

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

---

## Progressive Path Group Holdings Limited

### 進昇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1581)**

**(I) PROPOSED SHARE CONSOLIDATION;  
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR  
EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

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



**Capital 9 Limited**

---

A letter from the Board is set out on pages 12 to 40 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 41 to 42 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 70 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 15 August 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 26 August 2022 to Friday, 2 September 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 26 August 2022 to Friday, 2 September 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Units 1203B, 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 August 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Monday, 8 August 2022 at 3:00 p.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.**

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the above Meeting, without limitation:

- compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue of the above Meeting;
- every shareholder or proxy is required to bring and wear surgical face mask during his/her attendance of the above Meeting;
- appropriate distancing and spacing in line with the guidance from Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the above Meeting as may be necessary to avoid over-crowding;
- no refreshment or souvenirs will be provided at the above Meeting;
- hand sanitizers will be provided to the shareholders or proxies at the venue of the above Meeting; and
- there will be no question and answer session during the above Meeting, shareholders could choose to raise questions to the management in writing before the above Meeting.

Any person who does not comply with the above precautionary measures, or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the above Meeting.

**For the health and safety of shareholders, the Company encourages shareholders NOT to attend the above Meeting in person, and advises shareholders to appoint the Chairman of the above Meeting as their proxy or through HKSCC Nominees Limited by giving instructions to their brokers and custodians to vote according to their indicated voting instructions as an alternative to attending the above Meeting in person.**

20 July 2022

---

## CONTENTS

---

	<i>Page</i>
<b>Expected Timetable</b> .....	1
<b>Definitions</b> .....	6
<b>Letter from the Board</b> .....	12
<b>Letter from the Independent Board Committee</b> .....	41
<b>Letter from the Independent Financial Adviser</b> .....	43
<b>Appendix I — Financial information of the Group</b> .....	I-1
<b>Appendix II — Unaudited pro forma financial information of the Group</b> ..	II-1
<b>Appendix III — General Information</b> .....	III-1
<b>Notice of EGM</b> .....	EGM-1

---

## EXPECTED TIMETABLE

---

*Set out below is the expected timetable for the proposed Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:*

Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM. . . . .	4:30 p.m. on Wednesday, 3 August 2022
Closure of register of members of the Company for transfer of the Shares to determine the right to attend and vote at the EGM (both days inclusive) . . . . .	Thursday, 4 August 2022 to Wednesday, 10 August 2022
Latest time for lodging proxy forms for the EGM . . . . .	3:00 p.m. on Monday, 8 August 2022
Record date for attendance and voting at the EGM. . . . .	Wednesday, 10 August 2022
Expected date and time of the EGM to approve the Share Consolidation, the Rights Issue and the Placing . . . . .	3:00 p.m. on Wednesday, 10 August 2022
Announcement of the poll results of the EGM . . . . .	Wednesday, 10 August 2022
Register of members of the Company re-opens . . . . .	Thursday, 11 August 2022
Effective date of the Share Consolidation . . . . .	Friday, 12 August 2022
Commencement of dealings in the Consolidated Shares. . . . .	9:00 a.m. on Friday, 12 August 2022
Original counter for trading in Existing Shares in the board lot size of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes. . . . .	9:00 a.m. on Friday, 12 August 2022
Temporary counter for trading in the Consolidated Shares in board lot size of 1,000 Consolidated Shares (in the form of existing share certificates) opens. . . . .	9:00 a.m. on Friday, 12 August 2022

---

## EXPECTED TIMETABLE

---

First day of free exchange of existing shares certificates for new share certificates for Consolidated Shares . . . . .	Friday, 12 August 2022
Last day of dealings in Consolidated Shares on a cum-rights basis . . . . .	Friday, 12 August 2022
First day of dealings in Consolidated Shares on an ex-rights basis . . . . .	Monday, 15 August 2022
Latest time for lodging transfers of Consolidated Shares to qualify for the Rights Issue. . . . .	4:30 p.m. on Tuesday, 16 August 2022
Register of members of the Company closes (both dates inclusive) . . . . .	Wednesday, 17 August 2022 to Tuesday, 23 August 2022
Record Date for the Rights Issue. . . . .	Tuesday, 23 August 2022
Register of members of the Company re-opens . . . . .	Wednesday, 24 August 2022
Expected despatch date of the Prospectus Documents (including the PAL and the Prospectus), and in the case of the Excluded Shareholders, the Prospectus only . . . . .	Wednesday, 24 August 2022
First day of dealings in nil-paid Rights Shares in the new board lot size of 10,000 Rights Shares . . . . .	Friday, 26 August 2022
Original counter for trading in the Consolidated Shares in the board lot size of 10,000 Consolidated Shares (in the form of new share certificates) reopens. . . . .	Friday, 26 August 2022
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	Friday, 26 August 2022
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . .	Friday, 26 August 2022
Latest time for splitting of the PALs . . . . .	4:30 p.m. on Tuesday, 30 August 2022

---

## EXPECTED TIMETABLE

---

- Last day of dealings in  
nil-paid Rights Shares in the new  
board lot size of 10,000 Rights Shares . . . . . Friday, 2 September 2022
- 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, 7 September 2022
- Latest time for acceptance of and payment  
for the Rights Shares. . . . . 4:00 p.m. on Wednesday, 7 September 2022
- Announcement of the number of Unsubscribed  
Rights Shares and ES Unsold Rights Shares  
subject to the Compensatory Arrangements . . . . . Tuesday, 13 September 2022
- Commencement of placing of Unsubscribed  
Rights Shares and ES Unsold Rights  
Shares by the Placing Agent . . . . . Wednesday, 14 September 2022
- Latest time of placing of Unsubscribed  
Rights Shares and ES Unsold Rights Shares  
subject to Compensatory Arrangements . . . . . 4:00 p.m. on Friday, 16 September 2022
- Designated broker ceases to provide  
matching services for odd lots of  
the Consolidated Shares . . . . . 4:00 p.m. on Friday, 16 September 2022
- Temporary counter for trading in the  
Consolidated Shares in the board lot  
size of 1,000 Consolidated Shares (in  
the form of existing share certificates) closes . . 4:10 p.m. on Friday, 16 September 2022
- Parallel trading in Consolidated Shares  
(represented by both existing share  
certificates and new share certificates) ends . . . 4:10 p.m. on Friday, 16 September 2022
- Latest Time for Termination . . . . . 4:00 p.m. on Monday, 19 September 2022
- Latest time for free exchange of existing  
share certificates for new share certificates. . . 4:30 p.m. on Tuesday, 20 September 2022

---

## EXPECTED TIMETABLE

---

Announcement of the allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and ES Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per ES Unsold Rights Share under the Compensatory Arrangements) . . . . .	Thursday, 22 September 2022
Despatch of share certificates of fully-paid Rights Shares or refund cheques, if terminated . . . . .	Friday, 23 September 2022
Expected first day of dealings in fully-paid Rights Shares in the new board lot size of 10,000 Rights Shares commence. . . 9:00 a.m. on Monday, 26 September 2022	
Payment of Net Gain to relevant No Action Shareholders (if any). . . . .	Monday, 3 October 2022

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

---

## EXPECTED TIMETABLE

---

### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons as 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 Wednesday, 7 September 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 7 September 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 7 September 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

---

## DEFINITIONS

---

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

“Announcement”	the announcement of the Company dated 24 May 2022 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or 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 is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“BVI”	the British Virgin Islands
“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 5,000 Existing Shares to 10,000 Consolidated Shares
“Company”	Progressive Path Group Holdings Limited (進昇集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (stock code: 1581)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules



---

## DEFINITIONS

---

“Consolidated Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company after the Share Consolidation becoming effective
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Rights Issue and the Placing
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) 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
“Existing Share(s)/Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue

---

## DEFINITIONS

---

“Independent Financial Adviser” or “Capital 9”	Capital 9 Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Irrevocable Undertaking”	a letter of irrevocable undertaking executed by Profit Gold in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertaking” in this circular
“Last Trading Day”	Tuesday, 24 May 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	13 July 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 7 September 2022 or such later time or date as may be determined by the Company, being the latest time for acceptance of the offer of and payment for the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the latest time for the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Wing Hang (胡永恆), being the chairman of the Board and an executive Director

---

## DEFINITIONS

---

“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent and/or its sub-placing agent(s) under the Placing Agreement) under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Excluded Shareholders (if any)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong, if any
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Tiger Faith Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 24 May 2022 (as supplemented on 13 July 2022) and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and ES Unsold Rights Shares

---

## DEFINITIONS

---

“Placing Period”	the period commencing from the fourth Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the sixth Business day after the Latest Time for Acceptance
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Gold”	Profit Gold Global Limited, a company incorporated in the BVI with limited liability
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and PAL
“Prospectus Posting Date”	Wednesday, 24 August 2022 or such other date as may be determined by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Excluded Shareholders
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Tuesday, 23 August 2022 or such other date as may be determined by the Company, being the date for determining entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (on or after 15 August 2022: 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong)

---

## DEFINITIONS

---

“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	207,500,000 Consolidated Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	proposed consolidation of the issued and unissued Existing Shares in the share capital of the Company on the basis of five (5) Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of issued Share(s) or the Consolidated Share(s) as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.26 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this circular
“%”	per cent.

---

LETTER FROM THE BOARD

---

**Progressive Path Group Holdings Limited**

**進昇集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1581)**

*Executive Directors:*

Mr. Wu Wing Hang (*Chairman*)

Mr. Chan Tak Ming

*Independent non-executive Directors:*

Mr. Wong Yiu Kit Ernest

Mr. Lee Man Tai

Mr. Leung Ka Fai

*Registered office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

*Principal place of business in Hong Kong:*

Unit 1108, 11/F

Tuen Mun Central Square

No. 22 Hoi Wing Road

Tuen Mun

New Territories, Hong Kong

20 July 2022

*To the Qualifying Shareholders and,  
for information only, the Excluded Shareholders (if any)*

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;  
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS  
SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD  
ON THE RECORD DATE**

**INTRODUCTION**

References are made to the Announcement in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

---

## LETTER FROM THE BOARD

---

### PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share. As none of the Shareholders or their respective associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

### Conditions of the Share Consolidation

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

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

The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

### Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 1,037,500,000 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the date of this circular to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each, of which 207,500,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

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

---

## LETTER FROM THE BOARD

---

### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares of the Company regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

### **Other securities of the Company**

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

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint Tiger Faith Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Friday, 26 August 2022 to 4:00 p.m. on Friday, 16 September 2022. Shareholders who wish to take advantage of this facility should contact Mr. Fung Chi Hei of Tiger Faith Securities Limited at Suite 1502, 15/F., The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong, (telephone number: (852) 3979 9000 and facsimile number: (852) 2117 3315) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

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

### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Friday, 12 August 2022 to 4:30 p.m. on Tuesday, 20 September 2022 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the share certificates will be submitted before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the share certificates will be submitted on or after 15 August 2022), to exchange, at the expense of the Company, for new



---

## LETTER FROM THE BOARD

---

share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated 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 Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The new share certificates for the Consolidated Shares will be issued in blue colour in order to distinguish them from the existing share certificates in orange colour.

### **Listing Application**

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

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

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

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

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective.

---

## LETTER FROM THE BOARD

---

Based on the closing price of HK\$0.063 per Existing Share (equivalent to the theoretical closing price of HK\$0.315 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 5,000 Existing Shares is HK\$315; (ii) the value of each board lot of 5,000 Consolidated Shares would be HK\$1,575 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$3,150 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective. The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

For the avoidance of doubt, if the Share Consolidation and/or the Rights Issue is/are not approved at the EGM, the proposed Change in Board Lot Size will not become effective and the Shares will continue to be traded on the Stock Exchange in board lot of 5,000 Shares.

### **REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the Latest Practicable Date, the closing price of the Existing Share was HK\$0.063 per Share, with a board lot size of 5,000, the existing board lot value is less than HK\$2,000. Based on the closing price of HK\$0.063 per Existing Share (equivalent to the theoretical closing price of HK\$0.315 per Consolidated Share) as at the Latest Practicable Date, the estimated value per board lot of 10,000 Consolidated Shares would be HK\$3,150 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective. The Directors therefore consider that the proposed Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the expected value per board lot and increase the value of each board lot of the Consolidated Shares to over HK\$2,000. As such, it would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

Accordingly, the Board considers that the Share Consolidation and the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect

---

## LETTER FROM THE BOARD

---

on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

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

### PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$54.0 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 207,500,000 Rights Shares at the Subscription Price of HK\$0.26 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Details of the Rights Issue are set out below:

#### Rights Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,037,500,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	207,500,000 Consolidated Shares

---

## LETTER FROM THE BOARD

---

Number of Rights Shares	:	up to 207,500,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregated nominal value of the Rights Shares	:	Approximately HK\$10,375,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	415,000,000 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Profit Gold has undertaken to take up an aggregate of 122,199,000 Rights Shares under its assured entitlement (representing approximately 58.89% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Irrevocable Undertaking

As at the Latest Practicable Date, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case maybe.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 207,500,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 50% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

---

## LETTER FROM THE BOARD

---

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this circular, will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code, or may result in the non-compliance by the Company of the Public Float Requirement under Rule 8.08 of the Listing Rules. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

### **Subscription Price**

The Subscription Price of HK\$0.26 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 17.46% to the theoretical closing price of HK\$0.315 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.063 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 42.22% to the theoretical closing price of approximately HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

---

## LETTER FROM THE BOARD

---

- (iii) a discount of approximately 39.95% to the theoretical average closing price of approximately HK\$0.433 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0866 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.76% to the theoretical ex-rights price of approximately HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.11%, represented by the theoretical diluted price of approximately HK\$0.355 per Consolidated Share to the theoretical benchmarked price of HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.090 per Existing Share and 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 date of the Announcement of approximately HK\$0.0858 per Existing Share);
- (vi) a discount of approximately 72.69% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$0.952 (based on the unaudited consolidated net asset value of the Company as at 30 September 2021 of approximately HK\$197.6 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000); and
- (vii) a discount of approximately 73.58% to the audited consolidated net asset value per Consolidated Share of approximately HK\$0.984 (based on the audited consolidated net asset value of the Company as at 31 March 2022 of approximately HK\$204.1 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.25.

The Subscription Price was determined by the Company with reference to, among others, (i) the recent closing price of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this circular.

---

## LETTER FROM THE BOARD

---

Whilst the Subscription Price represents a discount of approximately 73.58% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.984 (based on the consolidated net asset value of the Company as at 31 March 2022 of approximately HK\$204.1 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000), the Board is of the view that the net asset value per Consolidated Share may not be an appropriate factor in determining the Subscription Price taking into consideration that based on the closing price of HK\$0.090 per Existing Share as at the date of the Announcement, the Existing Shares have been traded at a discount of approximately 54.3% to the net asset value per Existing Shares of approximately HK\$0.197 (based on the consolidated net asset value of the Company as at 31 March 2022 of approximately HK\$204.1 million and the total number of issued Existing Shares). In addition, the price of the Existing Shares has been in an overall downward trend during the six months prior to the date of the Announcement. Under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Existing Shares, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price so as to encourage the Shareholders to participate in the Rights Issue.

The Directors consider that the discount of the Subscription Price as compared to the market price range is reasonable taking into consideration the followings:

- (i) the prevailing market conditions and economic sentiment in Hong Kong. The Hong Kong economy has been adversely affected by the fifth wave outbreak of COVID-19 since early 2022. The Hang Seng Index, which represents the most widely quoted indicator of the performance of the Hong Kong stock market, dropped from around 25,000 points in January 2022 to around 20,000 points in May 2022. Battered by the fifth wave of outbreak of COVID-19, the Hong Kong economy recorded a marked deterioration in the first quarter of 2022, with real gross domestic product (GDP) contracting by 4.0% year-on-year. Further, the volatility of the Hong Kong stock market has soared recently in light of the rates hikes in the United States, which is widely believed to have a negative impact on the global economy and financial markets;
- (ii) the discount in the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group; and
- (iii) based on arm's length negotiation with the Placing Agent, the Directors understand that the discount of the Subscription Price would help to secure sufficient investors' interests in the Rights Shares, taking into consideration (a) the general downward trend in the share price of companies principally engaged in the Hong Kong construction industry with an operating scale comparable to the Group that are listed on the Main Board of the Stock Exchange; (b) the level of discount in the subscription price in respect of rights issues completed within the six months prior to the date of the Placing Agreement by companies listed on the Main Board of the Stock Exchange

---

## LETTER FROM THE BOARD

---

with market capitalisation between HK\$60.0 million to HK\$100.0 million and a net asset value of HK\$50.0 million or above. In this regard, two listed issuers, namely Tongda Hong Tai Holdings Limited (stock code: 2363) and Future World Holdings Limited (stock code: 572), were identified which match with the selection criteria and their rights issues represent a discount of approximately 20.83% and 23.23% to their respective theoretical diluted price per share, respectively; and (c) the deterioration in the macro-environments as explained above.

The Board considers, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, 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, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of the Consolidated Share(s) (with the relevant share certificates) for registration with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022), by 4:30 pm on Tuesday, 16 August 2022.

The last day of dealing in the Shares on cum-rights basis is Friday, 12 August 2022. The Shares will be dealt with on an ex-rights basis from Monday, 15 August 2022.



---

## LETTER FROM THE BOARD

---

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders**

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s).

As at the Latest Practicable Date, there was one Overseas Shareholder, namely Profit Gold (being a Controlling Shareholder), with registered address located in the BVI, which is interested in 610,995,000 Shares, representing approximately 58.89% of the total number of the existing issued Shares. Pursuant to Rule 13.36(2) of the Listing Rules, the Company has made enquiries with legal adviser as to BVI laws regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholder in the BVI. The legal advisers to the Company as to the BVI laws are of view that given the Rights Issue is made by the Company in Hong Kong and is being made by the Company to the Overseas Shareholder in the BVI solely by the reason that it is an existing Shareholder, there are no restrictions under securities law or other similar laws in the BVI which would prevent the Company from including the BVI Shareholder in the Rights Issue. Accordingly, the extension of the Rights Issue to Profit Gold and the offering of the Rights Shares to it will not violate any applicable law or regulations in the BVI. Based upon such advice, Profit Gold will not be excluded from the Rights Issue and Profit Gold shall therefore be a Qualifying Shareholder.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

---

## LETTER FROM THE BOARD

---

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company will be closed from Thursday, 4 August 2022 to Wednesday, 10 August 2022 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM.

The register of members of the Company will be closed from Wednesday, 17 August 2022 to Tuesday, 23 August 2022 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the book closure periods.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

### **No fractional entitlements to the Rights Shares**

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Tiger Faith Securities Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Mr. Fung Chi Hei

---

## LETTER FROM THE BOARD

---

of Tiger Faith Securities Limited at Suite 1502, 15/F., The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong, (telephone number: (852) 3979 9000 and facsimile number: (852) 2117 3315) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) from 9:00 a.m. on Friday, 26 August 2022 to 4:00 p.m. on Friday, 16 September 2022 (both days inclusive).

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue 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.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 23 September 2022. Refund cheques, if the Rights Issue is terminated, are expected to be posted on or before Friday, 23 September 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

### **Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements**

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 24 May 2022 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the independent placees on a best effort basis. As a result of the revisions to the expected timetable as set out in the announcement of the Company dated 7 June 2022, the Company and the Placing Agent entered into a supplemental placing agreement (the “**Supplemental Placing Agreement**”) on 13 July 2022 (after trading hours), to reflect the changes of the relevant dates for the Rights Issue as referred to in the Placing Agreement.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on

---

## LETTER FROM THE BOARD

---

Friday, 16 September 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

### **Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares**

Details of the Placing Agreement (as supplemented by the Supplemental Placing Agreement dated 13 July 2022) are summarised as follows:

Date	:	24 May 2022 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Tiger Faith Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; and (ii) they are Independent Third Parties.

---

## LETTER FROM THE BOARD

---

- Placing Period : The period commencing from the fourth Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the sixth Business Day after the Latest Time for Acceptance.
- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 1.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.

---

## LETTER FROM THE BOARD

---

- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
  - (ii) the Share Consolidation having become effective;
  - (iii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
  - (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and

---

## LETTER FROM THE BOARD

---

- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the Conditions (other than those set out in paragraphs (i) to (iii) above) by notice in writing to the Company.

In the event that the above condition precedents have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold

---

## LETTER FROM THE BOARD

---

Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;

- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (a) are not Shareholder; and (b) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

### **Application for listing of the Rights Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 10,000 Rights Shares.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



---

## LETTER FROM THE BOARD

---

### **Stamp duty and other applicable fees**

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

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all the necessary resolution(s) at the EGM to approve the Share Consolidation, the Rights Issue, the Placing and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (ii) the Share Consolidation and the Change in Board Lot Size having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (iv) 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 Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares;

---

## LETTER FROM THE BOARD

---

- (vi) compliance with and performance of all undertakings and obligations of Profit Gold under the Irrevocable Undertaking in all material respects;
- (vii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (viii) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed.**

**For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.**

### **The Irrevocable Undertaking**

As at the Latest Practicable Date, Profit Gold, being a Controlling Shareholder, directly held 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the Latest Practicable Date). Profit Gold is a company wholly-owned by Mr. Wu, the chairman of the Board and an executive Director of the Company. On 24 May 2022, the Company received from Profit Gold the Irrevocable Undertaking, pursuant to which Profit Gold has irrevocably undertaken to the Company, among other things, that it:

- (i) shall not sell, transfer or otherwise dispose of the Shares held by it during the period from the date of the Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive);

---

## LETTER FROM THE BOARD

---

- (ii) shall accept and subscribe, and procure its nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which it is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of Rights Shares to be subscribed by Profit Gold under the Rights Issue will be scaled down to the extent that Profit Gold and its associate(s) will not trigger a general offer obligation under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and
- (iii) shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Irrevocable Undertaking given by Profit Gold, the Company has not received, as at the Latest Practicable Date, any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

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

The Company is an investment holding company and its subsidiaries are principally engaged in (i) construction works; and (ii) the provision of construction machinery rental services.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$54.0 million and the relevant expenses would be approximately HK\$2.0 million. The net subscription price per Rights Share is expected to be approximately HK\$0.25. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$52.0 million.

The Company intends to use the net proceeds from the Rights Issue for the following purposes: (i) approximately 71.8% (or approximately HK\$37.3 million), will be used for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK\$14.7 million) will be used as the general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purposes disclosed above, i.e. (i) approximately 71.8% of the net proceeds from the Rights Issue will be used for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% of the net proceeds from the Rights Issue will be used as the general working capital of the Group. Further details of the use of proceeds will be disclosed by the Company in the announcement of results of the Rights Issue.

---

## LETTER FROM THE BOARD

---

### **Growing demand for rental of air compressors**

According to the Company's annual results announcement for the year ended 31 March 2022 (the "**2021/22 Annual Results Announcement**"), the Group's total revenue increased by approximately 18.4% from approximately HK\$435.6 million for the year ended 31 March 2021 ("**FY2020/21**") to approximately HK\$515.9 million for the year ended 31 March 2022 ("**FY2021/22**").

In particular, the Group's revenue derived from construction machinery rental significantly increased by approximately 40.6% from approximately HK\$241.1 million for FY2020/21 to approximately HK\$338.9 million for FY2021/22, which was mainly attributable to the substantial increase in demand for construction machinery from certain infrastructure and reclamation projects in Hong Kong, such as the Three-Runway System and Terminal 2 Complex at the Hong Kong International Airport and the Tung Chung New Town Extension. In addition, the construction of community isolation and treatment facilities had also driven the demand for the Group's construction machinery rental services.

According to the 2021–22 Budget announced by the Hong Kong Government, the annual capital expenditure on infrastructure will reach approximately HK\$100 billion and approximately 14,000 transitional housing units will be introduced in the next few years. Taking into consideration the long term development of the Hong Kong construction industry in light of the 2021–22 Budget, the Directors consider that there will be an increase in demand for the Group's construction machinery rental services. In order to capture the growing demand for construction machinery rental services in Hong Kong, it is part of the Group's business strategy to enhance the diversity of its machinery fleet in order to strengthen its service capacity and enhance its market position in Hong Kong.

Recently, the Group has received enquiries from a number of customers for rental of air compressors to be used in different building construction projects. As at the Latest Practicable Date, the Group did not own any air compressors, and this has hindered the Group's ability in fulfilling its customers' demand for air compressors rental services. While the Group has not entered into any memorandum of understanding, contract or agreement with its customer in respect of air compressor rental services, the Directors consider that there is an imminent need for the Group to expand the diversity of its rental fleet through the acquisition of air compressors in light of the growing demand for rental of air compressors arising from certain sizeable construction projects in Hong Kong. The Directors believe that the enhancement of machinery fleet will enable the Group to cater to the demand of different building construction projects in Hong Kong and thereby capture the increasing demand for construction machinery rental services. Should the Rights Issue proceed according to the expected timetable as set out in the section headed "Expected Timetable" in this circular, the Directors anticipate that the Group will commence its air compressors rental services by the fourth quarter of 2022.

---

## LETTER FROM THE BOARD

---

### **Benefits of acquisition of air compressors over sub-leasing from third-party machinery rental services providers**

The Group owned a fleet of construction machinery for the provision of construction machinery rental services. Over the years, the Group has continued to expand the scale and selection of its machinery fleet so as to enhance its competency in fulfilling its customers' needs and requirements as different types of construction machinery are generally required at different stages and for different scope of construction works. In respect of the Group's construction machinery rental services, a large majority of construction machinery rented by the Group to its customers were self-owned construction machinery. The Group has on occasions sub-leased construction machinery from third-party machinery rental services providers to supplement its service capacity when its self-owned machinery has been under deployment or unavailable. The Directors consider that it is in the interest of the Group to adhere to its previous practice in giving priority to renting its self-owned construction machinery over sub-leased construction machinery to its customers.

Based on the aforesaid and in light of the growing demand for rental of air compressors, the Directors consider that it is in the interest of the Group to maintain its own air compressors for the provision of air compressors rental services as compared to sub-leasing from third-party machinery rental services providers taking into account the followings:

- (i) third-party machinery rental services providers generally factor in a profit margin in their fees charged to the Group for the provision of machinery rental services, thereby eroding the room of the Group in charging a mark-up for sub-leasing such machinery to its customers. Hence, the Directors are of the view that it is more cost-effective for the Group to acquire its own air compressors in providing air compressors rental services so as to maximise its profitability, while maintaining a competitive pricing for the provision of air compressors rental services; and
- (ii) based on past experience, the Group would sometimes be required by its customers to deploy the rented machinery within a relatively tight timeframe. The Directors believe that the acquisition of air compressors can increase the Group's flexibility in machinery deployment and reduce the risk of unavailability of air compressors from third-party machinery rental services providers, thereby facilitating the Group in fulfilling its customers' project schedule.

### **Funding needs of the Group**

According to the 2021/22 Annual Results Announcement, the Group's interest-bearing liabilities increased by approximately 59.4%, from approximately HK\$114.3 million as at 31 March 2021 to approximately HK\$182.2 million as at 31 March 2022. Accordingly, the Group's gearing ratio increased from approximately 59.5% as at 31 March 2021 to approximately 89.2% as at 31 March 2022.

---

## LETTER FROM THE BOARD

---

Taking into consideration the Group's indebtedness and gearing ratio, the Directors consider that it is financially prudent for the Group to strengthen its general working capital reserve through equity financing in the form of the Rights Issue. Part of the net proceeds from the Rights Issue will be used as general working capital of the Group to support its daily operating expenses which comprise, amongst others, labour costs, cost of materials and consumables, subcontracting charges, rental expenses and other miscellaneous expenses for its daily operations.

As aforementioned, it is part of the Group's business strategies to expand its rental fleet through the acquisition of air compressors in order to strengthen its service capacity and capture the increase in demand for construction machinery rental services. In view of the Group's bank balances and cash of approximately HK\$17.3 million as at 31 March 2022, the Directors consider that there is limited room for the Group to finance the acquisition of air compressors with its existing internal resources. Further, debt financing is not a preferred alternative as it will further increase the indebtedness and interest burden of the Group.

### **Rights Issue as the preferred fund raising activity of the Group**

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking, for illustration purposes only:

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all remaining Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Profit Gold Global Limited <sup>(Note 1)</sup>	610,995,000	58.89	122,199,000	58.89	244,398,000	58.89	244,398,000	58.89
Independent placees	-	-	-	-	-	-	85,301,000	20.55
Other public Shareholders	426,505,000	41.11	85,301,000	41.11	170,602,000	41.11	85,301,000	20.55
<b>Total</b>	<b>1,037,500,000</b>	<b>100.00</b>	<b>207,500,000</b>	<b>100.00</b>	<b>415,000,000</b>	<b>100.00</b>	<b>415,000,000</b>	<b>100.00</b>

*Notes:*

- Profit Gold Global Limited is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wu.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

---

## LETTER FROM THE BOARD

---

### FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

### LISTING RULES IMPLICATIONS

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, Profit Gold, being a Controlling Shareholder, directly held 610,995,000 Shares (representing approximately 58.89% of the issued share capital of the Company as at the Latest Practicable Date). Profit Gold is a company wholly-owned by Mr. Wu (being the chairman of the Board and an executive Director). Accordingly, Profit Gold, Mr. Wu and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. Save as disclosed, no other Shareholder is required to abstain from voting for the resolution(s) relating to the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

### GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the Placing. The register of members of the Company will be closed from Thursday, 4 August 2022 to Wednesday, 10 August 2022 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Wednesday, 3 August 2022.

A notice convening the EGM to be held at Units 1203B, 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 August 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event so that it is received at



---

## LETTER FROM THE BOARD

---

least 48 hours before the time appointed (i.e. Monday, 8 August 2022 at 3:00 p.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

The Company will despatch the Prospectus Documents containing, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Wednesday, 24 August 2022. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Shares are expected to be dealt in on an ex-rights basis from Monday, 15 August 2022. Dealings in the Rights Shares in nil-paid form in the new board lot size of 10,000 Rights Shares are expected to take place from Friday, 26 August 2022 to Friday, 2 September 2022 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this circular above.**

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

**Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. 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).**

### **RECOMMENDATIONS**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Capital 9 Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

---

## LETTER FROM THE BOARD

---

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 to 42 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 43 to 70 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

### **ADDITIONAL INFORMATION**

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

For and on behalf of  
**Progressive Path Group Holdings Limited**  
**Wu Wing Hang**  
*Chairman and Executive Director*

**Progressive Path Group Holdings Limited**

**進昇集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1581)**

20 July 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY  
ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 20 July 2022 (the “**Circular**”) of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Capital 9 Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 43 to 70 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 12 to 40 of the Circular.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 43 to 70 of the Circular, we are of the opinion that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue.

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

**Mr. Wong Yiu Kit Ernest**

**Mr. Lee Man Tai**

**Mr. Leung Ka Fai**

*Independent non-executive Directors*  
**Progressive Path Group Holdings Limited**

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue for the purpose of incorporation into this Circular.*



### **Capital 9 Limited**

20 July 2022

*To the Independent Board Committee and the Independent Shareholders of  
Progressive Path Group Holdings Limited*

Dear Sir/Madam,

#### **PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE**

#### **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, particulars of which are set out in the section headed “Letter from the Board” (“**Letter from the Board**”) contained in the circular of the Company dated 20 July 2022 (“**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 24 May 2022 (“**May 2022 Announcement**”). The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price of HK\$0.26 per Rights Share, to raise up to approximately HK\$54.0 million by issuing up to 207,500,000 Rights Shares. The Rights Issue will only be available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. On 24 May 2022 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent. Any Unsubscribed Rights Shares and ES Unsold Rights Shares, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking, will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any of those Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 7.19A of the Listing Rules and any Controlling Shareholder and their respective associates or where there is no Controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue under Rule 7.27A of the Listing Rules.

As at the Latest Practicable Date, Profit Gold, being a Controlling Shareholder, directly held 610,995,000 Shares, representing approximately 58.89% of the issued share capital of the Company. Profit Gold is a company wholly-owned by Mr. Wu, the chairman of the Board and the executive Director. Accordingly, Profit Gold, Mr. Wu and their respective associates shall abstain from voting in favour of the resolutions relating to the Rights Issue at the EGM pursuant to the Listing Rules.

The Independent Board Committee, which comprise all the independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole and how to vote at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, (i) the annual result announcement of the Company for the year ended 31 March 2022 (the “**2022/3 AR**”); (ii) the May 2022 Announcement; (iii) the Placing Agreement; and (iv) other information contained in the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We have also relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or any of its subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

As at the Latest Practicable Date, we were not aware of any relationships between us and, nor any interests held by us in, the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us other than this engagement and we did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we are qualified to give independent advice in relation to the Rights Issue.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into consideration the following principal reasons and factors:

#### (1) Information on the Group

##### (a) *Historical financial performance*

The Group is principally engaged in (i) construction works and (ii) the provision of construction machinery rental services.

Set out below are the summarised financial information of the Group for the two years ended 31 March 2021 (“FY2021”) and 2022 (“FY2022”), as extracted from the 2022/3 AR, and further confirmed by the Company:

	<b>FY2021</b>	<b>FY2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
<b>Revenue, comprising</b>	<b>435,594</b>	<b>515,948</b>
(i) <i>Construction work</i>	<i>194,450</i>	<i>177,087</i>
(ii) <i>Construction machinery rental</i>	<i>241,144</i>	<i>338,861</i>
Gross profit	21,917	33,639
<i>Gross profit margin</i>	<i>5.0%</i>	<i>6.5%</i>
Other income	15,984	7,537
Administrative expenses	(21,815)	(23,581)
Reversal of/ (provision for) loss allowance on trade receivables	(7,746)	2,284
Provision for loss allowance on contract assets	(1,366)	(684)
Finance costs	(5,322)	(6,477)
Profit before taxation	1,652	12,718
<b>Profit and total comprehensive income for the year</b>	<b>3,738</b>	<b>12,131</b>

For FY2022, the Group’s revenue amounted to approximately HK\$515.9 million, representing an increase of approximately HK\$80.3 million from approximately HK\$435.6 million for FY2021. As stated in the 2022/3 AR, such increase was primarily due to the revenue increase in construction machinery rental segment by approximately HK\$97.7 million, mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system and Terminal 2 at Chek Lap Kok Airport and Tung Chung New Town Extension, have been in progress during FY2022, thus, have increasing demand on the Group’s machinery fleet on those



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

sites. In addition, the construction of community isolation and treatment facilities further increased the demand for the Group's machinery fleet. A net profit of approximately HK\$12.1 million for FY2022 was recorded, representing an increase by approximately HK\$8.4 million compared to a net profit of approximately HK\$3.7 million for FY2021. Such increase was mainly attributable to the substantial increase in revenue generated from construction machinery rental segment as mentioned above and the improvement of gross profit margin from approximately 5.0% in FY2021 to approximately 6.5% in FY2022.

As stated in the 2022/3 AR, the Group has funded its liquidity and capital requirements primarily through cash generated from its own operating activities and bank borrowings. As at 31 March 2022, the Group had bank balances and cash of approximately HK\$17.3 million, whilst its interest-bearing liabilities (summation of bank borrowings and lease liabilities) amounted to approximately HK\$182.2 million. The gearing ratio of the Group, calculated as the interest-bearing liabilities divided by the total equity, was approximately 89.2%, representing an increase compared to that of 59.5% as at 31 March 2021.

### *(b) Prospects of the Group*

As stated in the 2022/3 AR, the Group considered that, with more than 80% Hong Kong population has injected at least two doses of COVID-19 Vaccine, the pandemic was under control and the economy has gradually recovered from the impact of COVID-19 pandemic. The Hong Kong construction industry has gradually returned to normal, and the revenue of the Group has also improved.

Moreover, the Hong Kong Government reiterated its commitment to continue investing in infrastructure to stimulate the Hong Kong economy in response to the impact of the pandemic. The Hong Kong Government continued its effort on both public and private sector housing, as well as the transitional housing. As mentioned in the Policy Address in 2021 of the Hong Kong Government (<https://www.policyaddress.gov.hk/2021/eng/policy.html>), it is expected that the annual capital works expenditure will exceed HK\$100 billion in the coming years. Thus, the Group expects that construction projects will maintain at a stable level in the next few years, and the construction industry will rebound in the future.

Furthermore, the Group has replaced and enhanced its fleet of machinery to strengthen the Group's market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future, and at the same time, will closely monitor the negative effect from fierce competition amongst the competitors, together with the increasing direct material cost and labour wages, as well as the possibility of the outbreak of COVID-19 variants in the future. Hence, the Group is confident with its prospects for the next few years.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### (2) Reasons for the Rights Issue

Assuming full subscription under the Rights Issue, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$52.0 million. The Company intends to use such net proceeds as to (i) approximately 71.8% (or approximately HK\$37.3 million), for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK\$14.7 million) as general working capital of the Group.

#### (a) *Imminent funding needs*

As stated in the Letter from the Board, the Group has received enquiries from a number of customers for rental of air compressors to be used in different building construction projects. However, the Group did not have any self-owned air compressors as at the Latest Practicable Date. And the Directors consider that it is in the interest of the Group to maintain its own air compressors for provision of rental services rather than sub-lease from third-party machinery rental services providers, after taking into account the expected higher profit margin and flexibility of rental of self-owned air compressors compared to sub-leased one. Hence, the Group has imminent need to expand the diversity of its rental fleet through the acquisition of air compressors in order to strengthen its service capacity and capture the increase in demand for construction machinery rental services in Hong Kong in light of the annual capital expenditure on infrastructure and housing supply announced by the Hong Kong Government in 2021-22 Budget and 2021 Policy Address as mentioned above. As released in the 2021-22 Budget (<https://www.budget.gov.hk/2021/eng/index.html>), the estimated production of public housing was about 101,400 units in the five-year period from 2020-21, comprising over 70,000 public rental housing/ Green Form Subsidised Home Ownership Scheme units and over 30,000 other subsidised sales units.

As released in the 2022-23 Budget (<https://www.budget.gov.hk/2022/eng/index.html>), the Hong Kong Government expects that (i) about 330,000 public housing units will be provided in the coming 10 years from 2022; (ii) private residential units of over 19,000 units on average annually will be completed in the five years from 2022 onward, representing an increase of about 14% over the annual average of the past five years; and (iii) around 4,200 and 11,000 units of transitional housing units will be completed in 2022 and 2023 respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to the updated “Construction Expenditure Forecast” for the ten years from 2021/22 to 2030/31 released in May 2022 by the Construction Industry Council (<https://www.cic.hk/eng/>), a council formed in 2007 of which the main functions are to forge consensus on long-term strategic issues, convey the industry’s needs and aspirations to the Hong Kong Government, as well as provide a communication channel for the Hong Kong Government to solicit advice on all construction-related matters, taking into account the latest market situation and information in both the public and private sectors and based on the price level in September 2021, it is expected that the construction expenditure forecast ranges from HK\$225 billion to HK\$345 billion per annum in the coming ten years.

Apart from the acquisition of air compressors, the Group also requires proceeds from the Rights Issue to support the Group’s daily operating expenses, such as labour costs, cost of materials and consumables, subcontracting charges, rental expenses and other miscellaneous expenses for its daily operation. No equity fund-raising activity was conducted by the Company in the past twelve months immediately prior to the date of the May 2022 Announcement. As confirmed by the Group, the construction industry is labour intensive. The Group had over 500 staff as at 31 March 2022 and its total staff costs amounted to approximately HK\$193.6 million for FY2022, representing an increase of approximately HK\$43.9 million compared to that of approximately HK\$149.7 million for FY2021. In addition to the fierce competition among the Group’s competitors, the increasing trend of direct material cost and labour wages has added uncertain factors to the Group’s operational performance.

Hence, the improvement of the Group’s liquidity by way of the Rights Issue is considered by the Company to be beneficial to the Group’s prospects given the imminent funding needs as discussed above.

***(b) Financial resources available***

As advised by the Group, it intends to purchase over 50 units in total of several models of air compressors in the fourth quarter of 2022. We have reviewed a quotation obtained by the Group from a supplier in June 2022 and noted that the unit price of those air compressors ranged from approximately HK\$0.2 million to HK\$1.1 million and the total purchase price is estimated to be approximately HK\$38 million. As stated in the Letter from the Board, in view of the Group’s bank balances and cash of approximately HK\$17.3 million as at 31 March 2022, the Directors consider that there is limited room for the Group to finance the acquisition of air compressors with its existing internal resources.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The current assets and liabilities of the Group as at 31 March 2022, as extracted from the 2022/3 AR, are summarised as follow:

<b>Current assets</b>	<i>HK\$'000</i>	<b>Current liabilities</b>	<i>HK\$'000</i>
Trade receivables	162,514	Trade and other payables	76,794
Contract assets	48,510	Bank borrowings	78,837
Deposits, prepayments and other receivables	20,126	Lease liabilities	41,407
Bank balances and cash	17,256	Income tax payable	3
Pledged deposits	3,477		
	<hr/>		<hr/>
<b>Total</b>	<b>251,883</b>	<b>Total</b>	<b>197,041</b>
	<hr/>		<hr/>

As shown in the table above and confirmed by the Company, as at 31 March 2022, the current assets and current liabilities of the Group mainly comprised trade and other receivables/payables and contract assets, of which the date of cash receipt/payment depends on the terms specified in the relevant contracts between the Group and its customers/suppliers in daily business operation. The contract assets represent the Group's rights to receive consideration for work completed but not yet billed at the period end date. They are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers or at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

Bank borrowings of the Group amounted to approximately HK\$78.8 million as at 31 March 2022. As advised by the Group, approximately HK\$49.7 million out of such HK\$78.8 million was repayable within one year based on scheduled repayment dates set out in the relevant loan agreements. Further, as advised by the Group, the pledged deposits stated in the table above were pledged to secure the Group's bank facilities and thus could not be used by the Group until repayment of relevant borrowings.

Taking in consideration of (i) the growing demand for rental of air compressors; (ii) the Group's financing need, particularly, diversification of its rental fleet to capture such market growth; and (iii) the Group's financial position as at 31 March 2022, we concur with the Directors' view that the Group can enhance its financial position through the Rights Issue by applying the net proceeds in the manner as stated above.

### *(c) Alternative fund-raising methods*

As stated in the Letter from the Board, the Board has considered other fund-raising alternatives, including debt financing, placing of new Shares and open offer.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In respect of debt financing, the Directors considered that debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As mentioned above, it is noted that the gearing ratio of the Group, calculated as the interest-bearing liabilities divided by the total equity, increased from 59.5% as at 31 March 2021 to 89.2% as at 31 March 2022.

In respect of equity fund-raising, the Directors expected that the fund-raising size of placing of new Shares, if conducted, would be smaller compared to rights issue. And such placing would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As estimated by the Company, if placing of new Shares instead of the Rights Issue is adopted by the Company and 207,500,000 placing Shares (instead of the Rights Shares) are successfully placed to independent placees, the shareholding of the existing public Shareholders would be diluted from 41.11% as at the Latest Practicable Date to 20.55% upon completion of such placing. The dilution effect is the same as that assuming no acceptance by any Qualifying Shareholder other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all remaining Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent, as shown in the table under the paragraphs headed "Possible dilution effect" below.

Open offer is similar to a rights issue and offers the Qualifying Shareholders an opportunity to participate, but it does not allow free trading of rights entitlements in the open market.

The Rights Issue will enable the Group to strengthen its capital base and financial position without increasing its debt or finance costs. In addition, being pre-emptive in nature, it would allow all Qualifying Shareholders (including Controlling Shareholder who shows its commitment to the future business of the Group as evidenced by the Irrevocable Undertaking given by it) to participate in the future development of the Company. Meanwhile, the Rights Issue offers flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability in the open market).

Having considered the feasibility of various fund-raising methods and the pros of the Rights Issue compared to alternative methods as discussed above, we concur with the Directors' view that the Rights Issue is the most suitable fund-raising method to the Group under the current circumstances.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### (3) Principal terms of the Rights Issue

#### (a) Summary of the key terms

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	1,037,500,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	207,500,000 Consolidated Shares
Number of Rights Shares	:	Up to 207,500,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregated nominal value of the Rights Shares	:	Up to HK\$10,375,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	415,000,000 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Profit Gold has undertaken to take up an aggregate of 122,199,000 Rights Shares under its assured entitlement (representing approximately 58.89% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Irrevocable Undertaking

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As at the Latest Practicable Date, the Company had no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be. Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 207,500,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 50% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

***(b) The Subscription Price***

As stated in the sections headed “Subscription Price” and “Reasons for and benefits of the Rights Issue and use of proceeds” in the Letter from the Board, the Subscription Price was determined by the Company with reference to, among others, (i) the recent closing price of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of Rights Issue.

The Subscription Price of HK\$0.26 per Rights Share represents:

- (i) a discount of approximately 17.46% to the theoretical closing price of HK\$0.315 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.063 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 42.22% to the theoretical closing price of HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 39.95% to the theoretical average closing price of HK\$0.433 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0866 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.76% to the theoretical ex-rights price of HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.090 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.11%, represented by the theoretical diluted price of HK\$0.355 per Consolidated Share to the theoretical benchmarked price of HK\$0.450 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.090 per Existing Share and 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 date of the May 2022 Announcement of HK\$0.0858 per Existing Share);
- (vi) a discount of approximately 72.69% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$0.952 (based on the unaudited consolidated net asset value of the Company as at 30 September 2021 of approximately HK\$197.6 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000); and
- (vii) a discount of approximately 73.58% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.984 (based on the audited consolidated net asset value of the Company as at 31 March 2022 of approximately HK\$204.1 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 207,500,000).

As stated in the Letter from the Board, the Board is of the view that the net asset value per Consolidated Share may not be an appropriate factor in determining the Subscription Price taking into consideration that the share price of the Existing Shares closed at HK\$0.090 on 24 May 2022 (i.e. date of the May 2022 Announcement), at a discount of approximately 54.3% to the net asset value of approximately HK\$0.197 per Existing Share as at 31 March 2022. It was noted that the net asset value per Consolidated Share was approximately HK\$0.952 as at 30 September 2021 and approximately HK\$0.984 as at 31 March 2022, higher than the closing price per Consolidated Share throughout the Preceding Year, which indicates that the investors might not value the Existing Shares based on the underlying asset value of the Company. In addition, the placing price (the “**Placing Price**”) of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall not be less than the Subscription Price. We understood from the Company that based on its arm’s length negotiation with the Placing Agent, both parties considered that it would be more appropriate to set the Subscription Price, and thus the Placing Price, with reference to the prevailing trading price of the Existing Shares rather than the net asset value per Existing Share, to increase attractiveness of the unsubscribed or unsold Rights Shares. Hence, we concur with the view of the Company that the net asset value per Consolidated Share may not be an appropriate factor in determining the Subscription Price.



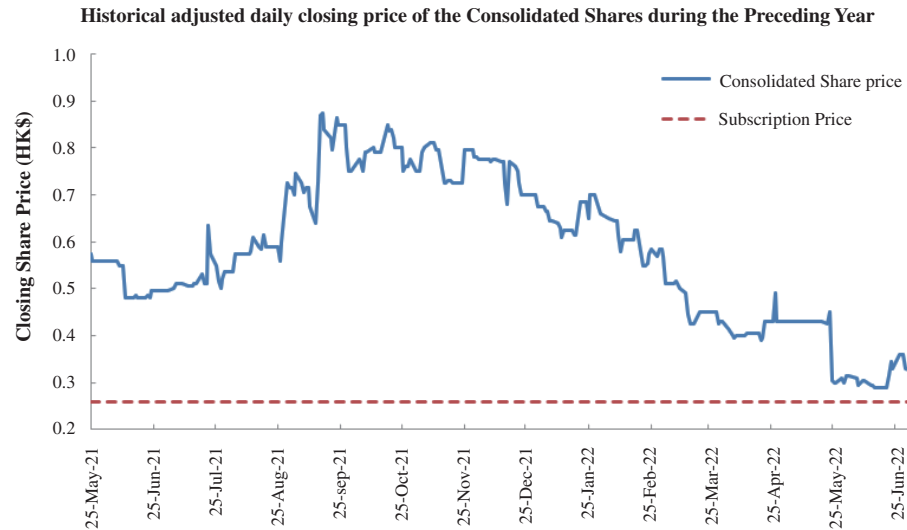
---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Historical price performance of the Shares*

The chart below depicts the adjusted daily closing price level (as adjusted for the Share Consolidation) of the Shares as quoted on the Stock Exchange from 25 May 2021 (being 1-year period immediately preceding and including the Last Trading Day) and up to and including the Latest Practicable Date (the “**Preceding Year**”) and the comparison of the Share price performance with the Subscription Price:



*Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))*

We consider the length of the Preceding Year to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares.

The adjusted daily closing price per Consolidated Share closed between HK\$0.290 recorded from 15 June 2022 to 21 June 2022 and HK\$0.875 recorded on 16 September 2021, with an average of approximately HK\$0.574. The Subscription Price falls below the adjusted daily closing price per Consolidated Share throughout the Preceding Year.

As shown in the chart above, there was an uptrend in the adjusted daily closing prices from mid-June 2021 to mid-September 2021. The adjusted daily closing price reached HK\$0.875 on 16 September 2021, regardless no particular news was announced by the Company on that day. After reaching the highest point, the adjusted daily closing price then exhibited a downward trend generally and hit the point of HK\$0.305 on 25 May 2022, being the trading day after the May 2022 Announcement made by the Company on 24 May 2022. Afterwards, the adjusted daily closing price declined gradually and reached the lowest point of HK\$0.290 from 15 June 2022 to 21 June 2022. It then increased and closed at

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

HK\$0.315 on the Latest Practicable Date. As advised by the Company, it was not aware of any particular reasons leading to the fluctuation in trading price of the Company during the Preceding Year.

### *Comparison with other rights issues*

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 60 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange (except those terminated or lapsed) for the 12-month period immediately prior to the Last Trading Day (the “**Review Period**”). Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue.

As stated in the Letter from the Board, as one of the pricing basis, the Directors have selected two rights issue transactions completed by Tongda Hong Tai Holdings Limited (stock code: 2363) and Future World Holdings Limited (stock code: 572) based on a set of criteria for considering the reasonableness of the dilution effect resulting from the discount of the Subscription Price. Such criteria included completion time of transaction and market capitalisation, net asset value and board of listing of the listed issuers. We understand from the Company that such criteria were set with an aim to find the recent transactions completed by issuers listed on the Main Board of the Stock Exchange of which the size in terms of market capitalisation and net asset value were close to that of the Company for comparison. Such criteria varied from ours as stated in the paragraph above which aims to capture how the market generally perceive rights issue during the Review Period. We considered that the criteria set by the Company to narrow down the comparables and capture the discount set by the aforesaid main board listed issuers of similar size and the two comparables thus selected is justifiable as the transactions were completed during the Review Period.

It should be noted that, in forming our opinion, we have taken into account the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings:

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/ to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/ to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
18 May 2022	K Group Holdings Limited	8475	2 for 1	(28.8)	(30.5)	(12.3)	(20.4)	3.0	Yes	N/A
12 May 2022	KOALA Financial Group Limited	8226	2 for 1	(4.76)	(7.12)	(1.64)	(4.7)	3	Yes	N/A
29 Apr 2022	China CITIC Bank Corporation Limited	998	3 for 10	N/A	N/A	N/A	N/A	N/A	Yes	N/A
28 Apr 2022	Palinda Group Holdings Limited	8179	1 for 2	(39.76)	(39.61)	(13.25)	(13.25)	7.07	Yes	N/A
28 Apr 2022	Life Concepts Holdings Limited	8056	3 for 2	(6.98)	(13.04)	(2.91)	(9.28)	1.0	Yes	N/A
21 Apr 2022	Vixel Technologies Holdings Limited	1782	1 for 2	(34.5)	(39.2)	(26.0)	(13.6)	1.5	Yes	N/A
18 Apr 2022	東方證券股份有限公司	3958	2.8 for 10	113.58	115.71	24.90	0	N/A	Yes	N/A
12 Apr 2022	CA Cultural Technology Group Limited	1566	1 for 2	(42.11)	(29.90)	(32.50)	(14.0)	7.07	Yes	N/A
23 Mar 2022	Kiu Hung International Holdings Limited	381	3 for 1	(18.00)	(17.00)	(5.09)	(13.5)	N/A	No	0.5
15 Mar 2022	Success Dragon International Holdings Limited ("Success Dragon")	1182	3 for 2	(2.86)	(4.49)	(1.16)	(2.77)	1	No	1 (Note 8)

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
3 Mar 2022	China Eco-Farming Limited	8166	1 for 2	(10.11)	(12.57)	(6.98)	(5.26)	2	Yes	N/A
2 Mar 2022	Feiyang International Holdings Group Limited	1901	1 for 3	(56.52)	(55.75)	(49.49)	(13.91)	2.5	Yes	N/A
28 Feb 2022	Zioncom Holdings Limited	8287	1 for 2	(16.7)	(14.2)	(11.8)	(5.6)	N/A	No	2.5
14 Feb 2022	Gold Peak Industries (Holdings) Limited ("Gold Peak")	40	1 for 6	(21.52)	(20.92)	(19.06)	(3.04)	4.6 (Note 3)	Yes	N/A
28 Jan 2022	Affluent Partners Holdings Limited	1466	1 for 1	(4.35)	(6.30)	(2.22)	(3.15)	2.5	Yes	N/A
21 Jan 2022	Cornerstone Financial Holdings Limited	8112	3 for 1	(11.63)	(17.39)	(3.18)	(14.62)	3.5	Yes	N/A
19 Jan 2022	RMH Holdings Limited ("RMH")	8437	1 for 2	(29.58)	(30.56)	(21.88)	(9.86) (Note 2)	2.5	Yes	N/A
14 Jan 2022	Beaver Group (Holding) Company Limited	8275	3 for 2	(24.14)	(23.08)	(11.29)	(14.48)	N/A	No	3.5
14 Jan 2022	CITIC Securities Company Limited	6030	1.5 for 10	(15.0)	(13.0)	(13.3)	(2.0)	N/A	Yes	N/A
10 Jan 2022	Wisdom Wealth Resources Investment Holding Group Limited	7	1 for 2	0.0	(7.7)	0.0	(3.6)	N/A	Yes	N/A

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
7 Jan 2022	China New Economy Fund Limited	80	1 for 2	(28.0)	(30.8)	(23.3)	(10.4)	N/A	No	3.5
6 Jan 2022	Youth Champ Financial Group Holdings Limited	1160	1 for 2	(60)	(60)	(50)	(20)	3.5	No	3.5
5 Jan 2022	China Information Technology Development Limited	8178	1 for 2	(34.78)	(34.78)	(26.11)	(11.74)	N/A	Yes	1.5
29 Dec 2021	Bank of Qingdao Co., Ltd. ("Bank of Qingdao")	3866	3 for 10	(11.5)	(13.1)	(9.1)	(3.1)	5.5 (Note 4)	Yes	N/A
24 Dec 2021	Hanvey Group Holdings Limited	8219	1 for 2	(22.81)	(22.81)	(16.35)	(7.60)	N/A	No	3.5
20 Dec 2021	KNT Holdings Limited ("KNT")	1025	1 for 2	(15.38)	(14.33)	(10.81)	(5.13)	N/A	No	2.5 (Note 9)
15 Dec 2021	Future World Holdings Limited ("Future World")	572	3 for 2	(33.82)	(34.02)	(16.97)	(23.23)	5 (Note 5)	No	3.5
2 Dec 2021	Seazen Group Limited	1030	1 for 21	(5.86)	(11.19)	(5.61)	(0.51)	N/A	Yes	N/A
30 Nov 2021	Titan Invo Technology Limited	872	1 for 2	(37.5)	(35.2)	(28.6)	(12.5)	N/A	Yes	N/A
26 Nov 2021	Vertical International Holdings Limited	8375	1 for 2	(40.8)	(42.5)	(31.6)	(14.2)	4.0	Yes	N/A

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
23 Nov 2021	Tongda Hong Tai Holdings Limited ("Tongda Hong Tai")	2363	2 for 1	(30.00)	(30.73)	(12.50)	(20.83)	0	No	2 (Note 10)
23 Nov 2021	Xinyang Maojian Group Limited (now known as "China Zenith Chemical Group Limited")	362	1 for 2	(4.00)	(9.77)	(2.44)	(3.30)	3.5	Yes	N/A
16 Nov 2021	King Stone Energy Group Limited	663	1 for 2	(41.9)	(43.9)	(32.4)	(14.6)	N/A	Yes	1
9 Nov 2021	CIFI Holdings (Group) Co. Ltd.	884	1 for 20	(2.91)	(4.12)	(2.77)	(1.38)	N/A	Yes	N/A
8 Nov 2021	Xinyi Electric Storage Holdings Limited	8328	1 for 10	(8.07)	(12.36)	(7.39)	(5.37)	N/A	Yes	N/A
5 Nov 2021	Mansion International Holdings Limited	8456	3 for 1	(18.6)	(16.7)	(5.4)	(14.3)	N/A	No	2.5
2 Nov 2021	Grand T G Gold Holdings Limited ("Grand TG")	8299	3 for 1	(16.67)	(14.63)	(5.41)	(11.90)	0	No	2.5 (Note 11)
1 Nov 2021	Deson Development International Holdings Limited	262	1 for 2	(7.4)	(7.6)	(5.06)	(2.53)	3.5	Yes	N/A
28 Oct 2021	China Zheshang Bank Co., Ltd.	2016	3 for 10	N/A	N/A	N/A	N/A	N/A	Yes	N/A
24 Oct 2021	Yuexiu Real Estate Investment Trust	405	37 for 100	(12.8)	(12.8)	(9.6)	(3.4)	0	No	1.25

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
20 Oct 2021	Jete Power Holdings Limited (now known as "Solomon Worldwide Holdings Limited")	8133	1 for 2	(54.5)	(54.5)	(44.4)	(18.2)	1.5	Yes	N/A
19 Oct 2021	Risecomm Group Holdings Limited ("Risecomm")	1679	1 for 2	(0.5)	(1.0)	(0.5)	(0.4)	1.0 (Note 6)	Yes	N/A
15 Oct 2021	Link-Asia International MedTech Group Limited	1143	1 for 2	(7.83)	(9.91)	(5.35)	(6.93)	3	Yes	N/A
7 Oct 2021	Great Wall Terroir Holdings Limited	524	1 for 5	(23.7)	(18.3)	(20.5)	(3.8)	N/A	Yes	N/A
2 Sep 2021	Daisho Microline Holdings Limited	567	1 for 1	(44.44)	(37.5)	(28.57)	(22.22)	2	Yes	N/A
12 Aug 2021	Lai Sun Development Company Limited	488	1 for 2	(50.0)	(49.6)	(38.9)	(18.2)	2	Yes	N/A
6 Aug 2021	LKS Holding Group Limited (now known as "Standard Development Group Limited")	1867	1 for 5	(9.84)	(8.71)	(8.33)	(1.64)	1.5	Yes	N/A
2 Aug 2021	Luen Wong Group Holdings Limited	8217	2 for 1	(18.8)	(15.1)	(7.1)	(12.5)	N/A	No	2.50
29 Jul 2021	Worldgate Global Logistics Ltd	8292	3 for 1	(17.9)	(16.5)	(5.2)	(13.4)	N/A	No	1.0

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
29 Jul 2021	China Properties Investment Holdings Limited	736	1 for 1	(4.1)	(2.1)	(2.1)	(2.0)	N/A	No	2.5
19 Jul 2021	Tongda Group Holdings Limited ("Tongda Group")	698	1 for 2	(49.01)	(50.53)	(39.11)	(16.84)	3 (Note 7)	Yes	N/A
16 Jul 2021	P.B. Group Limited	8331	1 for 1	(36.4)	(31.4)	(22.2)	(18.2)	0	No	1
14 Jul 2021	China Baoli Technologies Holdings Limited	164	1 for 2	(29.82)	(31.03)	(21.57)	(10.34)	3.5	Yes	N/A
13 Jul 2021	Sun Entertainment Group Limited	8082	4 for 5	(52.5)	(52.9)	(38.6)	(23.6)	N/A	Yes	N/A
23 Jun 2021	CBK Holdings Limited	8428	3 for 2	(22.73)	(22.73)	(10.53)	(13.64)	N/A	No	3
16 Jun 2021	China Environmental Energy Investment Limited	986	1 for 1	(5.66)	(2.34)	(2.91)	(2.83)	N/A	No	2.5
11 Jun 2021	Lai Sun Garment (International) Limited	191	1 for 2	(65.0)	(65.1)	(55.4)	(21.7)	1	Yes	N/A
11 Jun 2021	Cool Link (Holdings) Limited	8491	1 for 2	(39.3)	(40.1)	(30.0)	(13.2)	2.5	Yes	N/A
7 Jun 2021	AL Group Limited	8360	3 for 1	(27.03)	(27.03)	(8.47)	(20.27)	1.50	Yes	N/A



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Theoretical dilution effect (Note 1) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
1 Jun 2021	Vision Fame International Holding Limited ("Vision Fame") (now known as "Green Economy Development Limited")	1315	1 for 4	(60.78)	(60.47)	(55.36)	(11.81)	N/A	No	2 (Note 12)
			Maximum	113.58	115.71	24.90	0	7.07		3.5
			Minimum	(65.0)	(65.1)	(55.4)	(23.6)	0		0.5
			Average	(22.52)	(22.67)	(16.48)	(10.43)	2.61		2.24
			Median	(22.13)	(19.61)	(11.55)	(11.78)	2.50		2.50
24 May 2022	The Company	1581	1 for 1	(42.22)	(39.95)	(26.76)	(21.11)	N/A	No	1.5

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

1. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM, or extracted from announcement, circular or prospectus in respect of the relevant right issue.
2. According to the clarification announcement issued by RMH (8437) on 20 January 2022, the theoretical dilution effect should be 9.86%.
3. The underwriting commission is calculated based on the underwriting fee of HK\$2 million paid by Gold Peak (40) divided by 70,349,310 rights shares underwritten and subscription price per rights share of HK\$0.62.
4. The underwriting commission is calculated based on the underwriting fee of approximately HK\$18 million paid by Bank of Qingdao (3866) divided by 83,845,542 H rights shares underwritten and subscription price per H rights share of HK\$3.92.
5. Future World (572) shall pay the underwriter the higher of (i) HK\$1,350,000; and (ii) 5% of the aggregate subscription price in respect of the underwritten shares.
6. Risecomm (1679) shall pay the underwriters the higher of (i) HK\$600,000; and (ii) 1.0% of the aggregate subscription price in respect of the underwritten shares.
7. Tongda Group (698) shall pay the underwriter the higher of (i) HK\$600,000; and (ii) 3% of the aggregate subscription price in respect of the underwritten shares.
8. Success Dragon (1182) shall pay the placing agent the sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from the successful placement of unsubscribed rights shares.
9. According to the announcement issued by KNT (1025) on 14 January 2022, KNT entered into a new placing agreement with placing agent on substantially the same terms (including placing commission) as those of the previous placing agreement.
10. Tongda Hong Tai (2363) shall pay the placing agent a placing commission, being the higher of HK\$300,000 and 2% of the amount which is equal to the placing price multiplied by the total number of the unsubscribed shares which are successfully placed by the placing agent.
11. Grand TG (8299) shall pay the placing agent (a) HK\$100,000 payable within ten (10) business days after the rights issue and the transaction contemplated thereunder has been duly approved at the extraordinary general meeting; (b) HK\$300,000 payable within ten (10) business days after the completion of the rights issue; and (c) 2.5% of the aggregate placing price of the unsubscribed rights shares and the non-qualifying shareholders unsold rights shares successfully placed by or on behalf of the placing agent less the aggregate of the amounts referred to in (a) and (b) above.
12. Vision Fame (1315) shall pay the placing agent the higher of (i) HK\$250,000 or (ii) 2% of the gross proceeds from subscription of the unsubscribed rights shares and non-qualifying shareholders unsold rights shares.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to our research, we observed that 56 out of the 60 Comparables had set the subscription price of their rights issue at a discount to (i) the LTD Price; (ii) the ATD Price; and (iii) the Ex-rights Price. It indicates that it is common for listed companies to set such discounts with the view to encourage participation.

The discount of the subscription price to the LTD Price of the Comparables ranged from a premium of approximately 113.58% to a discount of approximately 65.0% with average and median discounts of approximately 22.52% and 22.13% respectively. The discount of approximately 42.22% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The discount of the subscription price to the ATD Price of the Comparables ranged from a premium of approximately 115.71% to a discount of approximately 65.1% with average and median discounts of approximately 22.67% and 19.61% respectively. The discount of approximately 39.95% of the Subscription Price to the ATD Price of the Company falls within the range of those of the Comparables.

The discount of the subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 24.90% to a discount of approximately 55.4% with average and median discounts of approximately 16.48% and 11.55% respectively. The discount of approximately 26.76% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from 0 to 23.6% with average and median of approximately 10.43% and 11.78% respectively. The theoretical dilution effect of the Rights Issue of approximately 21.11% falls within the range of the Comparables.

We also observed that 5 out of the 60 Comparables had the same basis of entitlement as the Company (i.e. 1 for 1 basis) during the Review Period (“**1-F-1 Comparables**”) and all of them had set the subscription price of their rights issue at a discount to (i) the LTD Price; (ii) the ATD Price; and (iii) the Ex-rights Price.

The discount of the subscription price to the LTD Price of the 1-F-1 Comparables ranged from a discount of approximately 4.1% to 44.44% with average and median discounts of approximately 18.99% and 5.66% respectively. The discount of approximately 42.22% of the Subscription Price to the LTD Price of the Company falls within the range of those of the 1-F-1 Comparables.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The discount of the subscription price to the ATD Price of the 1-F-1 Comparables ranged from a discount of approximately 2.1% to 37.5% with average and median discounts of approximately 15.93% and 6.30% respectively. The discount of approximately 39.95% of the Subscription Price to the ATD Price of the Company is higher than those of the 1-F-1 Comparables.

The discount of the subscription prices to the Ex-rights Price of the 1-F-1 Comparables ranged from a discount of approximately 2.1% to 28.57% with average and median discounts of approximately 11.60% and 2.91% respectively. The discount of approximately 26.76% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the 1-F-1 Comparables.

Furthermore, the theoretical dilution effect of the rights issue conducted by the 1-F-1 Comparables ranged from 2.0% to 22.22% with average and median of approximately 9.68% and 3.15% respectively. The theoretical dilution effect of the Rights Issue of approximately 21.11% falls within the range of the 1-F-1 Comparables.

Taking into account that (i) the Subscription Price falls below the adjusted daily closing price per Consolidated Share in the Preceding Year; (ii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price, the ATD Price and the Ex-rights Price with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (iii) the discounts of the Subscription Price to the LTD Price, the ATD Price and the Ex-rights Price of the Company fall within discount ranges of the Comparables and the 1-F-1 Comparables (except discount to the ATD Price of the 1-F-1 Comparables only); and (iv) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables and the 1-F-1 Comparables, we consider the Subscription Price is fair and reasonable.

***(c) No excess application***

Among the Comparables, we noted that 20 out of the 60 Comparables did not have excess application arrangements in their rights issue. As such, we consider that it is acceptable for rights issue to not have excess application arrangements.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *(d) Compensatory Arrangements*

As stated in the Letter from the Board, the Rights Shares will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The Company and the Placing Agent entered into the Placing Agreement on 24 May 2022 (after trading hours), pursuant to which the Placing Agent has conditionally agreed to procure independence placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements.

According to the Placing Agreement, the Company will pay the Placing Agent a placing commission (the “**Placing Commission**”) of 1.5% of the amount which is equal to the Placing Price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent.

As set out in the table under paragraphs headed “Comparison with other rights issues” above, the placing commission paid to the placing agent for placing unsubscribed and/or unsold rights shares by the Comparables which had placing arrangement ranged from approximately 0.5% to approximately 3.5% with average and median of approximately 2.24% and 2.50% respectively. The Placing Commission falls within the range of those of the Comparables.

### *(e) The Placing Price*

The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price. By setting the Placing Price not less than the Subscription Price, it is fair to the Qualifying Shareholders. Given that we consider the Subscription Price is fair and reasonable as discussed above, we also consider the Placing Price fair and reasonable.

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the Placing offers an additional means to facilitate the subscription of the untaken portions of the Rights Issue to the maximum extent considering the funding needs of the Company and the difficulties in conducting alternative fund raising methods as mentioned in the paragraph headed “Reasons for the Rights Issue” above; and (iii) the Placing Commission and Placing Price are fair and reasonable, we concur with the Directors’ view that the terms of the Rights Issue are fair and reasonable.

## **(4) Financial impacts of the Rights Issue**

Set out below is the analysis of the financial impacts of the Rights Issue as estimated by the Company. The analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**(a) *Liquidity***

As stated in the 2022/3 AR, the bank balances and cash of the Group amounted to approximately HK\$17.3 million as at 31 March 2022. Since part of the net proceeds from the Rights Issue will be applied as working capital of the Group, it is expected that the Group's liquidity position would be improved as a result of the Rights Issue.

**(b) *Net assets***

Taking into account the proceeds from Rights Issue, it is expected that the net assets of the Group will increase as a result of the Rights Issue. Further, as set out in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company after the completion of the Share Consolidation but before Rights Issue as at 31 March 2022 was HK\$0.98. As if the Rights Issue had taken place on 31 March 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company would decrease to HK\$0.62, as the Subscription Price represented a discount to the net asset value per Consolidated Share as at 31 March 2022.

**(c) *Gearing ratio***

As stated in the 2022/3 AR, the gearing ratio of the Group, calculated as the amount of total interest-bearing liabilities divided by the total equity, was approximately 89.2% as at 31 March 2022. Since part of the net proceeds are intended to be applied as working capital of the Group, it is expected that the gearing ratio of the Group will be improved as a result of the Rights Issue.

**(5) *Possible dilution effect***

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue or do not take up their full provisional allotments under the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights in the market. However, they should note that their shareholdings in the Company will be diluted, depending on the extent to which they subscribe for the Rights Shares, upon completion of the Rights Issue.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue (assuming there is no change in the issued share capital of the Company between the Latest Practicable Date and completion date of the Rights Issue):

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder other than Profit Gold which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all remaining Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Shares	%	Shares	%	Shares	%	Shares	%
	Profit Gold	610,995,000	58.89	122,199,000	58.89	244,398,000	58.89	244,398,000
Independent placees	-	-	-	-	-	-	85,301,000	20.55
Public Shareholders	426,505,000	41.11	85,301,000	41.11	170,602,000	41.11	85,301,000	20.55
<b>Total</b>	<b>1,037,500,000</b>	<b>100.00</b>	<b>207,500,000</b>	<b>100.00</b>	<b>415,000,000</b>	<b>100.00</b>	<b>415,000,000</b>	<b>100.00</b>

*Note:* The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and their shareholding interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) all Qualifying Shareholders have the opportunity to realise their nil-paid rights in the market, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro rata Rights Shares, is acceptable and justifiable.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of it are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the relevant resolutions at the EGM in relation to the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Capital 9 Limited**

**Chu Tat Hoi**                      **Chan Man Yee**  
*Managing Director*                      *Director*

*Chu Tat Hoi and Chan Man Yee are licensed persons and responsible officers of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years and 15 years of experience in the corporate finance industry.*



**A. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the three years ended 31 March 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.ppggh.com.hk/>), respectively:

- (i) the audited consolidated 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 14 July 2020, from pages 46 to 116 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0714/2020071401058.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 March 2021 is disclosed in the annual report of the Company for the year ended 31 March 2021 published on 12 July 2021, from pages 47 to 112 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0712/2021071200239.pdf>);  
and
- (iii) the audited consolidated financial information of the Group for the year ended 31 March 2022 is disclosed in the annual results announcement of the Company for the year ended 31 March 2022 published on 28 June 2022, from pages 2 to 13 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0628/2022062801955.pdf>).

**B. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

**(a) Bank Borrowings**

The Group had an aggregate outstanding bank borrowings of approximately HK\$80,792,000 comprising:

- (i) Outstanding bank borrowings of approximately HK\$64,991,000 which are unsecured.
- (ii) Outstanding bank borrowings of approximately HK\$15,801,000 which are secured by a mortgage charged over the Group's ownership interest in leasehold land and building, the deposits and prepayments for life insurance and pledged deposits.

Except for unsecured bank borrowings of approximately HK\$15,801,000 (guaranteed by (i) the Company; (ii) HKMC Insurance Limited, a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, which provided guarantees under the Small and Medium Enterprises Financing Guarantee Scheme; and (iii) personal guarantee provided by Mr. Wu Wing Hang, being the executive Director of the Company) all other borrowings are guaranteed by the Company.

Bank borrowings which are due for repayment after one year but contain the repayment on demand clause were classified as current liabilities.

**(b) Lease liabilities**

The Group had lease liabilities of (i) approximately HK\$113,097,000 in respect of finance leases for certain property, plant and equipment, which were secured by the lessor's title to the leased assets and the Group's pledged deposits; and (ii) approximately HK\$8,954,000 in respect of an operating lease under HKFRS 16 Lease.

**(c) Contingent liabilities**

As at 31 May 2022, one of the subsidiaries of the Group was involved in an ongoing employees' compensation claim; whereas another subsidiary of the Group was involved in an ongoing personal injury claim. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 31 May 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2022 up to the Latest Practicable Date.

**C. WORKING CAPITAL STATEMENT**

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

**D. 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 Company since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

With over 80% of the Hong Kong population being injected at least two doses of COVID-19 vaccine, the pandemic was under control and the economy has gradually recovered from the impact of COVID-19 pandemic. The Hong Kong construction industry has gradually returned to normal, and the revenue of the Group has also improved.

The Hong Kong Government has reiterated its commitment to continue investing in infrastructure to stimulate the Hong Kong economy in response to the impact of the pandemic. The Hong Kong Government continued its effort on both public and private sector housing, as well as the transitional housing. As mentioned in the Policy Address in 2021 of the Hong Kong Government, it is expected that the annual capital works expenditure will exceed HK\$100 billion in the coming years. Thus, the Group expects that construction projects will maintain at a stable level in the next few years, and the construction industry will rebound in the future.

Furthermore, the Group has replaced and enhanced its fleet of machinery to strengthen the Group's market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future, and at the same time, will closely monitor the negative effect from fierce competition amongst the competitors, together with the increasing direct material cost and labour wages, as well as the possibility of the outbreak of COVID-19 variants in the future. Hence, the Group is confident with its prospects for the next few years.

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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by Hong Kong Institute of Certified Public Accountants to illustrate the effect of the share consolidation and Rights Issue on the consolidated net tangible assets of the Group as if the share consolidation and Rights Issue had been taken place on 31 March 2022.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2022, as extracted from the annual result announcement of the Company for the year ended 31 March 2022 dated 28 June 2022, and is adjusted to reflect the effect of the share consolidation and Rights Issue.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors of the Company, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2022 or to any future dates following the completion of the share consolidation and Rights Issue.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the annual result announcement of the Company for the year ended 31 March 2022 dated 28 June 2022 and other financial information included elsewhere in the Circular.

	<b>Audited consolidated net tangible asset of the Group attributable to owners of the Company as at 31 March 2022 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from Rights Issue HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2022 HK\$'000</b>
Based on Rights Issue of 207,500,000 Shares at subscription price of HK\$0.26 per Rights Share	204,126	51,998	256,124

**Unaudited pro  
forma  
adjusted  
consolidated  
net tangible  
assets of the  
Group per  
share  
attributable to  
owners of the  
Company as  
at 31 March  
2022**

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 March 2022 before the completion of the share consolidation and rights issue (*Note 3*)

HK\$0.20

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 March 2022 after the completion of the share consolidation but before rights issue (*Note 4*)

HK\$0.98

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

HK\$0.62

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2022 were extracted from the consolidated statement of financial position of the Group as at 31 March 2022 included in the Group's published the annual result announcement of the Company for the year ended 31 March 2022 dated 28 June 2022.
2. The estimated net proceeds from the rights issue of approximately HK\$51,998,000 are calculated based on gross proceeds of HK\$53,950,000 from the issue of 207,500,000 rights shares (the "**Rights Shares**") at the subscription price of HK\$0.26 per offer share (the "**Rights Issue**") and after deducting estimated expenses of approximately HK\$1,952,000.
3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue and the share consolidation on the basis of five existing share into one consolidated share (the "**Share Consolidation**"), is based on 1,037,500,000 shares in issue as at 31 March 2022.

4. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company prior to the completion of the Rights Issue is based on 207,500,000 shares in issue as at 31 March 2022 immediately after the completion of Share Consolidation as if the Share Consolidation had been completed on 31 March 2022.
5. The number of shares used in calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company for the Rights Issue to be issued is as follow:

	<b>Number of Shares</b>
Issued and fully paid as at 31 March 2022	1,037,500,000
Number of shares of the Company upon the Share Consolidation	207,500,000
One Rights Share to be issued for every one consolidated share on the record date	207,500,000
Number of shares of the Company after Right Issue share issue on the basis of one Rights Share for every one consolidated share on the record date	415,000,000

6. 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 2022 immediately after the completion of the Rights Issue and Share Consolidation as if the Rights Issue and Share Consolidation had been completed on 31 March 2022, but does not take into account any shares which have been or may be issued upon the exercise of options granted under the share option scheme (if any) subsequent to 31 March 2022.
7. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2022.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.*



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road,  
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

The Board of directors  
Progressive Path Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Progressive Path Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) 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 as at 31 March 2022, and related notes as set out on pages II-1 to II-3 of the Circular issued in connection with the proposed right issue issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II to this Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue immediately after the completion of share consolidation on the Group’s net tangible assets as at 31 March 2022 as if the share consolidation and right issue had been taken place at 31 March 2022. As part of this process, information about the Group’s consolidated net tangible assets has been extracted by the Directors from the Group’s audited consolidated financial information as included in the annual result announcement of the Company for the year ended 31 March 2022 published on 28 June 2022.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 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” (“**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.

The 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” 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 29(7) of Chapter 4 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 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 the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the share consolidation and rights issue on unadjusted financial information of the Group as if the share consolidation and rights issue had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the share consolidation and rights issue at 31 March 2022 would have been as presented.

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 share consolidation and rights issue, 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 judgment, having regard to the reporting accountants' understanding of the nature of the Group, the share consolidation and rights issue 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 29(1) of Chapter 4 of the Listing Rules.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Chuen Fai**

Practicing Certificate Number: P05589

Hong Kong

20 July 2022

**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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation and the Change in Board Lot Size (assuming no other change in the number of issued Shares); and (iii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

**(a) As at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Existing Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>1,037,500,000</u>	Existing Shares	<u>10,375,000</u>

**(b) Immediately upon completion of the Share Consolidation and the Change in Board Lot Size (assuming no change in the number of issued Shares)**

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Consolidated Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>207,500,000</u>	Consolidated Shares	<u>10,375,000</u>

**(c) Immediately upon completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)**

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Consolidated Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>207,500,000</u>	Consolidated Shares upon completion of the Share Consolidation and the Change in Board Lot Size	<u>10,375,000</u>
<u>207,500,000</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>10,375,000</u>
<u>415,000,000</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue	<u>20,750,000</u>

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. 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.

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

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

### 3. DISCLOSURE OF INTERESTS

#### Directors and chief executive's interests in the Company and its 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 and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

#### *Long position in the Shares*

Name of Director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang	Interest in controlled corporation – Corporate interest (Note)	610,995,000	58.89%

*Note:* The 610,995,000 Shares are held by Profit Gold Global Limited (“Profit Gold”). Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold and is deemed, or taken to be, interested in all the Shares held by Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

### 4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, the date to which the latest published audited accounts of the Group were made up.

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

#### **5. DIRECTORS' SERVICE CONTRACTS**

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

#### **6. COMPETING INTERESTS**

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

#### **7. LITIGATION**

As at the Latest Practicable Date, one of the subsidiaries of the Group was involved in an ongoing personal injury claim. Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### **8. MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (i) the Placing Agreement;
- (ii) a supplemental placing agreement dated 13 July 2022 entered into between the Company and the Placing Agent in relation to the Placing Agreement; and
- (iii) the Irrevocable Undertaking.

## 9. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Capital 9 Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants

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

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

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.

## 10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and ES Unsold Rights Shares, which do not include any Rights Shares to be provisionally allotted to Profit Gold for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed “The Irrevocable Undertaking” in this circular, are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$2.0 million, which are payable by the Company.

## 11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

### **Board of Directors**

### *Executive Directors*

Mr. Wu Wing Hang (*Chairman*)

Mr. Chan Tak Ming

	<i>Independent Non-executive Directors</i>
	Mr. Wong Yiu Kit Ernest
	Mr. Lee Man Tai
	Mr. Leung Ka Fai
<b>Audit committee</b>	Mr. Lee Man Tai ( <i>Chairman</i> ) Mr. Wong Yiu Kit Ernest Mr. Leung Ka Fai
<b>Nomination committee</b>	Mr. Leung Ka Fai ( <i>Chairman</i> ) Mr. Wu Wing Hang Mr. Wong Yiu Kit Ernest
<b>Remuneration committee</b>	Mr. Wong Yiu Kit Ernest ( <i>Chairman</i> ) Mr. Wu Wing Hang Mr. Lee Man Tai
<b>Registered office</b>	Windward 3 Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	Unit 1108, 11/F. Tuen Mun Central Square No. 22 Hoi Wing Road Tuen Mun New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Wu Wing Hang Mr. Li Kin Fung ( <i>HKICPA</i> )
<b>Business address of all Directors and authorised representatives</b>	Unit 1108, 11/F. Tuen Mun Central Square No. 22 Hoi Wing Road Tuen Mun New Territories Hong Kong
<b>Company secretary</b>	Mr. Li Kin Fung ( <i>HKICPA</i> )

<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong  (on or after 15 August 2022) 17/F Far East Finance Centre 16 Harcourt Road Admiralty Hong Kong
<b>Principal banker</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Auditor</b>	SHINEWING (HK) CPA Limited <i>Certified Public Accountants</i> 17/F, Chubb Tower Windsor House 311 Gloucester Road Causeway Bay, Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	David Fong & Co. Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai, Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Capital 9 Limited Room 1219, 12/F Bank of America Tower 12 Harcourt Road Central, Hong Kong
<b>Placing Agent</b>	Tiger Faith Securities Limited Suite 1502, 15/F The Chinese Bank Building 61-65 Des Voeux Road Central Central, Hong Kong



## 12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Wu Wing Hang (胡永恆) (“Mr. Wu”)**, aged 43, is the founder of the Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of the Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of the Group. Mr. Wu is also a director of all the subsidiaries of the Group. Mr. Wu has over 24 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2003, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director. Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody, the human resources and administration manager of the Company. For Mr. Wu’s interest in the shares of the Company within the meaning of Part XV of the SFO, please refer to the section headed “Disclosure of interests” of this circular.

**Mr. Chan Tak Ming (陳德明) (“Mr. Chan”)**, aged 56, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of the Group. Mr. Chan has over 37 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined the Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

### Independent non-executive Directors

**Mr. Wong Yiu Kit Ernest (黃耀傑) (“Mr. Wong”)**, aged 54, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of the Company. Mr. Wong has over 29 years of experience in venture capital, corporate finance, business development and general management. Mr. Wong has been the President and Group Chief Financial Officer of KVB Holdings Limited (formerly known as KVB Kunlun Holdings Limited) since November 2011.

Mr. Wong is currently an independent non-executive director of Renheng Enterprise Holdings Limited (stock code: 3628), Aidigong Maternal & Child Health Limited (stock code: 286), Goldstone Investment Group Limited (stock code: 0901), Kwong Luen Engineering Holdings Limited (stock code: 1413) and Samson Paper Holdings Limited (stock code: 731).

Mr. Wong also served as the board director at Adamas Finance Asia Limited from May 2008 to June 2019, a company listed on the London Stock Exchange (LSE stock code: ADAM), and served as its chief financial officer from May 2008 to October 2011. Mr. Wong also served as the chief financial officer of the Hong Kong Applied Science and Technology Research Institute and the vice president of Vertex Management (HK) previously. Mr. Wong was an independent non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2016 to September 2018, an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158) from February 2017 to August 2019, an independent non-executive director of China Wood International Holding Co., Limited (formerly known as HongDa Financial Holding Limited) (stock Code: 1822) from July 2014 to July 2020 and was the executive director (from May 2018 to August 2019), chief financial officer and the company secretary of CLSA Premium Limited (stock code: 6877, formerly known as KVB Financial Group Limited) from October 2014 to August 2019, whose shares are listed on the Stock Exchange.

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong, a master's degree in management from the Saïd business school of Oxford University, a master's degree of science in investment management from The Hong Kong University of Science and Technology and a master's degree of science in electronic engineering from The Chinese University of Hong Kong. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is also the charter-holder of the Institute of Chartered Financial Analysts. He is the global council member of the Association of Chartered Certified Accountants and the former chairman of the Association of Chartered Certified Accountants Hong Kong, the former deputy chairman of the HKU Convocation and the past president of the Hong Kong University Graduates Association.

**Mr. Lee Man Tai (李文泰) (“Mr. Lee”)**, aged 45, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of the Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012, respectively. He also obtained the qualification as a licensed representative and responsible officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO in 2017 and 2020, respectively.

Mr. Lee has over 20 years of experience in financial and auditing industries. He served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. He also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to China International Development Corporation Limited) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016, respectively. He is currently the chief financial officer and company secretary of Beaver Group (Holding) Company Limited (stock code: 8275) since June 2021 and August 2021, respectively.

Mr. Lee is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228), an independent non-executive director of Rizhao Port Jurong Co., Ltd (stock code: 6117) and an independent non-executive director of Yunhong Guixin Group Holdings Limited (stock code: 8349).

**Mr. Leung Ka Fai (梁家輝) (“Mr. Leung”)**, aged 43, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of the Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in Sociology from The Chinese University of Hong Kong in November 2014.

Mr. Leung has over 10 years of experience in management. He was a district council member of Sha Tin District Council from January 2008 to December 2019. He is a committee member of Yunfu City of the Chinese People’s Political Consultative Conference since January 2013. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of China Biotech Services Holdings Limited (stock code: 8037) from June 2013 to December 2017. He was also appointed as an independent non-executive director of China Investment Fund Company Limited (stock code: 612, formerly known as China Ding Yi Feng Holdings Limited) from 22 April 2016 to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

### Senior management

**Ms. Kwok Wai Sheung Melody** (郭慧嫦) (“**Ms. Kwok**”), aged 44, is the Company’s human resources and administration manager. She is currently responsible for human resources management, training and education of employees. Ms. Kwok is the spouse of Mr. Wu.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok has over 21 years of experience in the construction industry. She joined Luen Yau Construction Company in July 2003 as a human resources and administration manager. Prior to joining the Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

**Mr. Li Kin Fung** (李建鋒) (“**Mr. Li**”), aged 34, joined the Company as a finance manager in February 2018. Mr. Li was appointed as the company secretary and the chief financial officer of the Company with effect from 15 March 2022. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Chartered Governance Institute. He obtained a bachelor degree of Business Administration in Professional Accounting and Economics from The Hong Kong University of Science and Technology and a master degree in Corporate Governance from The Hong Kong Polytechnic University. He has over 11 years of experience in auditing, financial management and accounting. Prior to joining the Company, Mr. Li worked as an audit manager in the assurance department of an international audit firm.

### 13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Lee Man Tai (the chairman of the Audit Committee), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

**14. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.ppg.com.hk/>) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2020 and 2021;
- (c) the annual results announcement of the Company for the financial year ended 31 March 2022;
- (d) the interim report of the Company for the six months ended 30 September 2021;
- (e) the Placing Agreement;
- (f) the Supplemental Placing Agreement;
- (g) the letter from the Board, the text of which is set out on pages 12 to 40 of this circular;
- (h) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 41 to 42 of this circular;
- (i) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 43 to 70 of this circular;
- (j) the accountant's report on the unaudited pro forma financial information of the Group issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this circular;
- (k) the material contracts referred to in the paragraph headed "8. Material contracts" of this appendix;
- (l) the written consent referred to in paragraph headed "9. Experts and consents" of this appendix;
- (m) the Irrevocable Undertaking; and
- (n) this circular.

**15. MISCELLANEOUS**

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

---

## NOTICE OF EGM

---

### Progressive Path Group Holdings Limited

### 進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1581)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Progressive Path Group Holdings Limited (the “**Company**”) will be held at Units 1203B, 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 August 2022 at 3:00 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions which will be proposed as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 20 July 2022, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
  - (a) every five (5) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.05 (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
  - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and
  - (c) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

---

## NOTICE OF EGM

---

2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 20 July 2022:
- (a) the allotment and issue of 207,500,000 new Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date (as defined below) and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.26 per Rights Share (the “**Subscription Price**”) on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Tuesday, 23 August 2022, or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 20 July 2022 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (“**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
  - (b) the placing agreement dated 24 May 2022 (as supplemented by the supplemental placing agreement dated 13 July 2022) (the “**Placing Agreement**”) and entered into between the Company and Tiger Faith Securities Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make



---

## NOTICE OF EGM

---

such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

- (d) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

By order of the Board  
**Progressive Path Group Holdings Limited**  
**Wu Wing Hang**  
*Chairman and Executive Director*

Hong Kong, 20 July 2022

*Registered office:*

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

*Principal place of business in Hong Kong:*

Unit 1108, 11/F  
Tuen Mun Central Square  
No. 22 Hoi Wing Road  
Tuen Mun  
New Territories, Hong Kong

*Notes:*

- (1) An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her stead at the Meeting (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the Meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (3) A proxy form for use at the Meeting is enclosed.
- (4) In order to be valid, the completed proxy form must be received by the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at least 48 hours before the time appointed (i.e. Monday, 8 August 2022 at 3:00 p.m.) for holding the Meeting or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a

---

## NOTICE OF EGM

---

solicitor qualified to practice in Hong Kong) must be delivered to the Hong Kong branch share registrar and transfer office of the Company together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.

- (5) For the purposes of determining shareholders' eligibility to attend, speak and vote at the Meeting (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 4 August 2022 to Wednesday, 10 August 2022, (both dates inclusive), during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), all properly completed transfer documents accompanied by the relevant share certificate must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 August 2022.
- (6) Detailed information on other business to be transacted at the Meeting is set out in this circular.
- (7) As set out in the Letter from the Board included in this circular, each of the resolutions set out in this notice should be voted on by poll.
- (8) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.
- (9) If a typhoon signal No. 8 or above is hoisted or a "black" rainstorm warning signal is in force at or at any time after 1:00 p.m. on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the website of the Company ([www.ppg.com.hk](http://www.ppg.com.hk)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify shareholders of the date, time and place of the adjourned meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather conditions bearing in mind their own situations.
- (10) To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the above Meeting, without limitation:
  - compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue of the above Meeting;
  - every shareholder or proxy is required to bring and wear surgical face mask during his/her attendance of the above Meeting;
  - appropriate distancing and spacing in line with the guidance from Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the above Meeting as may be necessary to avoid over-crowding;
  - no refreshment or souvenirs will be provided at the above Meeting;
  - hand sanitizers will be provided to the shareholders or proxies at the venue of the above Meeting; and
  - there will be no question and answer session during the above Meeting, shareholders could choose to raise questions to the management in writing before the above Meeting.

Any person who does not comply with the above precautionary measures, or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the above Meeting.

**For the health and safety of Shareholders, the Company encourages Shareholders NOT to attend the above Meeting in person, and advises Shareholders to appoint the Chairman of the above Meeting as their proxy or through HKSCC Nominees Limited by giving instructions to their brokers and custodians to vote according to their indicated voting instructions as an alternative to attending the above Meeting in person.**