the above Shares will remain beneficially owned by it on the Record Date; and (ii) it will take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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 respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates 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 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. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as Always Profit, being one of the Underwriters, is a controlling shareholder of the Company interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation),

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representing approximately 42.2% of the entire issued share capital of the Company as at the Latest Practicable Date, the Company will make arrangements as described below in compliance with Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Qualifying Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, pursuant to the terms of the Placing Agreement as described below. Any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by no later than 5:00 p.m. on Wednesday, 11 August 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that the Net Gain to any of the No Action Shareholder(s) mentioned above which is in an amount of HK\$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

THE PLACING AGREEMENT

The Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

- Date : 8 April 2021 (as amended and supplemented by the supplemental placing agreement dated 10 May 2021)
- Placing Agent : GLAM Capital was appointed as the placing agent to place, or procure the placing of, a maximum of 331,626,168 Unsubscribed Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date), on a best effort basis, to the Placee(s).

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- Placing commission payable to the Placing Agent : 1% of the aggregate amount equal to the placing price of the Unsubscribed Rights Shares multiplied by the actual number of the Unsubscribed Rights Shares being placed
- Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.
- The final placing price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.
- Placee(s) : Subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, the Unsubscribed Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with any of the Company's connected persons and the Underwriters.
- Ranking of the Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Adjusted Shares then in issue.
- Condition precedent : The Placing is subject to and conditional on the fulfilment or waiver of the conditions of the Underwriting Agreement in accordance with the Underwriting Agreement.
- Completion date of the Placing : The date when the Rights Shares are duly issued by the Company under the Rights Issue, which is Wednesday, 18 August 2021 or such other date as the Company and the Placing Agent may agree in writing.
- Termination : The Placing Agent shall be entitled, by notice in writing to the Company prior to the Latest Time for Termination, to terminate the Placing Agreement, if in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
- (i) any material breach of any warranties or undertakings contained in the Placing Agreement coming to the knowledge of the Placing Agent, or a material breach on the part of the Company of any other provision of the Placing Agreement or any matter which has arisen and would reasonably be expected to give rise to such a material breach or material claim in respect of the warranties or undertakings contained in the Placing Agreement; or

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- (ii) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
- (iii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iv) any adverse change after the signing of the Placing Agreement in the business or in the financial or trading position or prospects of the Group as a whole which is material in the context of the Placing; or
- (v) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism, or strike occurred after the signing of the Placing Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (vi) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Placing Agreement which is or might be material to the Group taken as a whole; or
- (vii) the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

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- (viii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (ix) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus were to be issued at the time, constitute a material omission therefrom.

Upon the giving of such notice as referred to above by the Placing Agent, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party, save for any antecedent breaches.

The terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiations between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission, and are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares for the Company; and (ii) a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by Always Profit pursuant to the Irrevocable Undertaking) will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date : 8 April 2021 (as amended and supplemented by the supplemental underwriting agreement dated 10 May 2021)

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- Underwriters
- : (i) Always Profit, an investment holding company incorporated in the BVI with limited liability and a controlling shareholder of the Company interested in 403,602,493 Existing Shares as at the Latest Practicable Date (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the entire issued share capital of the Company. Always Profit is wholly and beneficially owned by Mr. Zhang, the Chairman and an executive Director. Mr Zhang is also the sole director of Always Profit. The principal members of the concert group of Always Profit are Always Profit and Mr. Zhang. Always Profit has confirmed that it, Mr. Zhang and parties acting in concert with any of them are not acting in concert with GLAM Capital (the other Underwriter) and the ultimate beneficial owners of GLAM Capital. It is not in the ordinary course of business of Always Profit to underwrite securities; and
- (ii) GLAM Capital, a company incorporated in Hong Kong with limited liability.

GLAM Capital is a licensed corporation carrying out Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO and its ordinary course of business includes placing and underwriting of securities, investment advisory services, discretionary investment management services and fund management services. GLAM Capital has confirmed that (a) it, its associates and parties acting concert with it do not hold any Existing Shares as at the Latest Practicable Date; and (b) GLAM Capital and its ultimate beneficial owners are Independent Third Parties and not acting in concert with Always Profit, Mr. Zhang and parties acting in concert with any of them. GLAM Capital is also the placing agent pursuant to the Placing Agreement in respect of the Compensatory Arrangements.

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Number of Rights Shares to be underwritten by the Underwriters : A maximum of 331,626,168 Rights Shares (assuming no Shares will be issued or repurchased on or before the Record Date), as to up to 229,383,362 Rights Shares and 102,242,806 Rights Shares to be underwritten by Always Profit and GLAM Capital respectively, representing approximately 69.2% and 30.8% of the total number of Rights Shares to be underwritten by the Underwriters respectively.

Subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, up to 229,383,362 Untaken Rights Shares will be firstly taken up by Always Profit. Any Untaken Rights Shares in excess of 229,383,362 Untaken Rights Shares shall be underwritten by GLAM Capital which are intended to be taken up by subscribers procured by it and/or its sub-underwriters, who shall be Independent Third Parties and not acting in concert with the Company's connected persons and the Underwriters.

Underwriting Commission : (i) Always Profit will not receive any underwriting commission; and
(ii) underwriting commission calculated at 1% of the Subscription Price in respect of the Rights Shares underwritten by GLAM Capital shall be payable by the Company to GLAM Capital.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriters have agreed to procure the taking up of the Untaken Rights Shares (being any Rights Shares that are provisionally allotted but not accepted by the Qualifying Shareholders and not placed by the Placing Agent under the Placing Agreement and the entitlements of the Non-Qualifying Shareholders to the Rights Shares which are unsold), according to the priority and quantity as mentioned in the above table. The Underwriters have also undertaken that they shall take necessary steps to ensure the Company's compliance of the minimum public float requirements as set out under Rule 8.08(1) of the Listing Rules upon completion of the Rights Issue.

The terms of the Underwriting Agreement (including the commission) were determined after arm's length negotiations between the Company and the Underwriters by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions and the prevailing market rate of commission. The Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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Since Always Profit, being one of the Underwriters to the Rights Issue, is wholly owned by Mr. Zhang, Mr. Zhang has a material interest in the transactions contemplated under the Underwriting Agreement. Wenxi Investment, which is wholly owned by Mr. Tian, is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code until completion of the Rights Issue. Therefore, Mr. Zhang and Mr. Tian abstained from voting on the Board resolutions approving the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Conditions of the Rights Issue

The obligations of the Underwriters under the Underwriting Agreement are conditional on the fulfilment (or waiver, if applicable, by the Underwriters) of the following conditions:

- (i) the passing of all the necessary resolution(s) by the Board on or before the Prospectus Posting Date to approve (a) the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; (b) the Capital Reorganisation; and (c) the Whitewash Waiver;
- (ii) the passing by the Independent Shareholders at the SGM of all the requisite resolution(s) to approve (a) the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; (b) the Capital Reorganisation; and (c) the Whitewash Waiver by no later than the Prospectus Posting Date;
- (iii) the Capital Reorganisation having become effective;
- (iv) the Executive granting the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver granted;
- (v) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of the Prospectus Documents (and all other documents required to be attached thereto) and otherwise in compliance with the 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;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form 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;
- (vii) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the first day of their dealings;
- (viii) the compliance by the Company with its obligations in connection with the making of the Rights Issue and allotment and offer of the Rights Shares by the times as specified under the Underwriting Agreement;

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- (ix) (a) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days (other than pending publications of announcements in respect of the Rights Issue); and (b) no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto);
- (x) in respect of warranties and undertakings contained in the Underwriting Agreement, (a) no material breach having come to the knowledge of the Underwriters; and (b) a matter not having arisen which would reasonably be expected to give rise to a material breach or a material claim by the Latest Time for Termination; and
- (xi) the compliance with and performance of all undertakings and obligations under the Irrevocable Undertaking by Always Profit in favour of the Company and the Underwriters.

Save for condition (x) which may be waived by the Underwriters, none of the above conditions precedent is capable of being waived.

If any of the conditions precedent are not satisfied (or waived by the Underwriters as the case may be) by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party shall have any claim against any other party (save for any antecedent breaches and claims thereof).

Termination of the Underwriting Agreement

The Underwriters shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination, in the reasonable opinion of the Underwriters having consulted with the Company, the success of the Rights Issue would be materially and adversely affected by:

- (i) any material breach of any warranties or undertakings contained in the Underwriting Agreement coming to the knowledge of the Underwriters, or a material breach on the part of the Company of any other provision of the Underwriting Agreement or any matter which has arisen and would reasonably be expected to give rise to such a material breach or material claim in respect of the warranties or undertakings contained in the Underwriting Agreement; or
- (ii) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

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- (iii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iv) any adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position or prospects of the Group as a whole which is material in the context of the Rights Issue; or
- (v) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism or strike occurred after the signing of the Underwriting Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (vi) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which is or might be material to the Group as a whole; or
- (vii) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (viii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (ix) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus were to be issued at the time, constitute a material omission therefrom.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriters, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine.

If the Underwriters terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriters.

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FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following fund raising activity involving issue of equity securities during the period commencing 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
20 January 2021	Placing of the then existing Shares held by Always Profit at a placing price of HK\$0.465 per Share and top-up subscription of new Shares under general mandate by Always Profit at a subscription price of HK\$0.465 per Share (the “ January Placing ”)	Approximately HK\$71.11 million	Repayment of the outstanding loans due to a related company of the Company and Always Profit	(i) as to approximately HK\$41.07 million for repayment of the outstanding loans due to Chong Kin Group Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1609) and a related company of the Company of which Mr. Zhang is the Chairman, an executive director and a controlling shareholder as at the Latest Practicable Date) which were repayable on demand; and (ii) as to approximately HK\$30.04 million for repayment of outstanding bank loans which were due by the end of February 2021.

Save as disclosed above and the Rights Issue, the Company has not conducted other fund raising activity involving issue of equity securities during the period commencing 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

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REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in (i) the sourcing, subcontracting, marketing and sales of garments and sportswear products; (ii) the provision of marketing services; and (iii) property investment.

Trading in the Shares was suspended from 1 February 2019 to 4 December 2020. At the material time of the suspension of trading, the Group had been primarily focused on its garment business and the property business. The Group also commenced the marketing and promotional services business to generate new source of revenue. Due to the limited financial resources of the Group prior to the resumption of trading in the Shares on 7 December 2020, the Group's operations had been supported by, among other things, the financial resources from Always Profit (i.e. the Shareholder's Loan). The unaudited balance of the Shareholder's Loan amounted to approximately HK\$160.5 million as at the Latest Practicable Date.

As mentioned in the announcement of the Company in respect of the resumption of trading in the Shares dated 4 December 2020, Always Profit intended to capitalise the loans already granted to the Group and contemplated to propose to the Shareholders a pre-emptive issue of new Shares. The pre-emptive issue was intended to provide the existing Shareholders an opportunity to minimise the dilution of their shareholding and participate in the future growth of the Company if they so wish, and would be fully underwritten by the controlling shareholder of the Company and at an issue price to raise sufficient funds to settle the aforesaid Shareholder's Loan in full. The Company now proposes the Rights Issue on the basis of three Rights Shares for every one Adjusted Share to raise approximately HK\$200.8 million to fully repay the Shareholder's Loan and for repayment of bank borrowings and general working capital purpose. The Rights Issue will be underwritten by Always Profit, the controlling shareholder of the Company, to the extent possible while maintaining sufficient public float for the Shares under the Listing Rules in the event that no Qualifying Shareholder takes up the Rights Shares. GLAM Capital, the other Underwriter, will take up or procure the subscription of any remaining Untaken Rights Shares if necessary. Upon completion of the Rights Issue, it is the intention of Always Profit to continue the existing businesses of the Group. Always Profit has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

The Board considers that the Rights Issue is the most suitable channel for the Company to raise funds to strengthen the Group's financial position by relieving the financial burden and provide sufficient working capital to the Group for its daily operation and business development. The estimated net proceeds from the Rights Issue will be approximately HK\$197.8 million, of which (i) approximately HK\$160.5 million is intended to be used for repayment of the Shareholder's Loan of approximately HK\$160.5 million as at the Latest Practicable Date to relieve the financial burden of the Company; and (ii) the remaining amount of approximately HK\$37.3 million is intended to be applied for repayment of bank borrowings and general working capital of the Group. As at 30 April 2021, the unaudited bank borrowings of the Group (in the form of bills payable) amounted to approximately HK\$10.4 million.

In view of the above, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue; and (iii) immediately following completion of the Rights Issue in different scenarios, in each case assuming no further issue or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares. The scenarios assume:

- (a) full acceptance of the Rights Shares by all Qualifying Shareholders;
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Always Profit which has provided the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements;
- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Always Profit which has provided the Irrevocable Undertaking) and 100% of the Untaken Rights Shares are taken up by the Underwriters; and
- (d) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Always Profit which has provided the Irrevocable Undertaking, and Wenxi Investment) and 100% of the Untaken Rights Shares are taken up by the Underwriters. Pursuant to a sale and purchase agreement dated 18 January 2021 (the “**Acquisition Agreement**”) entered into between the Company as purchaser and Wenxi Investment as vendor, the Company has conditionally agreed to acquire, and Wenxi Investment has conditionally agreed to sell, 40% of the issued share capital of GBR (HK) Limited at a maximum consideration of HK\$16.4 million (the “**Acquisition**”). The consideration for the Acquisition shall be settled as to HK\$9.84 million by the issue and allotment of 25,826,771 Existing Shares at an issue price of HK\$0.381 per Existing Share, and subject to the fulfilment of certain conditions in relation to the future financial performance of GBR (HK) Limited, as to a maximum of HK\$6.56 million by the issue and allotment of a total of up to 17,217,846 Existing Shares in two equal tranches at an issue price of HK\$0.381 per Existing Share. For details, please refer to the circular of the Company dated 8 February 2021. Completion of the Acquisition took place on 5 March 2021 and 25,826,771 Existing Shares have been issued and allotted on such completion date. This scenario also assumes that the aforesaid conditions are fulfilled and a total of 17,217,846 new Existing Shares (equivalent to 3,443,568 Adjusted Shares) will be issued by the Company under the terms of the Acquisition Agreement after the Record Date.

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(iii)

	(i)		(ii)		(a)		(b)		(c)		(d)	
	No. of Existing Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
Always Profit (Note 1)	403,602,493	42.2	80,720,498	42.2	322,881,992	42.2	322,881,992	42.2	552,265,354	72.2	552,265,354	71.9
Always Profit and parties acting in concert with it	403,602,493	42.2	80,720,498	42.2	322,881,992	42.2	322,881,992	42.2	552,265,354	72.2	552,265,354	71.9
Wenxi Investment (Note 2)	25,826,771	2.7	5,165,354	2.7	20,661,416	2.7	5,165,354	0.7	5,165,354	0.7	24,104,984	3.1
Always Profit and parties acting or presumed acting in concert with it	429,429,264	44.9	85,885,852	44.9	343,543,408	44.9	328,047,346	42.9	557,430,708	72.9	576,370,338	75.0
Subscribers procured by GLAM Capital and/or its sub-underwriters	—	—	—	—	—	—	—	—	102,242,806	13.4	86,746,744	11.3
Placees	—	—	—	—	—	—	331,626,168	43.4	—	—	—	—
Other public Shareholders	526,883,507	55.1	105,376,702	55.1	421,506,808	55.1	105,376,702	13.7	105,376,702	13.7	105,376,702	13.7
Total	956,312,771	100.0	191,262,554	100.0	765,050,216	100.0	765,050,216	100.0	765,050,216	100.0	768,493,784	100.0

Notes:

1. Always Profit is wholly owned by Mr. Zhang who is the Chairman and an executive Director.
2. Wenxi Investment is wholly owned by Mr. Tian, who is an executive Director, and is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code. This class (6) presumption will cease to apply after completion of the Rights Issue.

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LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, as the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM at which the controlling shareholders and their associates shall abstain from voting in favour of the resolutions relating to the Rights Issue. As such, Always Profit, the controlling shareholder of the Company who is interested in 403,602,493 Existing Shares as at the Latest Practicable Date (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the entire issued share capital of the Company, and its associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. Wenxi Investment, which is wholly owned by Mr. Tian, is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code until completion of the Rights Issue. Therefore, Mr. Tian and his associates (including Wenxi Investment) shall also abstain from voting in favour of the abovementioned resolutions.

Always Profit, being one of the Underwriters, is a controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Always Profit and parties acting in concert with it are, in aggregate, interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the issued share capital of the Company. Wenxi Investment, which is wholly owned by Mr. Tian who is an executive Director, holds 25,826,771 Existing Shares (equivalent to 5,165,354 Adjusted Shares after taking into account the effect of the Capital Reorganisation) as at the Latest Practicable Date, representing approximately 2.7% of the issued share capital of the Company. Wenxi Investment is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code until completion of the Rights Issue. Having taken into account the aforesaid Existing Shares held by Wenxi Investment, Always Profit and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 429,429,264 Existing Shares (equivalent to 85,885,852 Adjusted Shares after taking into account the effect of the Capital Reorganisation) as at the Latest Practicable Date, representing approximately 44.9% of the issued share capital of the Company. Always Profit has provided the Irrevocable Undertaking to take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Always Profit pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Always Profit, as one of the Underwriters, will be required to take up a maximum of 229,383,362 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Always Profit and parties acting in concert with it (excluding the party presumed to be acting in concert with it according to class (6)

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presumption under the definition of “acting in concert” in the Takeovers Code (i.e. Wenxi Investment)) will, in aggregate, be interested in 552,265,354 Adjusted Shares, representing approximately 72.2% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Always Profit would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by Always Profit and parties acting in concert with it, unless the Whitewash Waiver is granted. After completion of the Rights Issue, Wenxi Investment will no longer be presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code.

An application has been made by Always Profit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Always Profit, its associates and parties acting in concert with it, Mr. Tian and his associates (including Wenxi Investment), and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the SGM.

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

If the Whitewash Waiver is granted and approvals by the Independent Shareholders are obtained as mentioned above, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the maximum potential holding of voting rights of Always Profit in the Company will exceed 50%. Always Profit may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

SGM

The register of members of the Company will be closed from Wednesday, 7 July 2021 to Tuesday, 13 July 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Capital Reorganisation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. A notice convening the SGM to be held at Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 13 July 2021 is set out on pages SGM-1 to SGM-6 of this circular.

In accordance with the Listing Rules and the Takeovers Code, Always Profit, its associates and any parties acting in concert with it, Mr. Tian and his associates (including Wenxi Investment), and Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement or the Whitewash Waiver will be required to abstain from voting on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed in this paragraph, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and is otherwise required to abstain from voting on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Chow Hiu Tung, Mr. Zhao Hangen and Ms. Yang Yanli, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor. Gram Capital has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

LETTER FROM THE BOARD

DESPATCH OF THE PROSPECTUS DOCUMENT

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the SGM and upon the Capital Reorganisation becoming effective, the Prospectus Documents or the Prospectus, whichever being appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are further set out below) consider that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, the Whitewash Waiver is fair and reasonable, and the Capital Reorganisation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are further set out below) recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the SGM to approve the Capital Reorganisation, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Having taken into account the advice of Gram Capital, the Independent Board Committee considers that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 46 to 47 of this circular which contain its recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Your attention is also drawn to the letter from Gram Capital set out on pages 48 to 69 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the aforesaid regards.

Your attention is also drawn to the relevant extracts of the independent auditor's reports regarding the Group's consolidated financial statements for the financial years ended 31 March 2019, 2020 and 2021 as contained in the relevant annual reports and annual results announcement of the Company, which are set out on pages I-4 to I-5 of this circular. As disclosed in the annual reports of the Company for the financial years ended 31 March 2019 and 2020 and the annual results announcement of the Company for the financial year ended 31 March 2021, the auditors of the Company for each of the three financial years ended 31 March 2019, 2020 and 2021 set out in their respective independent auditor's reports that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The opinion of the auditors in respect of each of the three financial years ended 31 March 2019, 2020 and 2021 was not modified in respect of this matter.

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the fulfilment of the conditions contained in the Underwriting Agreement (including the approval by the Independent Shareholders at the SGM of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver) and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" of this circular). Accordingly, the Rights Issue may or may not proceed.

The Adjusted Shares are expected to be dealt in on an ex-rights basis from Thursday, 15 July 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 23 July 2021 to Friday, 30 July 2021. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

LETTER FROM THE BOARD

Any party 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 adviser(s). Any Shareholder or other person dealing in the Existing Shares, the Adjusted Shares or in the nil-paid Rights Shares until all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriters' right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares or the nil-paid Rights Shares.

Your faithfully,
For and on behalf of the Board
State Energy Group International Assets Holdings Limited
Zhang Jinbing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom
Hong Kong

21 June 2021

To the Independent Shareholders

Dear Sir or Madam,

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES
FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 21 June 2021 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as to whether the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the SGM. Gram Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of Gram Capital, together with the principal factors it has taken into consideration on giving its advice, are contained in its letter set out on pages 48 to 69 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Gram Capital, we consider that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We also consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Chow Hiu Tung
Independent
non-executive Director

Zhao Hangen
Independent
non-executive Director

Yang Yanli
Independent
non-executive Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 June 2021

*To: The independent board committee and the independent shareholders
of State Energy Group International Assets Holdings Limited*

Dear Sir/Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT; AND
(III) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 June 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Board proposes to implement the Capital Reorganisation which will involve, among others, the Share Consolidation. Conditional on, among other things, the Capital Reorganisation having become effective and the approval by the Independent Shareholders at the SGM, the Company proposed the issue of 573,787,662 Rights Shares by way of the Rights Issue, on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.35 per Rights Share to raise approximately HK\$200.8 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders.

LETTER FROM GRAM CAPITAL

As further mentioned in the Board Letter, pursuant to the Irrevocable Undertaking, Always Profit, a company wholly owned by Mr. Zhang, which is interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation) has undertaken to the Company and the Underwriters that (i) all the above Shares will remain beneficially owned by it on the Record Date; and (ii) it will take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

On 8 April 2021, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.

On 8 April 2021, the Company entered into the Underwriting Agreement with the Underwriters in respect of the Rights Issue, pursuant to which, subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, the Underwriters have agreed to procure that a maximum of 331,626,168 Untaken Rights Shares shall be taken up as to (i) firstly, up to 229,383,362 Untaken Rights Shares by Always Profit; and (ii) secondly, any Untaken Rights Shares in excess of 229,383,362 Untaken Rights Shares by the Placing Agent which are intended to be taken up by subscribers procured by it and/or its sub-underwriters pursuant to the terms and subject to the conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

On 10 May 2021, the Company, the Underwriters and the Placing Agent (as the case may be) entered into the supplemental agreements, and Always Profit provided the supplemental irrevocable undertaking in favour of the Company and the Underwriters, to reflect the changes of the relevant dates for the Rights Issue as referred to in the Underwriting Agreement, the Placing Agreement and the Irrevocable Undertaking respectively. Save for such amendments, all other terms and conditions of the Underwriting Agreement, the Placing Agreement and the Irrevocable Undertaking shall remain unchanged.

With reference to the Board Letter, in accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, as the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM at which the controlling shareholders and their associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. In addition, Always Profit, being one of the Underwriters, is a controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

According to the Board Letter, Always Profit and parties acting in concert with it are, in aggregate, interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the issued share capital of the Company. Always Profit has provided the Irrevocable Undertaking to take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Always Profit pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Always Profit, as one of the Underwriters, will be required to take up a maximum of 229,383,362 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Always Profit and parties acting in concert with it (excluding the party presumed to be acting in concert with it according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code (i.e. Wenxi Investment)) will, in aggregate, be interested in 552,265,354 Adjusted Shares, representing approximately 72.2% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Always Profit would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by Always Profit and parties acting in concert with it, unless the Whitewash Waiver is granted. After completion of the Rights Issue, Wenxi Investment will no longer be presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code.

As further mentioned in the Board Letter, an application has been made by Always Profit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

The Independent Board Committee comprising Mr. Chow Hiu Tung, Mr. Zhao Hangen and Ms. Yang Yanli (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Rights Issue and the connected transaction in relation to the Underwriting Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Rights Issue and the connected transaction in relation to the Underwriting Agreement are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; (iii) how to vote in relation to the Rights Issue and the connected transaction in relation to the Underwriting Agreement at the SGM; and (iv) whether the Whitewash Waiver is fair and reasonable and as to the voting of the Whitewash Waiver. We, Gram Capital Limited, have been appointed with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM GRAM CAPITAL

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's discloseable and connected transaction, details of which are set out in the Company's circular dated 8 February 2021. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the independent financial adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention 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 withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "RESPONSIBILITY STATEMENT" of Appendix IV to the Circular. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Always Profit, the Placing Agent or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

A. THE RIGHTS ISSUE AND THE CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT

Information on the Group

(a) Financial information of the Group

With reference to in the Board Letter, the Group is principally engaged in (i) the sourcing, subcontracting, marketing and sales of garments and sportswear products; (ii) the provision of marketing services; and (iii) property investment.

Set out below are the consolidated financial information of the Group for each of the two years ended 31 March 2020 and 2021 as extracted from the Company's annual results announcement for the year ended 31 March 2021 (the "2020/21 Annual Results Announcement"):

	For the year ended 31 March 2021 <i>(audited)</i> HK\$'000	For the year ended 31 March 2020 <i>(audited)</i> HK\$'000	Year-on-year change %
Revenue	276,890	210,179	31.74
- <i>Garment business</i>	217,452	194,239	11.95
- <i>Property investment</i>	4,068	3,898	4.36
- <i>Marketing services</i>	55,370	12,042	359.81
Gross profit	46,451	36,182	28.38
Profit for the year	10,250	10,925	(6.18)

The Group recorded revenue of approximately HK\$276.89 million for the year ended 31 March 2021 ("FY2020/21"), representing an increase of approximately 31.74% as compared to that for the year ended 31 March 2020 ("FY2019/20"). For FY2020/21, revenue from the garment business, property investment, and marketing and promotion services contributed approximately 78.53%, 1.47% and 20.00% of the Group's total revenue respectively.

The Group recorded gross profit and profit for the year of approximately HK\$46.45 million and HK\$10.25 million respectively for FY2020/21, representing an increase in gross profit of

LETTER FROM GRAM CAPITAL

approximately 28.38% and a decrease in profit for the year of approximately 6.18% as compared to those for FY2019/20. With reference to the 2020/21 Annual Results Announcement, the increase in gross profit was in line with the increase in revenue, while the decrease in profit for the year was mainly due to the recording of fair value of loss on investment properties for FY2020/21 as compared to fair value gain on investment properties recorded for FY2019/20.

With reference to the 2020/21 Annual Results Announcement, as at 31 March 2021, the Group had bank balances and cash and net assets of approximately HK\$7.61 million and HK\$116.26 million respectively. The Group's gearing ratio (which was calculated based on the Group's bank and other borrowings of approximately HK\$156.6 million, and total equity of approximately HK\$116.3 million) was approximately 134.7% as at 31 March 2021, as compared to the Group's gearing ratio of 668.2% (which was calculated based on the Group's bank and other borrowings of approximately HK\$220.5 million, and total equity of approximately HK\$33.0 million) as at 31 March 2020.

(b) Industry Overview

The Group generated majority of its revenue from the garment business, with revenue from the garment business contributing approximately 92.42% and 78.53% of the Group's total revenue respectively for FY2019/20 and FY2020/21. The Group's garment business generated revenue from Africa, Hong Kong and the PRC. With reference to Appendix I to the Circular, the Group's garment business includes sourcing, designing, selling and distribution of outwear garments and sportswear products in Hong Kong and the PRC, especially licensed products under the brand bearing the brand names of "ACCAPI", an Italian brand, and distribution of sportswear products under the brand name of "Super X", a Hong Kong brand respectively, as well as sourcing, sub-contracting and exporting garments to Africa. As confirmed by the Directors, the Group also has a retail shop for the "ACCAPI" business in Hong Kong. For our due diligence purpose, we conducted the following research regarding the garments industry in Hong Kong and PRC.

Clothing industry in Hong Kong (exports)

Set out below are statistics in relation to domestic exports, re-exports and total exports of the clothing industry in Hong Kong for 2018, 2019 and 2020 based on a research article as published by the Hong Kong Trade Development Council on 4 March 2021:

	2018	2019	2020
	HK\$' million	HK\$' million	HK\$' million
Domestic exports value of clothing	287	225	873
Re-exports value of clothing	108,233	95,969	62,911
Total exports value of clothing	108,520	96,225	63,784

As depicted from the statistics above, the clothing industry in Hong Kong mainly relied on the re-exports of clothing while the domestic exports value only accounted for approximately 0.26%, 0.23% and 1.37% of the total export value for each of the three years 2018, 2019 and 2020 respectively.

LETTER FROM GRAM CAPITAL

While the domestic value of clothing increased from approximately HK\$287 million for 2018 to approximately HK\$873 million for 2020, the total exports value of clothing decreased from approximately HK\$108.52 billion for 2018 to approximately HK\$63.78 billion for 2020.

Hong Kong retail industry

Set out below are statistics in relation to value of retail sales (which included sales through both conventional shops and online channels) of all retail outlets and wearing apparel for 2018, 2019 and 2020 as published by the Hong Kong Census and Statistics Department:

	2018	2019	2020
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Retail sales of all retail outlets	485,169	431,160	326,451
Retail sales of wearing apparel	52,886	45,165	26,511

As depicted from the statistics above, the retail sales of all retail outlets decreased from approximately HK\$485.17 million for 2018 to approximately HK\$326.45 million for 2020. Retail sales of wearing apparel decreased from approximately HK\$52.89 million for 2018 to approximately HK\$26.51 million for 2020.

The retail sales value of wearing apparel recorded year-on-year decrease in 2019 and 2020.

Clothing industry in PRC (exports)

Set out below are statistics in relation to the total exports value of clothing and clothing accessories in the PRC as published by the National Bureau of Statistics of the PRC in the Statistical Communique of the PRC on the National Economic and Social Development dated 28 February 2019, 28 February 2020 and 28 February 2021 respectively:

	2018	2019	2020
	<i>RMB' billion</i>	<i>RMB' billion</i>	<i>RMB' billion</i>
Total exports value of clothing and clothing accessories	1,041.3	1,044.7	952

As depicted from the statistics above, the total exports value of clothing and clothing accessories decreased from approximately RMB1,041.3 billion for 2018 to approximately RMB952 billion for 2020. Despite recording slight growth of approximately 0.33% in 2019, the total exports value decreased by approximately 8.87% in 2020.

LETTER FROM GRAM CAPITAL

PRC retail industry

Set out below are statistics in relation to the retail sales value of consumer goods (which represents the sale of products for non-manufacturing and non-operating use, and also includes catering sales) in the PRC as published by the National Bureau of Statistics of the PRC in the Statistical Communique of the PRC on the National Economic and Social Development dated 28 February 2019, 28 February 2020 and 28 February 2021 respectively:

	2018	2019	2020
	<i>RMB' billion</i>	<i>RMB' billion</i>	<i>RMB' billion</i>
Total retail sales of consumer goods	38,098.7	41,164.9	39,198.1

As depicted from the statistics above, the total retail sales of consumer goods increased from approximately RMB38,098.7 billion for 2018 to approximately RMB39,198.1 billion for 2020. Despite recording growth of approximately 8.05% in 2019, the total retail sales of consumer goods decreased by approximately 4.78% in 2020.

Set out below are statistics in relation to the retail sales value of clothing, shoes and hats and knitted goods in the PRC as published by the National Bureau of Statistics of the PRC in the articles dated 21 January 2019, 17 January 2020 and 18 January 2021 respectively:

	2018	2019	2020
	<i>RMB' billion</i>	<i>RMB' billion</i>	<i>RMB' billion</i>
Total retail sales of clothing, shoes and hats and knitted goods	1,370.7	1,351.7	1,236.5

As depicted from the statistics above, the retail sales of clothing, shoes and hats and knitted goods decreased from approximately RMB1,370.7 billion for 2018 to approximately RMB1,236.5 billion for 2020, representing a decrease of approximately 9.79%. The retail sales of clothing, shoes and hats and knitted goods recorded year-on-year decrease in 2019 and 2020.

As shown by the statistics above, the garment industry (including both exports and retail) in the Hong Kong and PRC market generally deteriorated (in particular in 2020). Despite the deteriorating market condition of the garment industry, the Group's garment business outperformed the market, recording increase in revenue of approximately 114.01% and 11.95% for each of FY2019/20 and FY2020/21.

Information on Always Profit

Always Profit is a controlling Shareholder. It is wholly and beneficially owned by Mr. Zhang, the Chairman and an executive Director.

LETTER FROM GRAM CAPITAL

Reasons for the Rights Issue

With reference to the Board Letter, trading in the Shares was suspended from 1 February 2019 to 4 December 2020. Due to the limited financial resources of the Group prior to the resumption of trading in the Shares on 7 December 2020, the Group's operations had been supported by, among other things, the financial resources from Always Profit (i.e. the Shareholder's Loan). The unaudited balance of the Shareholder's Loan amounted to approximately HK\$160.5 million as at the Latest Practicable Date. As confirmed by the Directors, such Shareholder's Loan was unsecured, interest-free and repayable on demand.

With reference to the Company's announcement dated 4 December 2020 regarding the fulfilment of resumption conditions and resumption of trading (the "**Resumption Announcement**"), Always Profit has agreed to provide financial support to the Group from time to time should the circumstances require and indicated that it intended to capitalise the loans already granted to the Group to recapitalise the Company. Subject to compliance with applicable requirements of the Listing Rules (including the public float requirement), the Company contemplated to propose to its Shareholders a pre-emptive issue of new Shares following the resumption in trading of the Shares. The pre-emptive issue was intended to provide the Shareholders an opportunity to minimise the dilution of their shareholdings and participate in the future growth of the Company if they so wish, and would be fully underwritten by the controlling Shareholder and in a proportion and at an issue price to raise sufficient proceeds to fully settle the outstanding Shareholder's Loan.

According to the Board Letter, the estimated net proceeds from the Rights Issue will be approximately HK\$197.8 million, of which (i) approximately HK\$160.5 million is intended to be used for repayment of the Shareholder's Loan of approximately HK\$160.5 million as at the Latest Practicable Date to relieve the financial burden of the Company; and (ii) the remaining amount of approximately HK\$37.3 million is intended to be applied for repayment of bank borrowings and general working capital of the Group.

For our due diligence purpose, we noted from the 2020/21 Annual Results Announcement that the Group recorded net current liabilities of approximately HK\$35.04 million as at 31 March 2021. As at 31 March 2021 the Group had bank borrowings (in the form of bills payable), amount due to a shareholder (i.e. the Shareholder's Loan), and bank balances and cash of approximately HK\$9.7 million, HK\$156.6 million and HK\$7.6 million respectively. With reference to the section headed "STATEMENT OF INDEBTEDNESS" in Appendix I to the Circular, save as the amount due to a shareholder, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 30 April 2021. Upon our further enquiry, the Directors confirmed that the Group does not have sufficient internal resources as at the Latest Practicable Date to settle the aforesaid Shareholder's Loan and bank borrowings (which were the major liabilities of the Group as at the Latest Practicable Date, apart from trade and other payables).

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Having considered (i) the financial condition of the Group (such as high gearing ratio, net current liabilities and low cash position as at 31 March 2021); (ii) that the Group does not have sufficient internal resources as at the Latest Practicable Date to settle the Shareholder's Loan and bank borrowings; and (iii) the repayment of Shareholder's Loan is in line with the previous disclosure by the Company in the Resumption Announcement (such as Always Profit's intention to capitalize the Shareholder's Loan and the proposed pre-emptive issue of new Shares by the Company following the resumption of trading of the Shares), we are of the view that the use of proceeds from the Rights Issue is fair and reasonable.

As advised by the Directors, the Company considered alternative fundraising means:

- As regards debt financing, taking into account that the one of the purposes of the fund-raising exercise is for repayment of the Group's liabilities (in particular the interest-free Shareholder's Loan), the Company considered that it would not be sensible for the Group to raise fund through debt financing as the Group's liabilities would not be reduced in such case and interest burden might also be incurred (as advised by the Directors, the interest rates of the existing banking facilities available to the Group range from approximately 2.08% to 4.50%).
- As regards equity financing, the Company considered (i) placement of new Shares or issue of convertible bonds; and (ii) open offer. The Board considered a rights issue that enables all Qualifying Shareholders to be able to invest in the future growth of the Company to be preferable to placing of new shares or convertible bonds which would be limited to a number of investors only. In addition, a rights issue, as compared with an open offer, offers flexibility to the Shareholders to sell their entitled nil-paid rights if they do not wish to take up the entitlements.

After considering (i) that it is not sensible for the Group to raise fund through debt financing as the Group's leverage would not be reduced in such case and interest burden might also be incurred; (ii) a rights issue, as compared to a placing of new shares or convertible bonds, enables all Qualifying Shareholders to be able to invest in the future growth of the Company; (iii) a rights issue, as compared with an open offer, offers flexibility to the Shareholders to sell their entitled nil-paid rights if they do not wish to take up the entitlements; and (iv) the importance of the fundraising exercise to the Company to satisfy its pressing financial needs, the Directors considered that the Rights Issue, together with the Placing, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We concur with the Directors in this respect.

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Under the Rights Issue, the Placing Agent (i.e. GLAM Capital) will place, or procure the placing of, a maximum of 331,626,168 Unsubscribed Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date), on a best effort basis, to the Placee(s) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with any of the Company's connected persons and the Underwriters). Subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, up to 229,383,362 Untaken Rights Shares will be firstly taken up by Always Profit, any Untaken Rights Shares in excess of 229,383,362 Untaken Rights Shares shall be underwritten by GLAM Capital which are intended to be taken up by subscribers procured by it and/or its sub-underwriters, who shall be Independent Third Parties and not acting in concert with the Company's connected persons and the Underwriters. The Placing and the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low.

In addition, having considered that (i) the Unsubscribed Rights Shares will first be placed to the independent Placee(s) before underwritten by the Underwriters; (ii) the underwriting by Always Profit and GLAM Capital is in compliance with Rule 7.19(1) of the Listing Rules (i.e. the underwriters must be (1) persons licensed or registered under the Securities and Futures Ordinance for Type 1 regulated activity and their ordinary course of business includes underwriting of securities, and are not connected persons of the Company; or (2) controlling or substantial Shareholders); and (iii) the underwriting demonstrates Always Profit's continuous support to the Company's development, we are of the view that the underwriting by Always Profit is in the interest of the Company and the Shareholders (including the Independent Shareholders) as a whole. With reference to the Board Letter, upon completion of the Rights Issue, it is the intention of Always Profit to continue the existing businesses of the Group. Always Profit has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Taking into account the above, we consider that the Rights Issue (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Board Letter:

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.35 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated costs and expenses incurred in the Rights Issue):	Approximately HK\$0.34 per Rights Share

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Number of Shares in issue as at the Latest Practicable Date:	956,312,771 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective:	191,262,554 Adjusted Shares (assuming there is no further issue or repurchase of Shares up to the effective date of the Capital Reorganisation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	573,787,662 Rights Shares (assuming there is no further issue or repurchase of Shares on or before the Record Date)
Gross proceeds from the Rights Issue (before expenses):	Approximately HK\$200,825,682 (assuming no further issue or repurchase of Shares on or before the Record Date)

With reference to the Board Letter, as at the Latest Practicable Date, Always Profit, a company wholly owned by Mr. Zhang, is interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking, Always Profit has undertaken to the Company and the Underwriters that (i) all the above Shares will remain beneficially owned by it on the Record Date; and (ii) it will take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

For detailed terms of the Rights Issue, please refer to the section headed “PROPOSED RIGHTS ISSUE” of the Board Letter.

(a) The Subscription Price

The Subscription Price represents:

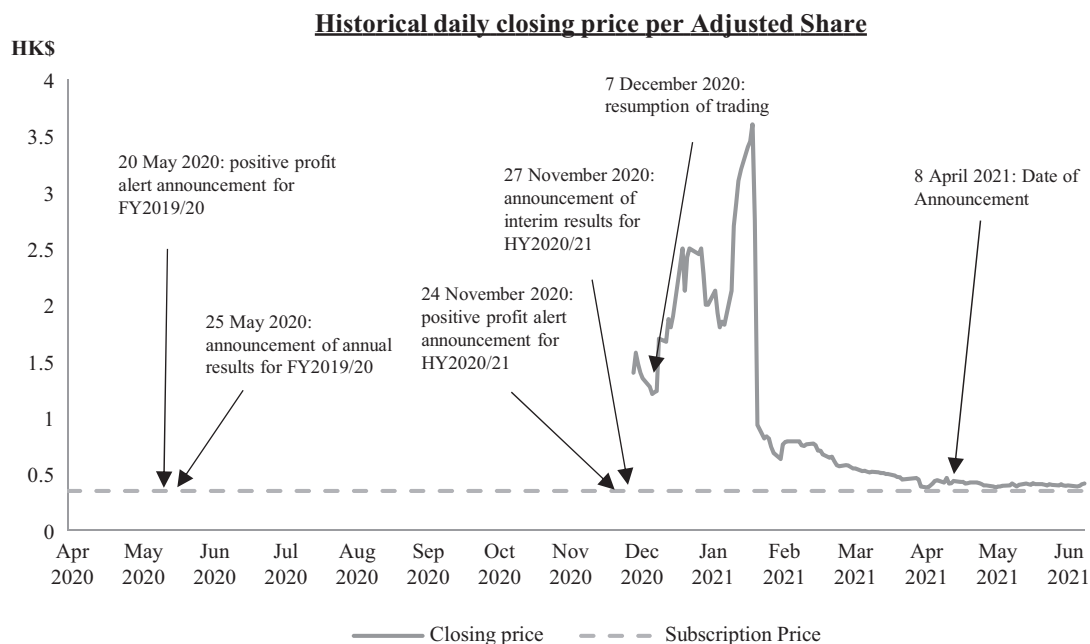
- (i) a discount of approximately 15.66% to the theoretical closing price of HK\$0.415 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.083 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 22.22% to the theoretical closing price of HK\$0.45 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.09 per Existing Share as quoted on the Stock Exchange as at the Last Trading Date;
- (iii) a discount of approximately 24.24% to the theoretical average closing price of approximately HK\$0.462 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0924 per Existing Share;
- (iv) a discount of approximately 27.31% to the theoretical average closing price of approximately HK\$0.4815 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0963 per Existing Share;

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- (v) a discount of approximately 6.67% to the theoretical ex-rights price of approximately HK\$0.375 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.09 per Existing Share as quoted on the Stock Exchange as at the Last Trading Date;
- (vi) a discount of approximately 7.85% to the theoretical ex-rights price of approximately HK\$0.3798 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of approximately HK\$0.0938 per Existing Share; and
- (vii) a discount of approximately 42.43% over the net asset value of the Company of approximately HK\$0.608 per Adjusted Share, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$116,262,000 as at 31 March 2021 as shown in the 2020/21 Annual Results Announcement by 191,262,554 Adjusted Shares assuming the Capital Reorganisation has become effective.

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 19.02%, representing a discount of the theoretical diluted price of HK\$0.3798 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of HK\$0.469 per Adjusted Share (after taking into account the effect of the Capital Reorganisation).

In order to assess the fairness and reasonableness of the Subscription Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 9 April 2020, being one year prior to the date of the Announcement, up to and including the Latest Practicable Date (the “**Review Period**”), which is commonly adopted for analysis. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



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Source: the Stock Exchange's website

Notes:

1. During the Review Period, trading in Shares was suspended from 1 April 2020 to 4 December 2020.
2. Historical daily closing price was adjusted taking into account the effect of the Capital Reorganisation.

Trading in the Shares was suspended from 1 February 2019 to 4 December 2020. Despite that trading in Shares was suspended in approximately 8 months during the Review Period, the Review Period can demonstrate recent share price movement in the approximate 6 months after the resumption of trading in Shares.

The Company was under the risk of trading suspension and delisting for failing to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value could be demonstrated to warrant the continued listing of the Shares on the Stock Exchange prior to the suspension in trading in the Shares on 1 February 2019. Accordingly, we did not include closing price of Shares prior to the said trading suspension given that the Company's operating condition after trading resumption was substantially improved from that prior to the trading suspension (in particular, the Group's revenue increased from approximately HK\$19.13 million for the year ended 31 March 2018 before trading suspension to approximately HK\$276.89 million for FY2020/21 after trading resumption). For details of the trading suspension, please refer to the Company's announcements dated 11 June 2018, 15 June 2018, 18 September 2018, 19 September 2018, 2 October 2018, 11 October 2018, 3 December 2018, 13 December 2018, 1 February 2019 and 12 February 2019.

During the Review Period, the lowest and highest closing prices of the Existing Shares as quoted on the Stock Exchange were HK\$0.076 (equivalent to the theoretical closing price of HK\$0.38 per Adjusted Share taking into account the effect of the Capital Reorganisation) recorded on 12 April 2021 and 11 May 2021 and HK\$0.72 (equivalent to the theoretical closing price of HK\$3.6 per Adjusted Share taking into account the effect of the Capital Reorganisation) recorded on 27 January 2021 respectively. The Subscription Price of HK\$0.35 falls below the theoretical closing price range of the Adjusted Shares as quoted on the Stock Exchange during the Review Period.

During the Review Period, trading in Shares was suspended from 9 April 2020 to 4 December 2020. The closing price of Existing Shares fluctuated following the resumption of trading in Shares on 7 December 2020. The closing price of Existing Shares increased from HK\$0.28 recorded on 7 December 2020 to its peak at HK\$0.72 recorded on 27 January 2021, despite experiencing a drop in closing price in early December 2020 and early January 2021. After that, the closing price of Existing Shares experienced a significant drop from HK\$0.72 on 27 January 2021 to HK\$0.163 on 1 February 2021. The closing price of Existing Shares was on a general decreasing trend thereafter, reaching HK\$0.09 (equivalent to the theoretical closing price of HK\$0.45 per Adjusted Share taking into account the effect of the Capital Reorganisation) on the Last Trading Day.

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As confirmed by the Directors, they were not aware of any specific reason which caused the aforesaid movement of the closing price of the Shares.

Following the publication of the Announcement on 8 April 2021 and up to the Latest Practicable Date, the closing prices of the Existing Shares fluctuated between HK\$0.076 (equivalent to the theoretical closing price of HK\$0.38 per Adjusted Share taking into account the effect of the Capital Reorganisation) and HK\$0.093 (equivalent to the theoretical closing price of HK\$0.465 per Adjusted Share taking into account the effect of the Capital Reorganisation).

Despite that the Subscription Price of HK\$0.35 falls below the theoretical closing price range of the Adjusted Shares as quoted on the Stock Exchange during the Review Period, having considered (i) the financial condition of the Group (such as high gearing ratio of 134.7%, net current liabilities of approximately HK\$35.04 million and low cash position of approximately HK\$7.61 million as at 31 March 2021); (ii) the Group has insufficient internal resources as at the Latest Practicable Date to settle the Shareholder's Loan and bank borrowings; (iii) that the theoretical dilution effect of the Rights Issue (which is a function of both the price discount of the offer shares and the offer ratio) is in compliance with Rule 7.27B of the Listing Rules; and (iv) a discount to prevailing market prices of the Shares would attract the Qualifying Shareholders to participate in the Rights Issue so as to enable the Company to satisfy its funding needs, we consider the Subscription Price to be fair and reasonable.

(b) The Compensatory Arrangements and the Placing

Pursuant to Rule 7.21(2) of the Listing Rules, where any of the issuer's controlling or substantial shareholders acts as an underwriter or sub-underwriter of the rights issue, the issuer must make the arrangements described in Rule 7.21(1)(b) of the Listing Rules. Always Profit is a controlling shareholder of the Company and one of the Underwriters. With reference to the Board Letter, the Company will make arrangements in compliance with Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Qualifying Shareholders to whom they were offered by way of the Rights Issue. The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, pursuant to the terms of the Placing Agreement. Any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the "Net Gain") will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m. on Wednesday, 11 August 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

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Set out below are the principal terms of the Placing Agreement as extracted from the Board Letter:

Date:	8 April 2021 (as amended and supplemented by the supplemental placing agreement dated 10 May 2021)
Placing Agent:	GLAM Capital was appointed as the placing agent to place, or procure the placing of, a maximum of 331,626,168 Unsubscribed Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date), on a best effort basis, to the Placee(s).
Placing commission:	1% of the aggregate amount equal to the placing price of the Unsubscribed Rights Shares multiplied by the actual number of the Unsubscribed Rights Shares being placed
Placing price of the Unsubscribed Rights Shares:	<p>The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.</p> <p>The final placing price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.</p>
Placee(s):	Subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, the Unsubscribed Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with any of the Company's connected persons and the Underwriters.
Completion date of the Placing	The date when the Rights Shares are duly issued by the Company under the Rights Issue, which is Wednesday, 18 August 2021 or such other date as the Company and the Placing Agent may agree in writing.

For details of the Placing, please refer to the section headed "THE PLACING AGREEMENT" of the Board Letter.

We noted that (i) 4 out of 10 rights issue transactions (excluding transactions which were lapsed/terminated) announced from 9 January 2021 (being three months prior to the date of Announcement) up to the date of Announcement by companies listed on the Stock Exchange (the "**Reference Transactions**") included placing of the unsubscribed rights shares; and (ii) the placing commissions of such transactions ranged from 1% to 5%. The placing commission of 1% under the Placing is within the aforesaid range of placing commission.

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Having considered the above, we are of the opinion that (i) the Compensatory Arrangements and the Placing (together with the no excess application arrangement) comply with Rules 7.21(1)(b) and 7.21(2) of the Listing Rules; and (ii) the placing commission of 1% under the Placing is fair and reasonable.

(c) No application for excess Rights Shares

There will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules. This arrangement (together with the Compensatory Arrangements and the Placing) complies with Rule 7.21(2) of the Listing Rules.

(d) The Underwriting Agreement

With reference the Board Letter, the Rights Shares (other than those agreed to be taken up by Always Profit pursuant to the Irrevocable Undertaking) will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.

Set out below are the principal terms of the Underwriting Agreement as extracted from the Board Letter:

Date:	8 April 2021 (as amended and supplemented by the supplemental underwriting agreement dated 10 May 2021)
Underwriters:	(i) Always Profit; and (ii) GLAM Capital
Number of Rights Shares to be underwritten by the Underwriters:	A maximum of 331,626,168 Rights Shares (assuming no Shares will be issued or repurchased on or before the Record Date), as to up to 229,383,362 Rights Shares and 102,242,806 Rights Shares to be underwritten by Always Profit and GLAM Capital respectively, representing approximately 69.2% and 30.8% of the total number of Rights Shares to be underwritten by the Underwriters respectively.

Subject to the Company's compliance with the public float requirement under Rule 8.08(1) of the Listing Rules, up to 229,383,362 Untaken Rights Shares will be firstly taken up by Always Profit. Any Untaken Rights Shares in excess of 229,383,362 Untaken Rights Shares shall be underwritten by GLAM Capital which are intended to be taken up by subscribers procured by it and/or its sub-underwriters, who shall be Independent Third Parties and not acting in concert with the Company's connected persons and the Underwriters.

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- Underwriting Commission:
- (i) Always Profit will not receive any underwriting commission; and
 - (ii) underwriting commission calculated at 1% of the Subscription Price in respect of the Rights Shares underwritten by GLAM Capital shall be payable by the Company to GLAM Capital.

For details of the underwriting arrangement, please refer to the section headed “THE UNDERWRITING AGREEMENT” of the Board Letter.

Among the Reference Transactions, we noted that (i) 6 out of 10 Reference Transactions were conducted on an underwritten basis; and (ii) the underwriting commissions of such transactions ranged from nil to 4.5%. The nil underwriting commission for Always Profit and the underwriting commission of 1% for GLAM Capital under the Underwriting Agreement are within the range of underwriting commission of the Reference Transactions. Accordingly, we are of the opinion that the nil underwriting commission for Always Profit and the underwriting commission of 1% for GLAM Capital under the Underwriting Agreement are fair and reasonable.

Having considered that (i) the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; (ii) the underwriting arrangement by Always Profit is in compliance with Rule 7.19(1) of the Listing Rules and demonstrates Always Profit’s continuous support to the Company’s development; (iii) the nil underwriting commission for Always Profit under the Underwriting Agreement is fair and reasonable; and (iv) the Rights Issue (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole, we are of the view that (1) the connected transaction in relation to the Underwriting Agreement is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (2) the terms of the connected transaction in relation to the Underwriting Agreement are on normal commercial terms and are fair and reasonable.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable.

Possible dilution of the shareholding interests of the existing public Shareholders

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 after the Rights Issue. As in all other cases of rights issues, dilution of the shareholdings of those Qualifying Shareholders who do not take up in full their provisional allotments under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In addition, the No Action Shareholders are entitled to the Net Gain under the Compensatory Arrangements.

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With reference to the shareholding tables in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” of the Board Letter, assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Always Profit which has provided the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements/100% of the Untaken Rights Shares are taken up by the Underwriters, the shareholding interests of the existing public Shareholders would be diluted by a maximum of approximately 41.4 percentage points immediately following completion of the Rights Issue (assuming no further issue or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares).

We are aware of the maximum potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- As concluded in the section headed “Reasons for the Rights Issue” above, the Rights Issue is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.
- As concluded in the section headed “Principal terms of the Rights Issue” above, the terms of the Rights Issue are fair and reasonable.
- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the SGM.
- Qualifying Shareholders have their choice of whether to accept the Rights Issue or not.
- 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.
- No Action Shareholders are entitled to the Net Gain under the Compensatory Arrangements.

Having considered the above, we consider that the maximum potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

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Possible financial effects of the Rights Issue

As mentioned above, the Group's gearing ratio (which was calculated based on the Group's bank and other borrowings, and total equity) was approximately 134.7% as at 31 March 2021. The Group's gearing ratio will decrease after completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "**Pro Forma Statement**") after completion of the Rights Issue, which is prepared as if the Rights Issue had taken place on 31 March 2021, is set out under Appendix II to the Circular.

According to the Pro Forma Statement, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 was approximately HK\$116.26 million and would be approximately HK\$314.06 million as if the Rights Issue had taken place on 31 March 2021.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION ON THE RIGHTS ISSUE AND THE CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT

Having taken into consideration the factors and reasons as stated in the sections headed "Reasons for the Rights Issue", "Principal terms of the Rights Issue" and "Possible dilution of the shareholding interests of the existing public Shareholders" above, we are of the opinion that (i) the terms of the Rights Issue and the connected transaction in relation to the Underwriting Agreement are on normal commercial terms and are fair and reasonable; and (ii) the Rights Issue and the connected transaction in relation to the Underwriting Agreement are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Rights Issue and the connected transaction in relation to the Underwriting Agreement and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. WHITEWASH WAIVER

According to the Board Letter, Always Profit and parties acting in concert with it are, in aggregate, interested in 403,602,493 Existing Shares (equivalent to 80,720,498 Adjusted Shares after taking into account the effect of the Capital Reorganisation), representing approximately 42.2% of the issued share capital of the Company. Always Profit has provided the Irrevocable Undertaking to take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Always Profit pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Always Profit, as one of the Underwriters, will be required to take up a maximum of 229,383,362 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Always Profit and parties acting in

LETTER FROM GRAM CAPITAL

concert with it (excluding the party presumed to be acting in concert with it according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code (i.e. Wenxi Investment)) will, in aggregate, be interested in 552,265,354 Adjusted Shares, representing approximately 72.2% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Always Profit would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by Always Profit and parties acting in concert with it, unless the Whitewash Waiver is granted. After completion of the Rights Issue, Wenxi Investment will no longer be presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code.

As further mentioned in the Board Letter, an application has been made by Always Profit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed. If the Whitewash Waiver is granted and approvals by the Independent Shareholders are obtained as mentioned above, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the maximum potential holding of voting rights of Always Profit in the Company will exceed 50%. Always Profit may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

In view of (i) the aforesaid reasons for the Rights Issue as stated in the section headed “Reasons for the Rights Issue” above; (ii) that the Rights Issue is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (iii) that the terms of the Rights Issue are fair and reasonable, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

LETTER FROM GRAM CAPITAL

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration (i) the reasons for and possible benefits of the Rights Issue; and (ii) that the Rights Issue is conditional on, among other things, the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,

For and on behalf of

Gram Capital Limited

Graham Lam
Managing Director

Susanna Ho
Director

Notes:

Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

Ms. Susanna Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in investment banking industry.

1. FINANCIAL INFORMATION SUMMARY OF THE GROUP

Details of the audited consolidated financial information of the Group for the years ended 31 March 2019, 2020 and 2021 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.seiah.com):

- (i) the audited financial information of the Group for the year ended 31 March 2021 is disclosed in the annual results announcement of the Company for the year ended 31 March 2021 published on 9 June 2021, from pages 2 to 31 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0609/2021060901001.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 March 2020 is disclosed in the annual report of the Company for the year ended 31 March 2020 published on 17 July 2020, from pages 48 to 148 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0717/2020071700480.pdf>); and
- (iii) the audited financial information of the Group for the year ended 31 March 2019 is disclosed in the annual report of the Company for the year ended 31 March 2019 published on 24 July 2019, from pages 43 to 124 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0724/ltn20190724381.pdf>).

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 March 2019, 2020 and 2021.

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	276,890	210,179	96,434
Cost of sales	<u>(230,439)</u>	<u>(173,997)</u>	<u>(81,459)</u>
Gross profit	46,451	36,182	14,975
Other net gain/(loss)	646	701	(697)
Other income	3,473	1,331	434
Selling and distribution expenses	(5,784)	(4,909)	(3,023)
Administrative expenses	(19,944)	(18,126)	(32,961)
Impairment losses under expected credit loss model, net of reversal	(2,886)	(252)	(401)
Impairment loss on property, plant and equipment	(409)	—	—
Impairment loss on right-of-use assets	(1,618)	—	—
Fair value (loss)/gain on investment properties	(3,314)	4,673	105
Fair value loss on contingent consideration payable	(383)	—	—
Finance costs	<u>(2,838)</u>	<u>(7,336)</u>	<u>(7,778)</u>
Profit/(loss) before taxation	13,394	12,264	(29,346)
Taxation	<u>(3,144)</u>	<u>(1,339)</u>	<u>(725)</u>
Profit/(loss) for the year	<u>10,250</u>	<u>10,925</u>	<u>(30,071)</u>
Other comprehensive income/(expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	591	(91)	(1,328)
Release of translation reserve upon disposal of foreign operations	—	(393)	1,011
<i>Items that will not be reclassified to profit or loss:</i>			
Gain/(loss) on revaluation of land and building held for own use	<u>1,303</u>	<u>(1,785)</u>	<u>—</u>
Total comprehensive income/(expense) for the year	<u>12,144</u>	<u>8,656</u>	<u>(30,388)</u>

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Profit/(loss) for the year attributable to:			
Owners of the Company	7,614	9,376	(28,249)
Non-controlling interests	<u>2,636</u>	<u>1,549</u>	<u>(1,822)</u>
	<u>10,250</u>	<u>10,925</u>	<u>(30,071)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company	9,234	7,144	(28,004)
Non-controlling interests	<u>2,910</u>	<u>1,512</u>	<u>(2,384)</u>
	<u>12,144</u>	<u>8,656</u>	<u>(30,388)</u>
Earnings/(loss) per Share			
Basic (HK cents)	<u>0.95</u>	<u>1.21</u>	<u>(3.64)</u>
Diluted (HK cents)	<u>0.95</u>	<u>1.21</u>	<u>(3.64)</u>
Dividend per Share	<u>—</u>	<u>—</u>	<u>—</u>

The management discussion and analysis of the Company for each of the financial years ended 31 March 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the financial years ended 31 March 2019 and 2020 and the annual results announcement for the year ended 31 March 2021, respectively.

As disclosed in the annual reports of the Company for the financial years ended 31 March 2019 and 2020 and the annual results announcement of the Company for the financial year ended 31 March 2021, the auditors of the Company for each of the three financial years ended 31 March 2019, 2020 and 2021 set out in their respective independent auditor's reports that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The opinion of the auditors in respect of each of the three financial years ended 31 March 2019, 2020 and 2021 were not modified in respect of this matter.

Relevant extracts of the independent auditor's reports for the financial years ended 31 March 2019, 2020 and 2021 as disclosed in the annual reports of the Company for the financial years ended 31 March 2019 and 2020 and the annual results announcement of the Company for the financial year ended 31 March 2021 are reproduced below:

For the financial year ended 31 March 2019

“MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements which indicates that the Group incurred a net loss of approximately HK\$30,071,000 for the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$124,051,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

For the financial year ended 31 March 2020

“MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements which indicates that the Group had net operating cash outflow of approximately HK\$15,193,000 for the year ended 31 March 2020 and the Group had current liabilities exceeded its current assets by approximately HK\$124,519,000 as at 31 March 2020. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

For the financial year ended 31 March 2021

“MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the financial statements which indicates that the Group had net operating cash outflow of approximately HK\$17,625,000 for the year ended 31 March 2021 and the Group had current liabilities exceeded its current assets by approximately

HK\$35,041,000 as at 31 March 2021. As stated in note 3, these events or conditions, along with other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Save as disclosed above, no modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the independent auditor's reports of the Company for each of the financial years ended 31 March 2019, 2020 and 2021.

2. STATEMENT OF INDEBTEDNESS

Amount due to a Shareholder

As at 30 April 2021, the Group had amount due to a Shareholder of approximately HK\$157,485,000.

Contingent liabilities

As at 30 April 2021, neither the Group nor the Company has any significant contingent liabilities.

Save as disclosed above, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 30 April 2021.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds, available facilities and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its requirements for at least the next twelve months from the date of this circular.

4. MATERIAL CHANGE

Save that the Company proposed to conduct the Rights Issue to raise estimated net proceeds of approximately HK\$197.8 million for repayment of the Shareholder's Loan and bank borrowings and for general working capital of the Group, the Directors confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

6. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in garment business involving sourcing, designing, selling and distribution of outwear garments and sportswear products in Hong Kong and the PRC. The products it distributes include branded licensed products bearing the brand names of “ACCAPI”, an Italian brand and “Super X”, a Hong Kong brand respectively. The Group is also engaged in sourcing, sub-contracting and exporting garments to Africa. The sudden outbreak of COVID-19 pandemic in early 2020 has brought unprecedented challenges to the global economy. Business activities were put to a halt or significantly slowed down globally. The Group’s garment business was negatively affected by the dampened consumer sentiments due to lockdowns, travel restrictions and social distancing measures. A complete uplift of the above measures seem impossible in the near term given the subsequent waves of COVID-19 after the initial outbreak. Although measures such as the introduction of vaccines are implemented to combat and control the recurrences, the extent of recovery of the economy and retail market is still subject to uncertainties. In this turbulent environment, the Group will take a prudent approach to its garment business.

The Group has commenced to provide marketing and promotional services to external customers since January 2020 through GBR (HK) Limited, its then 60%-owned subsidiary. During the first year of operation, the Group has achieved satisfactory performance in this business in terms of establishing client base, generating positive financial returns and securing pipeline projects. In view of the development potential and prospects in this business segment, the Company acquired the remaining 40% of the issued share capital of GBR (HK) Limited in March 2021 (details of the acquisition is disclosed in the circular of the Company dated 8 February 2021). Upon completion of such acquisition, GBR (HK) Limited has become a wholly-owned subsidiary of the Group. The Group will continue to enhance its market presence and approach potential customers in other industry sectors through business referrals and its business network. The Group will also continue to strengthen the manpower for the marketing division and to build up its expertise and credentials to serve a wider range of customers.

As regards the Group’s property business, the Group intends to hold the properties for rental income purpose and at the same time monitor the performance of the property markets in Hong Kong and the PRC and consider reorganising its property portfolio should suitable opportunities arise.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 March 2021.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2021 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share attributable to the owners of the Company as at 31 March 2021 <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 573,787,662 Rights Shares to be issued at a Subscription Price of HK\$0.35 per Rights Share	116,262	197,800	314,062	0.608
	116,262	197,800	314,062	0.608

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2021 is extracted from the published annual results announcement of the Company for the year ended 31 March 2021, which is equal to the audited consolidated net assets attributable to owners as at 31 March 2021 of HK\$116,262,000.
2. The estimated net proceeds from the Rights Issue are based on 573,787,662 Rights Shares to be issued at the Subscription Price of HK\$0.35 each per Rights Share, after deduction of the related expenses including, among others, underwriting commission and other professional fees. The estimated net proceeds are approximately HK\$197,800,000.
3. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2021 was HK\$0.608, which was based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2021 of HK\$116,262,000, divided by 191,262,554 Adjusted Shares immediately after the Capital Reorganisation having become effective.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2021 immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of Rights Issue of approximately HK\$314,062,000, divided by 765,050,216 Adjusted Shares which represents 956,312,771 Existing Shares in issue as at the Latest Practicable Date (equivalent to 191,262,554 Adjusted Shares immediately after the Capital Reorganisation having become effective) and 573,787,662 Rights Shares, assuming the Capital Reorganisation has become effective and the Rights Issue has been completed on 31 March 2021.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 March 2021.

The following is the text of a report, prepared for the purpose of incorporation in this circular and received from the independent reporting accountants, KTC Partners CPA Limited, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



The Board of Directors
State Energy Group International Assets Holdings Limited
Unit 13, 5/F, Tower 1, Harbour Centre,
1 Hok Cheung Street,
Hung Hom, Kowloon,
Hong Kong

Dear Sirs,

Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of State Energy Group International Assets Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Director") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2021 and notes as set out in Appendix II to the circular issued by the Company dated 21 June 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless otherwise specified.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the rights issue of 573,787,662 shares on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.35 per Rights Share (the "Rights Issue") on the Group's financial position as at 31 March 2021 as if the Rights Issue had taken place at 31 March 2021. As part of this process, information about the Group's audited consolidated net tangible assets of the Group attributable to the owners of the Company has been extracted by the Directors from the Group's audited consolidated statement of financial position as at 31 March 2021, on which an audited annual results announcement has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 March 2021 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

KTC Partners CPA Limited

Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph

Practising Certificate Number: P04686

Hong Kong, 21 June 2021

Set out below is the text of the valuation report from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, in connection with its valuation of the properties of the Group as at 31 March 2021, which has been prepared for the purpose of inclusion in this circular.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards (“IVS”) and published by the International Valuation Standards Council and HKIS Valuation Standards (the “HKIS Standards”) published by the Hong Kong Institute of Surveyors (the “HKIS”). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this document. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
287-291 Des Voeux Road Central
Hong Kong

21 June 2021

The Board of Directors
State Energy Group International Assets Holdings Limited
Unit 13, 5th Floor, Tower 1, Harbour Centre
No. 1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions given to us by the present management of State Energy Group International Assets Holdings Limited (hereinafter referred to as the “**Instructing Party**”) to conduct an agreed-upon procedures valuation of various real properties (same as the word “**properties**” in this report) held by State Energy Group International Assets Holdings Limited (hereinafter referred to as the “**Company**”) or its subsidiaries (collectively, together with the

Company hereinafter referred to as the “**Group**”) in Hong Kong and the People’s Republic of China (hereinafter referred to as the “**PRC**” or “**China**”). We confirm that we have made relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the properties as at 31 March 2021 (the “**Valuation Date**”) for the Instructing Party’s internal management reference purpose. We understand that this report will be included in a Company’s circular for its shareholders’ reference.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the properties are documented in this valuation report and submitted to the Instructing Party at today’s date.

VALUATION OF THE PROPERTIES UNDER MARKET VALUE BASIS

Basis of Value and Assumptions

According to the IVS which the HKIS Standards follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our values of the properties on the market value basis.

The term “Market Value” is defined by the IVS as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuation of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties has absolute title to its relevant property interests;
2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interests for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;
3. the legally interested party in each of the properties sells its relevant property interests in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the property interests;
4. the properties have obtained relevant government’s approval for the sale of the properties and are able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value(s) as reported.

Approaches to Value

There are three generally accepted approaches to value in arriving at the market value of a properties on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach.

For the sake of presentation, the properties are divided into 2 groups, Group I includes properties held by the Group in Hong Kong and Group II includes properties held by the Group in the PRC.

Having considered the general and inherent characteristics of the properties, we have valued the vacant and owner-occupied portions of the properties in Group I by using the Sales Comparison Approach (also known as Market Approach) on the assumption that the properties could be sold with the benefit of vacant possession as at the Valuation Date. The Sales Comparison Approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing the properties in both Group I and II which were subject to various tenancy agreements as at the Valuation Date, we have adopted the term and reversion method of the Income Approach or referred by some practitioners as a method of the Market Approach because the reversionary interests and the rate of return are market-derived by taking into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the property interests. The underlying assumption of this approach is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty.

Unless otherwise stated, we have not carried out valuations on redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuations, we have adopted the areas as appeared in the copies of the documents as provided to us or obtained from the relevant Authorities or from public domain, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

Unless otherwise stated, no allowance has been made in our valuations for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale of each of the properties. It is further assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, in our valuations, we have assumed that each of the properties is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

For the properties in Group I which are located in Hong Kong, we are advised by the Company that they are subject to potential tax liabilities include a profit tax on the profit from the sale of property at tax rates from 8.25% to 16.5% and ad valorem stamp duty at progressive rates from HK\$100 to 4.25% on consideration or value of the property (whichever is the higher). For the properties in Group II which are located in the PRC, we are advised by the Company that they are subject to potential tax liabilities include Land Appreciation Tax at progressive tax rate from 30% to 60% on appreciation amount less 5% to 35% on deductible amount, value-added tax at 5%, urban maintenance and construction tax and education fee surcharge total 12% on value-added tax, stamp duty at 0.05% and Income Tax at 25% on profit before tax. The exact amount of tax payable upon realisation of the relevant properties in Group II in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents.

These potential tax liabilities may arise on the disposal of the properties. However, as at the Latest Practicable Date of this document, the Instructing Party confirmed that the properties are held by the Group for investment purpose, and that the Group has no immediate plan to sell the properties in the market. It is highly unlikely that the potential tax liabilities be crystallised in the near future.

With the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, we observe that the local real estate market is generally affected leading to comparatively lower levels of transactional activity and liquidity. With the unknown future impact that COVID-19 might have on the local real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that the valuations contained within this report should be under frequent review.

Unless otherwise stated, as at the Latest Practicable Date of this document, we are unable to identify any adverse news against the properties which may affect the reported findings or values in our work product. Thus, we are not in the position to report and comment on its impact (if any) on the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or values reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Group provided us the necessary documents to support that each of the legally interested parties in the properties have free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the properties at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances or any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Group has the rights to occupy or to use the properties. Our agreed procedures to value, as agreed with the Instructing Party, did not require

us to conduct legal due diligence on the legality and formality on the way that each of the legally interested parties obtained the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the properties. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

For the properties in Group II that are held by the Group in China, the land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties in China (as defined in this document). However, we have complied with the requirements as stated in the Listing Rules and relied solely on the copies of documents and the copy of the PRC legal opinions provided by the Instructing Party with regards to the legal titles of the properties in Group II. We are given to understand that the PRC legal opinions were prepared by the Group's advisor, DeHeng Law Offices (北京德恆律師事務所) in June 2021. All documents are for reference only. No responsibility or liability from our part is assumed.

For the properties in Group I that are held by the Group in Hong Kong, we have caused searches to be made at the Land Registry of Hong Kong regarding the properties. However, we have not searched the original documents to verify ownership or to verify any amendments on the tenancy agreement which may not appear on the copies handed to us. We are not legal professional and we are unable to ascertain the title and encumbrances (if any) registered against the properties. All documents and leases have been used as reference only. No responsibility or liability are assumed.

In our report, we have assumed that the legally interested party in each of the properties has obtained all the approvals and/or endorsements from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue it titles in the properties. Should this not be the case, it will affect our findings and conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

Due to the outbreak of COVID-19 and the travel restrictions and quarantine measures between China and Hong Kong, as part of the agreed procedure for this assignment, we did not conduct the inspections to the properties held by the Group in China. We have only relied on the documents provided by the Group in respect of which we have been provided with such information as we have requested for the purpose of our valuations. The properties in Hong Kong were inspected by Sr Elsa Ng in April 2021. We inspected the properties under the companion of the appointed personnel of the Company. As advised, the staff possesses the ability to accompany us to conduct inspections. We have

inspected the exterior, and where possible, the interior of the properties in Hong Kong in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or

inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Group.

We have relied solely on the information provided by the appointed personnel of the Group or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, development schedule, site and floor areas and all other relevant matters.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Group or the Instructing Party in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

The scope of our work has been determined by reference to the properties list provided by the Instructing Party. The properties on the list have been included in our report. The Instructing Party has confirmed to us that the Company has no property interest other than those specified on the list supplied to us.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Group or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Group or the Instructing Party of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Group or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong Dollars (“**HK\$**”). In valuing the properties in the PRC, the adopted exchange rate was the prevailing rate as at the Valuation Date, being HK\$1.1843 per Renminbi Yuan (“**RMB**”), and no significant fluctuation in the exchange rate has been found between the Valuation Date and the date of this report.

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the properties (100 per cent. interests and before transaction costs) as at the Valuation Date in their existing states and assuming free of all encumbrances, was in the order of **HONG KONG DOLLARS ONE HUNDRED FIFTY FIVE MILLION AND ONE HUNDRED THOUSAND ONLY (HK\$155,100,000)**.

LIMITING CONDITIONS IN THIS REPORT

Our findings and values of the properties in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person. Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the use of this report does not purport to be a building survey of the properties.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this document to the Company's shareholders' reference.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt, our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the requirements contained in the Chapter 5 and Practice Note 12 of the Listing Rules; Rule 11 of the Codes on Takeovers and Mergers issued by the Securities and Futures Commission as well as the reporting guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by us, acting as external valuer, for the purpose of the valuations.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or values significantly.

We hereby certify that the fee for this service is not contingent upon our opinion of values and we have no significant interests in the properties, the Group or the values reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*
Executive Director

Contributing Valuers:
J.Junior Ho *B.Sc. M.Sc. RPS(GP)*
Edward Ye Junhong *B.Sc. M.Sc.*

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

Group I - Properties held by the Group in Hong Kong and valued on Market Value basis

No. Property	Amount of valuation in its existing state as at 31 March 2021	Interest attributable to the Group	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
1. Workshop Unit No. 11 and Portion of the Corridor on 5th Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	HK\$37,600,000	100 per cent.	HK\$37,600,000
2. Workshop Unit No. 12 and Portion of the Corridor on 5th Floor and Car Parking Spaces Nos. P19 and P20 on Basement Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	HK\$39,700,000	100 per cent.	HK\$39,700,000
3. Workshop Unit No. 13 and Portion of the Corridor on 5th Floor Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	HK\$36,600,000	100 per cent.	HK\$36,600,000
4. Car Parking Space No. L14 on Ground Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	HK\$2,800,000	100 per cent.	HK\$2,800,000
Sub-total for Group I:	<u>HK\$116,700,000</u>		<u>HK\$116,700,000</u>

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Group II - Properties held by the Group under long-term title certificates in the PRC and valued on Market Value basis

No. Property	Amount of valuation in its existing state as at 31 March 2021	Interest attributable to the Group	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
5. Units E, F and L on Level 23 Huamin Zunhan International Building No. 726 Yan'an Road West Changning District Shanghai the PRC 200050	HK\$23,700,000	100 per cent.	HK\$23,700,000
6. Units G, H and I on Level 23 Huamin Zunhan International Building No. 726 Yan'an Road West Changning District Shanghai the PRC 200050	HK\$14,700,000	100 per cent.	HK\$14,700,000
Sub-total for Group II:	<u>HK\$38,400,000</u>		<u>HK\$38,400,000</u>
Grand Total:	<u><u>HK\$155,100,000</u></u>		<u><u>HK\$155,100,000</u></u>

PROPERTY PARTICULARS WITH VALUES

Group I - Properties held by the Group in Hong Kong and valued on Market Value basis

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
1. Workshop Unit No. 11 and Portion of the Corridor on 5th Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	The property comprises a workshop unit and portion of the corridor on 5th Floor of a 15-storey industrial building (including basement and ground floors but excluding roof) known as Harbour Centre Tower 1, which was completed in 1989.	As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was subject to a tenancy at a monthly rental of HK\$106,000.00 exclusive of rates, government rent, management fee and all other outgoings for industrial usage. (See Note 6 below)	HK\$37,600,000 (100 per cent. interest)
89/13205th shares of and in Section F and Section H of Kowloon Marine Lot No. 113 (the "Lot") (See Note 1 below)	According to the information made available to us, the property (excluding the corridor) has a gross floor area of 7,068 square feet ("sq.ft.") (656.63 square metres ("sq.m.)) and a total saleable area of 5,481 sq.ft. (509.20 sq.m.). The locality of the property is a mixed industrial-cum-residential area.		
	The Lot is held under Conditions of Exchange No. 11128 for a term of 75 years commencing from 15 September 1972. Government Rent is 3% of the rateable value of the property. (See Notes 2 to 5 below)		

Notes:

- The registered owner of the property is Takson Properties Limited, a wholly-owned subsidiary of the Company, vide an assignment dated 25 March 1997 and registered in the Urban Land Registry by Memorial No. 7028080 on 22 April 1997.
- The property is subject to an Occupation Permit No. K47/89 dated 21 December 1989 and registered in the Urban Land Registry by Memorial No. 4294842 on 6 January 1990.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

3. The property is subject to a Deed of Mutual Covenant with Plan dated 23 February 1990 and registered in the Urban Land Registry by Memorial No. 4358624 on 15 March 1990.
4. The property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 August 2020 and registered in the Land Registry by Memorial No. 20091401910024 on 14 September 2020.
5. The property is subject to a second and third legal charges in favour of Bank of China (Hong Kong) Limited both dated 31 August 2020 and registered in the Land Registry by Memorial Nos. 20091501640014 and 20091601730010 on 15 September 2020 and 16 September 2020, respectively.
6. Pursuant to a tenancy agreement provided to us, the property was leased to an independent third party at a monthly rental of HK\$106,000.00 exclusive of rates, government rent, management fee and all other outgoings for a term of 3 years commencing from 6 September 2019 to 5 September 2022 both days inclusive for industrial usage.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
2. Workshop Unit No. 12 and Portion of the Corridor on 5th Floor and Car Parking Spaces Nos. P19 and P20 on Basement Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong 86/13205th shares of and in Section F and Section H of Kowloon Marine Lot No. 113 (the "Lot") (See Notes 1 and 2 below)	The property comprises a workshop unit and portion of the corridor on 5th Floor and 2 car parking spaces on basement floor of a 15-storey industrial building (including basement and ground floors but excluding roof) known as Harbour Centre Tower 1, which was completed in 1989. According to the information made available to us, the workshop unit of the property (excluding the corridor) has a gross floor area of 6,597 sq.ft. (612.88 sq.m.) and a total saleable area of 5,116 sq.ft. (475.29 sq.m.). The locality of the property is a mixed industrial-cum-residential area. The Lot is held under Conditions of Exchange No. 11128 for a term of 75 years commencing from 15 September 1972. Government Rent is 3% of the rateable value of the property. (See Notes 3 to 8 below)	As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was subject to a tenancy at a monthly rental of HK\$74,000.00 exclusive of rates, government rent, management fee and all other outgoings for industrial usage and car parking usage (for the car park) . (See Note 9 below)	HK\$39,700,000 (100 per cent. interest)

Notes:

1. The registered owner of the workshop unit and car parking space No. P20 of the property are King Crest Limited (嘉峰有限公司), a wholly-owned subsidiary of the Company, vide an assignment dated 21 November 2019 at a consideration of HK\$35,800,000.00 and registered in the Land Registry by Memorial No. 19121801440028 on 18 December 2019.
2. The registered owner of the car parking space No. P19 of the property is Takson Properties Limited, a wholly-owned subsidiary of the Company, vide an assignment dated 25 March 1997 and registered in the Urban Land Registry by Memorial No. 7028080 on 22 April 1997.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

3. The property is subject to an Occupation Permit No. K47/89 dated 21 December 1989 and registered in the Urban Land Registry by Memorial No. 4294842 on 6 January 1990.
4. The property is subject to a Deed of Mutual Covenant with Plan dated 23 February 1990 and registered in the Urban Land Registry by Memorial No. 4358624 on 15 March 1990.
5. The workshop unit and car parking space No. P20 of the property are subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 August 2020 and registered in the Land Registry by Memorial No. 20091401910038 on 14 September 2020.
6. The workshop unit and car parking space No. P20 of the property are subject to a second and third legal charges in favour of Bank of China (Hong Kong) Limited both dated 31 August 2020 and registered in the Land Registry by Memorial Nos. 20091501640021 and 20091601730024 on 15 September 2020 and 16 September 2020, respectively.
7. The car parking space No. P19 of the property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 August 2020 and registered in the Land Registry by Memorial No. 20091401910024 on 14 September 2020.
8. The car parking space No. P19 of the property is subject to a second and third legal charges in favour of Bank of China (Hong Kong) Limited both dated 31 August 2020 and registered in the Land Registry by Memorial Nos. 20091501640014 and 20091601730010 on 15 September 2020 and 16 September 2020, respectively.
9. Pursuant to a tenancy agreement provided to us, the property was leased to an independent third party at a monthly rental of HK\$74,000.00 exclusive of rates, government rent, management fee and all other outgoings for a term of 3 years commencing from 1 September 2019 to 31 August 2022 both days inclusive for industrial usage.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
3. Workshop Unit No. 13 and Portion of the Corridor on 5th Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong 90/13205th shares of and in Section F and Section H of Kowloon Marine Lot No. 113 (the "Lot") (<i>See Note 1 below</i>)	The property comprises a workshop unit and portion of the corridor on 5th Floor of a 15-storey industrial building (including basement and ground floors but excluding roof) known as Harbour Centre Tower 1, which was completed in 1989. According to the information made available to us, the property (excluding the corridor) has a gross floor area of 6,852 sq.ft. (636.57 sq.m.) and a total saleable area of 5,313 sq.ft. (493.59 sq.m.). The locality of the property is a mixed industrial-cum-residential area. The Lot is held under Conditions of Exchange No. 11128 for a term of 75 years commencing from 15 September 1972. Government Rent is 3% of the rateable value of the property. (<i>See Notes 2 to 5 below</i>)	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was owner occupied for storage and ancillary office usages.	HK\$36,600,000 (100 per cent. interest)

Notes:

1. The registered owner of the property is Gold Wealth Holdings Limited, a wholly-owned subsidiary of the Company, vide an assignment dated 21 November 2019 at a consideration of HK\$39,900,000.00 (together with Property No. 4 stated below) and registered in the Land Registry by Memorial No. 19121801440015 on 18 December 2019.
2. The property is subject to an Occupation Permit No. K47/89 dated 21 December 1989 and registered in the Urban Land Registry by Memorial No. 4294842 on 6 January 1990.
3. The property is subject to a Deed of Mutual Covenant with Plan dated 23 February 1990 and registered in the Urban Land Registry by Memorial No. 4358624 on 15 March 1990.
4. The property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 August 2020 and registered in the Land Registry by Memorial No. 20091401910047 on 14 September 2020.
5. The property is subject to a second and third legal charges in favour of Bank of China (Hong Kong) Limited both dated 31 August 2020 and registered in the Land Registry by Memorial Nos. 20091501640033 and 20091601730038 on 15 September 2020 and 16 September 2020, respectively.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
4. Car Parking Space No. L14 on Ground Floor of Harbour Centre Tower 1 No. 1 Hok Cheung Street Kowloon Hong Kong	The property comprises a car parking space on the Ground Floor of a 15-storey industrial building (including basement and ground floors but excluding roof) known as Harbour Centre Tower 1, which was completed in 1989.	As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was vacant.	HK\$2,800,000 (100 per cent. interest)
3/13205th shares of and in Section F and Section H of Kowloon Marine Lot No. 113 (the "Lot") <i>(See Note 1 below)</i>	The Lot is held under Conditions of Exchange No. 11128 for a term of 75 years commencing from 15 September 1972. Government Rent is 3% of the rateable value of the property <i>(See Notes 2 to 5 below)</i>		

Notes:

1. The registered owner of the property is Gold Wealth Holdings Limited, a wholly-owned subsidiary of the Company, vide an assignment dated 21 November 2019 at a consideration of HK\$39,900,000.00 (together with Property No. 3 stated above) and registered in the Land Registry by Memorial No. 19121801440015 on 18 December 2019.
2. The property is subject to an Occupation Permit No. K47/89 dated 21 December 1989 and registered in the Urban Land Registry by Memorial No. 4294842 on 6 January 1990.
3. The property is subject to a Deed of Mutual Covenant with Plan dated 23 February 1990 and registered in the Urban Land Registry by Memorial No. 4358624 on 15 March 1990.
4. The property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 August 2020 and registered in the Land Registry by Memorial No. 20091401910047 on 14 September 2020.
5. The property is subject to a second and third legal charges in favour of Bank of China (Hong Kong) Limited both dated 31 August 2020 and registered in the Land Registry by Memorial Nos. 20091501640033 and 20091601730038 on 15 September 2020 and 16 September 2020, respectively.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Group II - Properties held by the Group under long-term title certificates in the PRC and valued on Market Value basis

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
5. Units E, F and L on Level 23 Huamin Zunhan International Building No. 726 Yan'an Road West Changning District Shanghai The PRC 200050	<p>The property comprises 3 office units on the 23rd Floor of a 30-storey commercial building (including 2 basement floors but excluding roof) known as Huamin Zunhan International Building erected on a land with a total site area of 19,852 sq.m., which was completed in 2004.</p> <p>The property has a total gross floor area of 652.91 sq.m. and a saleable area of 467.55 sq.m..</p> <p>The locality of the property is a mixed commercial-cum-residential area.</p> <p>The property is subject to a right to use the land for a term of 50 years commencing from 22 May 2001 to 21 May 2051 for office purpose. (See Note 1 below)</p>	<p>As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was subject to a tenancy at a monthly rental of RMB79,437.00 exclusive of management fee, facility outgoings and taxes for office usage. (See Note 2 below)</p>	<p>HK\$23,700,000</p> <p>(100 per cent. interest)</p>

Notes:

1. Pursuant to 3 various Shanghai Certificates of Real Estate Ownership known as Hu Fang Di Chang Zi (2004) Di 032101, 032658 and 032659 Hao (滬房地長字(2004)第032101, 032658及032659號) dated between 28 October 2004 and 4 November 2004 and issued by the Real Estate Registry of Changning District of Shanghai (上海市長寧區房地產登記處), the legally interested party in the property is 德勝製衣有限公司 (translated as Desheng Garment Co., Ltd and hereinafter referred to as "Desheng"), a wholly-owned subsidiary of the Company for a term of 50 years commencing from 22 May 2001 to 21 May 2051 for office purpose.
2. Pursuant to a tenancy agreement provided to us dated 23 December 2021, the property was leased to an independent third party at a monthly rental of RMB79,437.00 exclusive of management fee, facility outgoings and taxes for a term of 3 years commencing from 1 January 2021 to 31 December 2023 for office usage.
3. According to the legal opinions prepared by the Group's PRC legal advisor, with reference to the certificates mentioned in Note 1 above and Shanghai Real Estate Registration record as at 6 May 2021,
 - i. Desheng is the legally interested party in the property mentioned in Note 1 above and has the right to possess, use, profit from, assign and transfer the property; and
 - ii. The property was not subject to any mortgages and incumbrances and there was no outstanding land premium.

APPENDIX III VALUATION REPORT OF THE PROPERTIES OF THE GROUP

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 March 2021
6. Units G, H and I on Level 23 Huamin Zunhan International Building No. 726 Yan'an Road West Changning District Shanghai The PRC 200050	<p>The property comprises 3 office units on the 23rd Floor of a 30-storey commercial building (including 2 basement floors but excluding roof) known as Huamin Zunhan International Building erected on a land with a total site area of 19,852 sq.m., which was completed in 2004.</p> <p>The property has a total gross floor area of 379.78 sq.m. and a saleable area of 271.96 sq.m..</p> <p>The locality of the property is a mixed commercial-cum-residential area.</p> <p>The property is subject to a right to use the land for a term of 50 years commencing from 22 May 2001 to 21 May 2051 for office purpose. <i>(See Note 1 below)</i></p>	<p>As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was subject to a tenancy at a monthly rental of RMB63,042.30 exclusive of management fee and facility outgoings for office usage. <i>(See Note 2 below)</i></p>	<p>HK\$14,700,000</p> <p>(100 per cent. interest)</p>

Notes:

1. Pursuant to 3 various Shanghai Certificates of Real Estate Ownership known as Hu Fang Di Chang Zi (2004) Di 032655, 032656 and 032657 Hao (滬房地長字(2004)第032655, 032656及032657號) dated 4 November 2004 and issued by the Real Estate Registry of Changning District of Shanghai (上海市長寧區房地產登記處), the legally interested party in the property is Desheng, a wholly-owned subsidiary of the Company, for a term of 50 years commencing from 22 May 2001 to 21 May 2051 for office purpose.
2. Pursuant to a tenancy agreement provided to us, the property was leased to an independent third party at a monthly rental of RMB63,042.30 exclusive of management fee and facility outgoings for a term of 2 years commencing from 10 April 2020 to 9 April 2022 for office usage.
3. According to the legal opinions prepared by the Group's PRC legal advisor, with reference to the certificates mentioned in Note 1 above and Shanghai Real Estate Registration record as at 6 May 2021,
 - i. Desheng is the legally interested party in the property mentioned in Note 1 above and has the right to possess, use, profit from, assign and transfer the property; and
 - ii. The property was not subject to any mortgages and incumbrances and there was no outstanding land premium.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to Always Profit and parties acting in concert with it) 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Always Profit and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Zhang, the sole director of Always Profit) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Zhang, the sole director of Always Profit, accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors excluding Mr. Zhang) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Capital Reorganisation becoming effective and following completion of the Rights Issue (assuming no further issue or repurchase of Shares on or before the completion of the Rights Issue) will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital:		<i>HK\$</i>
<u>3,000,000,000</u>	Existing Shares of HK\$0.1 each	<u>300,000,000</u>
Issued and paid-up share capital:		
<u>956,312,771</u>	Existing Shares of HK\$0.1 each	<u>95,631,277.1</u>

- (ii) Immediately after the Capital Reorganisation becoming effective (assuming no further issue or repurchase of Shares on or before the effective date of the Capital Reorganisation)

Authorised share capital: HK\$

<u>30,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>300,000,000</u>
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Issued and paid-up share capital:

<u>191,262,554</u>	Adjusted Shares of HK\$0.01 each	<u>1,912,625.54</u>
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- (iii) Immediately after the Capital Reorganisation becoming effective and following the completion of the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue save for the issue of the Rights Shares)

Authorised share capital: HK\$

<u>30,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>300,000,000</u>
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Issued and paid-up share capital:

191,262,554	Adjusted Shares of HK\$0.01 each immediately after the Capital Reorganisation becoming effective	1,912,625.54
<u>573,787,662</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>5,737,876.62</u>
<u>765,050,216</u>	Adjusted Shares of HK\$0.01 each immediately following the completion of the Rights Issue	<u>7,650,502.16</u>

All the Existing Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective, and the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. 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 any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company had not issued any Shares since 31 March 2021, being the end of the last financial year of the Company, and up to the Latest Practicable Date. As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

Trading in the Shares was suspended from 1 February 2019 to 4 December 2020. The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day at the end of each of the calendar months during the period between 7 December 2020 (being the date on which trading in the Shares on the Stock Exchange has resumed) and the Latest Practicable Date (both dates inclusive); (ii) on the Business Day immediately preceding the date of the Announcement; (iii) on the Last Trading Day; and (iv) on the Latest Practicable Date:

	Closing price per Share
	<i>HK\$</i>
31 December 2020	0.500
29 January 2021	0.187
26 February 2021	0.135
31 March 2021	0.094
7 April 2021 (the Business Day immediately preceding the date of the Announcement)	0.093
8 April 2021 (the Last Trading Day)	0.090
30 April 2021	0.085
31 May 2021	0.082
18 June 2021 (the Latest Practicable Date)	0.083

The lowest and highest closing prices per Share as quoted on the Stock Exchange during the period commencing on 7 December 2020 (being the date of which trading in the Shares on the Stock Exchange has resumed) and ending on the Latest Practicable Date were HK\$0.076 on 12 April 2021 and 11 May 2021 and HK\$0.72 on 27 January 2021 respectively.

4. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code were as follows:

Long position in the Shares

Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Zhang	Interest in controlled corporation (<i>Note 1</i>)	403,602,493	42.2%
Mr. Tian	Interest in controlled corporation (<i>Note 2</i>)	25,826,771	2.7%

Notes:

- (1) Mr. Zhang is the sole beneficial owner of Always Profit. Mr. Zhang was deemed to be interested in 403,602,493 Shares held by Always Profit pursuant to the SFO.
- (2) Mr. Tian is the sole beneficial owner of Wenxi Investment. Mr. Tian was deemed to be interested in 25,826,771 Shares held by Wenxi Investment pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, 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 any other member of the Group:

Long position in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	403,602,493	42.2%
Mr. Zhang	Interest of controlled corporation (Note)	403,602,493	42.2%

Note: Mr. Zhang is the sole beneficial owner of Always Profit. Mr. Zhang was deemed to be interested in 403,602,493 Shares held by Always Profit pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have 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 who was, directly or indirectly, 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 any other member of the Group.

5. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Apart from the Underwriting Agreement and the Irrevocable Undertaking, there was no contract or arrangement subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

8. ADDITIONAL DISCLOSURE

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding pursuant to which the Rights Shares to be acquired by Always Profit under the Rights Issue will be transferred, charged or pledged to other persons;
- (ii) save as disclosed in the shareholding structure table as set out in the section headed "Effects on the shareholding structure of the Company" in the "Letter from the Board" of this circular, none of the Directors, Always Profit, any parties acting in concert with it and the sole director of Always Profit own, control or have control or direction over any voting rights and right over Shares, convertible securities, warrants, options or derivatives of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) (the "**Relevant Securities**") of the Company;
- (iii) Always Profit and any parties acting in concert with it have not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver at the SGM;
- (iv) save for the Irrevocable Undertaking given by Always Profit, Always Profit and any parties acting in concert with it have not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;

- (v) save for the Underwriting Agreement entered into between the Company, Always Profit and GLAM Capital and the Irrevocable Undertaking given by Always Profit, Always Profit and any parties acting in concert with it do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise), with any other persons in relation to the Relevant Securities of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (vi) GLAM Capital does not own or control or have control or direction over any Relevant Securities of the Company and had not dealt for value in any such securities of the Company during the Relevant Period;
- (vii) Always Profit and any parties acting in concert with it, the Company and the Directors have not borrowed or lent any Relevant Securities of the Company;
- (viii) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (ix) save for the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) existed among Always Profit or any parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;
- (x) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by Always Profit as set out in the sub-section headed “Conditions of the Rights Issue” under the section headed “The Underwriting Agreement” in the “Letter from the Board” contained in this circular, there is no agreement or arrangement to which Always Profit or any parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (xi) Always Profit is wholly owned by Mr. Zhang. Save for the aforementioned, the Company and the Directors do not own, control or have control or direction in any Relevant Securities of Always Profit. The Company and the Directors had not dealt for value in such securities of Always Profit during the Relevant Period;

- (xii) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code do not own, control or have control or direction over any Relevant Securities of the Company. The aforesaid parties had not dealt for value in any such securities of the Company during the Relevant Period;
- (xiii) save for the Placing Agreement entered between the Company and GLAM Capital, the Underwriting Agreement entered between the Company and the Underwriters, and the Irrevocable Undertaking given by Always Profit to the Company and the Underwriters, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code. Save for the dealings by Always Profit (as detailed on pages IV-9 to IV-10 below), the aforesaid parties had not dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (xiv) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and the aforesaid parties had not dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (xv) Always Profit, a company wholly owned by Mr. Zhang, has executed the Irrevocable Undertaking to take up and pay for 242,161,494 Rights Shares to be provisionally allotted to it under the Rights Issue. Mr. Tian did not express his intention to accept or reject the relevant Rights Shares to be provisionally allotted to Wenxi Investment (a company wholly and beneficially owned by Mr. Tian) under the Rights Issue. Wenxi Investment, which is wholly owned by Mr. Tian, is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code until completion of the Rights Issue. In accordance with the Listing Rules and the Takeovers Code, Mr. Zhang, Always Profit, its associates and any parties acting in concert with it, Mr. Tian and his associates (including Wenxi Investment) shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM;
- (xvi) save for the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

- (xvii) save for the Underwriting Agreement and the Irrevocable Undertaking, there was no material contract entered into by Always Profit and parties acting in concert with it in which any Director had a material personal interest;
- (xviii) the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to Always Profit and parties acting in concert with it in connection with the Rights Issue and the Underwriting Agreement;
- (xix) apart from the Underwriting Agreement and the Irrevocable Undertaking, there is no other understanding, arrangement or special deal between the Company on the one hand, and Always Profit and parties acting in concert with it on the other hand; and
- (xx) there was no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) Always Profit and parties acting in concert with it.

During the Relevant Period, none of Always Profit, any parties acting in concert with it, the sole director of Always Profit and the Directors has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company save that:

- (i) pursuant to a placing and subscription agreement dated 20 January 2021 (the “**January Placing Agreement**”) entered into among the Company, Always Profit and GLAM Capital (as placing agent) in respect of the January Placing, an aggregate of 155,080,000 Shares then held by Always Profit as at the date of the January Placing Agreement were placed by GLAM Capital to six places at a placing price of HK\$0.465 per Share. Completion of such placing took place on 25 January 2021. Subsequently on 3 February 2021, Always Profit completed the top-up subscription of 155,080,000 new Shares issued by the Company at the subscription price of HK\$0.465 per Share; and

- (ii) Always Profit sold certain Shares as disclosed below on the open market during January 2021:

Date	Number of Shares	Price per Share
25 January 2021	22,000,000	HK\$0.66
	30,800,000	HK\$0.67
	<u>4,100,000</u>	HK\$0.68
	<u>56,900,000</u>	
26 January 2021	2,850,000	HK\$0.68
	15,600,000	HK\$0.69
	38,442,000	HK\$0.70
	<u>1,100,000</u>	HK\$0.71
	<u>57,992,000</u>	
27 January 2021	8,400,000	HK\$0.71
	<u>20,148,000</u>	HK\$0.72
	<u>28,548,000</u>	

Wenxi Investment, which is wholly owned by Mr. Tian, is presumed to be acting in concert with Always Profit according to class (6) presumption under the definition of “acting in concert” in the Takeovers Code until completion of the Rights Issue. During the Relevant Period, Wenxi Investment and Mr. Tian have not dealt in any Shares, convertible securities, warrants, options and derivatives of the Company save for the 25,826,771 Existing Shares issued to it by the Company at an issue price of HK\$0.381 per Existing Share on 5 March 2021 as partial settlement of the consideration for the Acquisition as referred to in scenario (iii)(d) described in the section headed “Effects on the shareholding structure of the Company” in the “Letter from the Board” contained in this circular.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group from 8 April 2019 (being the date falling two years immediately preceding 8 April 2021 (being the date of the Announcement)) up to and including the Latest Practicable Date:

- (a) a sale and purchase agreement dated 5 August 2020 (the “**Sale and Purchase Agreement**”) entered into between Takson (B.V.I.) Limited (“**Takson (B.V.I.)**”), an indirect wholly-owned subsidiary of the Company (as vendor), and Ho Sai Chak, an Independent Third Party (as purchaser), in relation to the disposal of one ordinary share of US\$1.00, representing the entire issued share capital of Takson Sportswear Limited, an indirect wholly-owned subsidiary of the Company, at the consideration of HK\$38,960,000;

- (b) a termination agreement dated 21 October 2020 entered into between Takson (B.V.I.) and Ho Sai Chak to terminate the Sale and Purchase Agreement;
- (c) a sale and purchase agreement dated 18 January 2021 and entered into between the Company and Wenxi Investment in relation to the acquisition by the Company (or its nominee(s)) of 40 ordinary shares of GBR (HK) Limited, representing 40% of its total issued shares, for a total consideration of HK\$16.4 million which will be satisfied by the issue and allotment of a maximum of 43,044,617 Existing Shares;
- (d) the January Placing Agreement entered into between the Company, Always Profit as vendor and GLAM Capital as placing agent pursuant to which (a) Always Profit has agreed to appoint GLAM Capital, and GLAM Capital has agreed to act as, placing agent of the Company to use its best effort to procure placees who and whose ultimate beneficial owners shall be Independent Third Party(ies) to subscribe for up to 155,081,000 Existing Shares beneficially owned by Always Profit at the price of HK\$0.465 per Existing Share; and (b) Always Profit has agreed to subscribe for, and the Company has agreed to allot and issue to Always Profit, up to 155,081,000 new Existing Shares at the price of HK\$0.465 per Share on the terms and subject to the conditions set out in the January Placing Agreement;
- (e) the Placing Agreement; and
- (f) the Underwriting Agreement.

10. LITIGATION

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

11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions, letters or advice contained in this circular are set out below:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
KTC Partners CPA Limited	Certified public accountants
LCH (Asia-Pacific) Surveyors Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have 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 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

12. EXPENSES

The expenses payable by the Company in connection with the Rights Issue and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$3.0 million.

13. DIRECTORS OF THE COMPANY

Name	Address
<i>Executive Directors</i>	
Mr. Zhang Jinbing (<i>Chairman</i>)	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Mr. Tian Wenxi	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Mr. Wu Tingjun	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Chow Hiu Tung	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Ms. Yang Yanli	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Mr. Zhao Hangen	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong

*Executive Directors***Mr. Zhang**

Mr. Zhang, aged 49, is the Chairman and an executive Director and was appointed as the chairman of the remuneration committee and nomination committee of the Company since October 2018. He is also the controlling shareholder (as defined in the Listing Rules) of the Company. Mr. Zhang graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994. Mr. Zhang has extensive experience in corporate management. He has served as co-chairman of the board of directors and non-executive director of Apollo Future Mobility Group Limited (“**Apollo FMG**”), a company listed on the Stock Exchange (stock code: 860), for the period from 24 November 2017 to 18 March 2021. Prior to that, he was an executive director of Apollo FMG for the period from January 2015 to 23 November 2017 and chairman of Apollo FMG for the period from June 2015 to 23 November 2017. Mr Zhang is also an executive director, chairman of the board and chief executive officer of Chong Kin Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1609), since January 2018. He was an executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613), for the period from August 2012 to April 2014.

Mr. Tian

Mr. Tian, aged 52, joined the Group in December 2019, is an executive Director. Mr. Tian obtained the Doctor of Finance degree from the Murdoch University in Australia and the qualification of economist in the PRC. Mr. Tian has extensive professional knowledge and experience in strategic planning, operation and business management in the marketing, trading and culture and tourism industries in the PRC. Mr. Tian has been working and is holding directorship at 廣州萬燕集團有限公司 (Guangzhou Wanyan Group Co., Ltd.*) since 2014. He is also holding senior management positions in other companies in the PRC, including but not limited to (i) director and chief executive officer at 廣州萬燕文化傳媒股份有限公司 (Guangzhou Wanyan Culture & Media Co., Ltd*), a company listed on the National Equities Exchange and Quotations from December 2016 to August 2018, which is principally engaged in market research, advertising, brand strategy promotion, brand effectiveness evaluation, theatrical performance business and film and television business; (ii) executive director at 廣州萬燕商貿有限公司 (Guangzhou Wanyan Trading Co., Ltd.*), a company principally engaged in wholesale trade and import and export of goods and technology; (iii) executive director at 九江萬燕置業有限公司 (Jiujiang Wanyan Real Estate Co., Ltd.*), a company principally engaged in tourism project development and management; (iv) executive director at 廣東萬燕網絡科技有限公司 (Guangdong Wanyan Network Technology Co., Ltd.*); (v) executive director at 廣東萬燕資產管理有限公司 (Guangdong Wanyan Asset Management Co., Ltd.*); and (vi) executive director at 廣州賽格投資發展有限公司 (Guangzhou Saige Investment Development Co., Ltd*).

* for identification purpose only

Mr. Wu Tingjun (“Mr. Wu”)

Mr. Wu, aged 51, joined the Group in December 2019, is an executive Director. He obtained a Bachelor Degree in International Trade from Guangdong University of Foreign Studies in the PRC. Mr. Wu has over 25 years of experience in brand management business. He is the founder and CEO of 北京墨蘇科技有限公司 (Beijing Mosu Technology Co., Ltd.*), which is principally engaged in the distribution of branded apparel in the PRC, Hong Kong and Macau via direct selling through retail stores and online stores and provides top to bottom services to branded apparel owners including but not limited to promotion, distribution and retailing of their products in the PRC, Hong Kong and Macau. Prior to that, Mr. Wu served as the Partner and Vice President of 尚品網 (Shangpin Famous Brand*) for the period from 2015 to 2018, General Manager of 上海墨蘇貿易有限公司 (Shanghai Mosu Trading Co., Ltd.*) for the period from 2008 to 2010 and worked in the COFCO Group for the period from 1997 to 2007.

Independent non-executive Directors**Mr. Chow Hiu Tung (“Mr. Chow”)**

Mr. Chow, aged 49, joined the Group in October 2018, is an independent non-executive Director. He is also the chairman of the audit committee and member of the remuneration committee of the Company. Mr. Chow has over 20 years of experience in accounting and internal control. He is the company secretary of Neo-Neon Holdings Limited, a company listed on the Stock Exchange (stock code: 1868). Mr. Chow is also an independent non-executive director of Great Wall Belt & Road Holding Limited since 12 March 2021. For the period from October 2013 to March 2015, Mr. Chow was an independent non-executive director of National United Resources Holdings Limited, a company listed on the Stock Exchange (formerly known as China Outdoor Media Group Limited) (stock code: 254). For the period from December 2014 to September 2018, Mr. Chow was an independent non-executive director of Future Bright Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 2212). Mr. Chow obtained his bachelor’s degree in business administration in finance from Hong Kong University of Science and Technology in November 1995 and obtained his master’s degree in international business in December 2001 from the University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.

* for identification purpose only

Mr. Zhao Hangen (“Mr. Zhao”)

Mr. Zhao, aged 54, joined the Group in October 2018, is an independent non-executive Director. He is also a member of the audit committee and nomination committee of the Company. Mr. Zhao has substantial professional legal experience. He is proficient in civil law theory and jurisprudence, and good at contract, corporate, finance, construction, real estate, investment, competition, intellectual property, international arbitration, labour law litigation and non-litigation cases. Mr. Zhao was a legal director at Nanyue Law Office of Guangdong and Guangdong Bowen Law Office, and management committee member of Guangdong Fazhishengbang Law Office. Mr. Zhao is currently a deputy director and senior partner at Kings Law Firm in Guangdong, an arbitrator at China International Economic and Trade Arbitration Commission, Arbitration Centre Across the Straits, China Guangzhou Arbitration Commission, Foshan Arbitration Commission and Shantou Arbitration Commission. Mr. Zhao obtained his bachelor’s degree in law majoring in economic law from the Renmin University of China Law School in July 1989. In January 2005, Mr. Zhao obtained his master’s degree in law majoring in economic law from Renmin University of China Law School.

Ms. Yang Yanli (“Ms. Yang”)

Ms. Yang, aged 50, joined the Group in October 2018, is an independent non-executive Director. She is also a member of the audit committee, remuneration committee and nomination committee of the Company. Ms. Yang has substantial experience in media management. Prior to joining the Group, Ms. Yang was the vice general manager of Planning and Publicizing Centre of Guangzhou Government and Guangzhou KAM-YIK Public Relations Agency. Ms. Yang has been an executive director of Guangzhou Holly’s International Auction Company Limited from 2014 to January 2021. Since January 2021, Ms. Yang has been a vice-president of China International Beauty Expo, vice-president of Guangdong Beauty and Cosmetic Association and the chief executive officer of Guangzhou Jiamei Exhibition Ltd. Ms. Yang obtained her bachelor’s degree in education management from the Guangzhou University in July 2000.

14. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business in Hong Kong	Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Principal share registrar and transfer office	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Abacus Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Lee Eva
Authorised representatives	Mr. Zhang Jinbing Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong Ms. Lee Eva Unit 13, 5/F, Tower 1 Harbour Centre 1 Hok Cheung Street Hung Hom, Kowloon Hong Kong
Principal bankers	Bank of Communications DBS Bank (Hong Kong) Limited Hang Seng Bank Limited Public Bank (Hong Kong) Bank of China (Hong Kong) Limited

Auditors and reporting accountants	KTC Partners CPA Limited <i>Certified Public Accountants</i> Room 617, Seapower Tower Concordia Plaza 1 Science Museum Road Tsimshatsui East, Kowloon Hong Kong
Financial adviser to the Company	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	WE Lawyers Unit 1601 & 03, Fairmont House 8 Cotton Tree Drive Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Gram Capital Limited Room 1209, 12/F Nan Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Hong Kong
Placing Agent	GLAM Capital Limited Rooms 908-11, 9/F Nan Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Hong Kong

The Underwriters

Always Profit Development Limited

Registered address:

Portcullis Chambers
4th Floor, Ellen Skelton Building
3076 Sir Francis Drake Highway
Road Town
Tortola
British Virgin Islands
VG1110

Correspondence address:

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

GLAM Capital Limited
Rooms 908-11, 9/F,
Nan Fung Tower,
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

**Sole director and sole shareholder
of Always Profit**

Mr. Zhang Jinbing
Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

15. GENERAL

- (i) The company secretary of the Company is Ms. Lee Eva, who is a practising solicitor in Hong Kong.
- (ii) 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.
- (iii) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.
- (iv) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

16. DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) at Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong during normal business hours on any Business Day; (ii) on the websites of the Company (www.seiah.com) and the SFC (www.sfc.hk) from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the memorandum of association and articles of association of Always Profit;
- (iii) the annual reports of the Company for each of the two financial years ended 31 March 2019 and 2020;
- (iv) the annual results announcement of the Company for the year ended 31 March 2021;
- (v) the letter from the Board, the text of which is set out on pages 15 to 45 of this circular;
- (vi) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 46 to 47 of this circular;
- (vii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 48 to 69 of this circular;
- (viii) the report from KTC Partners CPA Limited on the unaudited pro forma financial information of the Group in respect of the Rights Issue, the text of which is set out in Appendix II to this circular;

- (ix) the valuation report and the valuation certificate prepared by LCH (Asia-Pacific) Surveyors Limited in respect of the properties held by the Group, the text of which is set out in Appendix III to this circular;
- (x) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- (xi) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (xii) the Irrevocable Undertaking;
- (xiii) the circular issued by the Company dated 8 February 2021 in relation to the Acquisition;
and
- (xiv) this circular.

NOTICE OF SGM



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) will be held at Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 13 July 2021 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon (i) resolutions 2, 3 and 4 as set out in this notice being passed by the shareholders of the Company (the “**Shareholders**”); (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant the listing of and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); (iii) the fulfilment or waiver of the conditions set out in the Underwriting Agreement (as defined below); and (iv) the filing and registration of all documents relating to the Rights Issue (as defined below) required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Underwriting Agreement not being terminated in accordance with its terms:
 - (a) the issue by way of rights (the “**Rights Issue**”) of 573,787,662 new shares (the “**Rights Shares**”) at a subscription price of HK\$0.35 per Rights Share (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every one (1) share of the Company (the “**Share**”) held by the shareholders of the Company (the “**Shareholders**”) to the Shareholders whose names shall appear on the register of members of the Company at 5:00 p.m. on Tuesday, 20 July 2021 (the “**Qualifying Shareholders**”), or such other date as the Company and the Underwriters (as defined below) may agree to be the record date for determination of the entitlements of the Shareholders to the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Non-Qualifying Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the director(s) of the Company (the “**Director(s)**”), after making relevant enquiries, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant statutory body or stock exchange in that (those) place(s)), and substantially on the terms and conditions set out in the circular of the Company dated 21 June 2021 (a copy of which marked “A” is produced to the meeting and initialled by the

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chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 8 April 2021 (as amended and supplemented by the supplemental placing agreement dated 10 May 2021) entered into between the Company and GLAM Capital Limited (the “**Placing Agreement**”) in relation to the placing of the Rights Shares that are not subscribed by the Qualifying Shareholders (the “**Unsubscribed Rights Shares**”) at the placing price of not less than the Subscription Price per Unsubscribed Rights Share on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

- (b) the board of Directors (the “**Board**”) 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 Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (c) 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 Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the entering into of the underwriting agreement dated 8 April 2021 (as amended and supplemented by the supplemental underwriting agreement dated 10 May 2021) between the Company, Always Profit Development Limited (“**Always Profit**”) and GLAM Capital Limited (collectively, the “**Underwriters**”) in relation to the Rights Issue (the “**Underwriting Agreement**”) and the transactions contemplated thereunder (a copy of the Underwriting Agreement marked “C” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified; and

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- (b) 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 Underwriting Agreement and the transactions contemplated thereunder.”

SPECIAL RESOLUTIONS

3. “**THAT** conditional upon (i) compliance with the requirements of Section 46(2) of the Companies Act 1981 of Bermuda (as amended from time to time), and (ii) the Stock Exchange granting the listing of, and permission to deal in, the ordinary shares of the Company with a nominal value of HK\$0.01 each, with effect from 9:00 a.m. on Thursday, 15 July 2021 (the “**Effective Date**”):
- (a) every five (5) issued and unissued shares of the Company of par value of HK\$0.10 each be consolidated into one (1) share of par value of HK\$0.50 each (the “**Share Consolidation**”);
 - (b) the paid up capital of each issued share of the Company of par value of HK\$0.50 each be reduced from HK\$0.50 each to HK\$0.01 each by cancelling HK\$0.49 on each issued share (the “**Capital Reduction**”) so as to form new shares of par value of HK\$0.01 each;
 - (c) each of the unissued shares of HK\$0.50 each in the authorised share capital of the Company be subdivided into fifty (50) new shares of HK\$0.01 each (the “**Sub-Division**”);
 - (d) the entire amount standing to the credit of the share premium account of the Company as at the Effective Date be cancelled (the “**Share Premium Cancellation**”);
 - (e) the credit arising from the Capital Reduction and the Share Premium Cancellation be transferred to the contributed surplus account of the Company or other account of the Company (the “**Credit Transfer**”) and the Directors be and are hereby authorised to apply the amount standing to the credit of the contributed surplus account or such other account of the Company in any manner permitted by the laws of Bermuda and the bye-laws of the Company; and
 - (f) any one or more of the Directors be and is/are hereby authorised to all such acts and things, to sign and execute all such further documents and to take such steps as the Director(s) in his/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Share Consolidation, the Capital Reduction, the Sub-Division, the Share Premium Cancellation and the Credit Transfer (collectively, the “**Capital Reorganisation**”).

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4. “**THAT:**

- (a) Subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the granting of a waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (“**Takeovers Code**”) to Always Profit of any obligation to make a general offer under the Takeovers Code for all the issued shares of the Company (other than those owned or agreed to be acquired by Always Profit and parties acting in concert with Always Profit) as a result of the taking up of up to 229,383,362 Rights Shares by Always Profit pursuant to the Underwriting Agreement (the “**Whitewash Waiver**”) be and is hereby approved; and
- (b) 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 Whitewash Waiver and the transactions contemplated thereunder.”

By Order of the Board
State Energy Group International Assets Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 21 June 2021

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him in accordance with the Company’s bye-laws. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be revoked.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. The register of members of the Company will be closed from Wednesday, 7 July 2021 to Tuesday, 13 July 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. Shareholders whose names appear on the Company’s register of members on Tuesday, 13 July 2021 will be eligible for attending and voting at the SGM. In order to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong Time) on Tuesday, 6 July 2021.

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PRECAUTIONARY MEASURES FOR THE SGM

At the time of publishing this notice, the coronavirus (COVID-19) situation in Hong Kong is still developing and the situation at the time of the SGM is difficult to predict. The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends Shareholders to appoint the chairman of the SGM as their proxy and submit their form of proxy as early as possible.

Should the COVID-19 pandemic continues to affect Hong Kong at or around the time of the SGM, the Company will implement precautionary measures at the SGM in the interests of the health and safety of the attendees of the SGM which include without limitation:

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the SGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the SGM.
2. There will be compulsory body temperature screening for all persons before entering the SGM venue. Should anyone seeking to attend the SGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company will request such persons to stay in an isolated place for completing the voting procedures.
3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any Government of Hong Kong prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be requested to stay in an isolated place for completing the voting procedures.
4. Appropriate distancing and spacing in line with the guidance from the Government of Hong Kong will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.

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6. No gifts, food or beverages will be provided at the SGM.
7. Company staff and representatives at the SGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
8. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the SGM arrangements at short notice. Shareholders should check the Company's website.