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

If you have sold or transferred all your shares in STANDARD DEVELOPMENT GROUP LIMITED, you should at once hand this circular with the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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STANDARD DEVELOPMENT GROUP LIMITED

標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



A notice convening the extraordinary general meeting ("EGM") of STANDARD DEVELOPMENT GROUP LIMITED (the "Company") to be held at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Friday, 21 October 2022 at 10:00 a.m. is set out on pages 50 to 51 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so desire.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) outbreak, mass gatherings would potentially impose a significant risk in terms of the spread of the virus. For the safety of our Shareholders, staff and stakeholders, **the Company encourages Shareholders to appoint the Chairman of the EGM as their proxy to vote on the relevant resolution at the EGM**, instead of attending the EGM in person, by completing and returning the form of proxy accompanying this circular in accordance with the instructions printed thereon.

Shareholders and other persons attending the EGM should note that, consistent with the government guidelines for the prevention and control of COVID-19, the Company will implement precautionary measures to reduce the risk of contracting and spreading of COVID-19 at the EGM, including:

- (a) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- (b) Every Shareholder or proxy is required to wear surgical face mask throughout the meeting, not wearing surgical face mask will not be permitted access to the venue;
- (c) No corporate gifts will be distributed;
- (d) No refreshment will be served;
- (e) Hand sanitizer is available at the entrance of the venue; and
- (f) Other safe distancing measures as appropriate.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of spreading COVID-19.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday, a public holiday and a day on which typhoon signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Company”	Standard Development Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1867
“Completion”	the completion of the Subscription Agreement
“Completion Date”	the date on which Completion takes place, being the 3rd Business Day after the day on which the last of the Conditions is fulfilled
“Conditions”	conditions precedent to the Subscription Agreement as set out in the paragraph headed “Conditions Precedent” in this circular
“connected person”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 21 October 2022 at 10:00 a.m. for the purposes of approving the Subscription Agreement (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber)

DEFINITIONS

“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee which comprises all the independent non-executive Directors, namely, Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser” or “Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholders”	Shareholder(s) other than: (i) the Subscriber and its associates (if any); and (ii) those who have a material interest in the Subscription or any other person who is required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Latest Practicable Date”	26 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 October 2022 or such other later date as the Parties may agree
“Mr. Liu”	Mr. Liu Zhancheng (劉展程), the chairman of the Board, the chief executive officer and an executive Director of the Company
“Party(ies)”	the Company and/or the Subscriber

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Subscription Shares to the Subscriber
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Fujincheng Investment Holdings Co., Ltd., the controlling Shareholder of the Company, being a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly owned by Mr. Liu
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 23 August 2022 entered into between the Company and the Subscriber
“Subscription Price”	HK\$0.23 per Subscription Share
“Subscription Shares”	150,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



STANDARD DEVELOPMENT GROUP LIMITED

標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

Executive Directors:

Mr. Liu Zhancheng (*Chairman and
Chief Executive Officer*)

Ms. Qin Mingyue

Mr. Ye Zuobin

Independent non-executive Directors:

Dr. Su Lixin

Mr. Liang Rongjin

Dr. Yan Bing

Registered office:

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

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

Room 1409-10, 14/F,
Cosco Tower,
183 Queen's Road Central,
Sheung Wan,
Hong Kong

3 October 2022

To the Shareholders

Dear Sirs,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES**

INTRODUCTION

Reference is made to the announcements of the Company dated 23 August 2022, 16 September 2022 and 30 September 2022 regarding, among other things, the Subscription and the Specific Mandate. The purpose of this circular is to provide you with, among other things, (i) details of the Subscription and the Specific Mandate; and (ii) a notice convening the EGM.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

Date:	23 August 2022 (after trading hours)
Parties:	(i) the Company; and (ii) the Subscriber
Subscription Shares:	150,000,000 new Shares
Subscription Price:	HK\$0.23 per Subscription Share

Subscription Shares

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 150,000,000 Subscription Shares, representing (i) approximately 11.16% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save for the allotment and issue of the Subscription Shares).

The aggregate nominal value of the Subscription Shares will be HK\$1,500,000.

Subscription Price

The Subscription Price of HK\$0.23 per Subscription Share represents:

- (i) a discount of approximately 14.8% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on 23 August 2022, being the date of the Subscription Agreement;
- (ii) a discount of approximately 16.1% to the average closing price of approximately HK\$0.274 per Share for the last five (5) consecutive trading days up to and including 23 August 2022;
- (iii) a discount of approximately 18.4% to the average closing price of approximately HK\$0.282 per Share for the last ten (10) consecutive trading days up to and including 23 August 2022;
- (iv) a discount of approximately 11.5% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 113.0% over the Group's audited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.108 per Share.

LETTER FROM THE BOARD

The Subscription Price was determined after negotiation between the Company and the Subscriber after taking into account (i) the current market condition; and (ii) the prevailing market price and the trading volume of the Shares.

In early 2022, the COVID-19 pandemic stroke back and the situation in Hong Kong worsened drastically leading to contraction of economic activities. In Mainland China, the occasional resurgence of COVID-19 cases in different cities leads to lockdowns and suspension of economic activities. Government authorities in both the PRC and Hong Kong have actively taken measures to prevent and control the COVID-19 pandemic, and the number of confirmed cases of COVID-19 in both places has stabilised lately. However, the clusters of cases reported from time to time indicate that the COVID-19 pandemic situation is still very unstable. It is against such background that the negotiation of the Subscription Price took place, with the Company and the Subscriber having considered the current economic outlook and the future development of the Company.

In the 12-month period prior to the date of the Subscription Agreement (the “**Review Period**”) which covers a full cycle of a year for the review, the daily trading volume was approximately 1,350,000 Shares on average, representing approximately 0.1% of the number of issued Shares as at the Latest Practicable Date. In the circumstances, both Parties considered that the trading liquidity of the Shares was relatively thin during the Review Period.

In addition, in determining the Subscription Price, both Parties took into account the prevailing market prices of the Shares, being (i) the closing price of HK\$0.27 per Share as of the date of the Subscription Agreement, (ii) the 5-day average closing price of approximately HK\$0.274 per Share for the period up to and including the date of the Subscription Agreement, and (iii) the 10-day average closing price of approximately HK\$0.282 per Share for the period up to and including the date of the Subscription Agreement, to which the Subscription Price represents discounts of approximately 14.8%, 16.1% and 18.4%, respectively. Such discounts have factored in the current market situation and the relatively thin trading liquidity of the Shares during the Review Period as discussed in the preceding paragraphs.

Despite the above-mentioned discounts of the Subscription Price to the prevailing market prices of the Shares, the Subscription Price represents a premium of approximately 113.0% over the Group’s audited consolidated net asset value (“NAV”) per Share as at 31 March 2022 of approximately HK\$0.108 per Share. Such premium would have led to an enhancement in the NAV per Share from approximately HK\$0.108 per Share to HK\$0.120 per Share on the basis of (a) the Group’s audited consolidated NAV as at 31 March 2022 of approximately HK\$145.3 million to be increased by the estimated net proceeds of HK\$34.1 million from the Subscription, and (b) 1,494,000,000 issued Shares as enlarged by the issue and allotment of the Subscription Shares upon Completion. In view of such NAV per Share enhancement albeit the discounts mentioned, the Directors are of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the following Conditions having been fulfilled:

- (a) the Subscription Agreement and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares to the Subscriber, having been approved by the Independent Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not being subsequently revoked prior to the Completion).

In the event that the above Conditions are not fulfilled on or before the Long Stop Date, being 31 October 2022 (or such later date as may be agreed between the Parties), then the Subscription Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach), and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement.

Completion

Completion of the Subscription Agreement shall take place on the 3rd Business Day after the day on which the last of the Conditions is fulfilled (or such later date as may be agreed between the Parties). The aggregate Subscription Price for the Subscription Shares, being HK\$34,500,000, shall be paid by the Subscriber to the Company on or before Completion. On the Completion Date, the Subscription Shares shall be allotted and issued to the Subscriber free from all liens, charges, security, interests, encumbrances and adverse claims.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SUBSCRIPTION

The table below summarises the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion (assuming there being no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares):

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the Completion	
	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>
The Subscriber	968,460,000	72.06	1,118,460,000	74.86
Public Shareholders	<u>375,540,000</u>	<u>27.94</u>	<u>375,540,000</u>	<u>25.14</u>
Total	<u>1,344,000,000</u>	<u>100.00</u>	<u>1,494,000,000</u>	<u>100.00</u>

REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES

The Directors are of the view that the Subscription reflects the confidence and commitment of the Subscriber, the controlling shareholder of the Company, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling shareholder of the Company is crucial to ensuring the business stability and long-term development of the Group.

The Directors have considered other alternative fund raising methods such as debt financing, rights issue or open offer in light of recent market conditions, and are of the view that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to debt financing, rights issue or open offer. The Board believes that debt financing will cause the Group to incur additional financial costs in a difficult business environment, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the equity financing by way of allotment and issue of new Shares under the Specific Mandate. The Company has also considered the possibility of placing new Shares to independent third parties; however, the Directors conclude that the entering into of the Subscription Agreement with the Subscriber will not only provide an efficient means of raising capital for the Group's present needs, but also strengthen the ties with the Company's controlling shareholder, in view of the benefits as described in the preceding paragraph. Accordingly, the Company has entered into the Subscription Agreement with the Subscriber.

LETTER FROM THE BOARD

In May 2021, Mr. Liu, the controlling shareholder of the Company, was appointed as an executive Director who possesses solid experience and expertise in the business of trading petroleum products (the “**Petroleum Trading Business**”). Against this backdrop, the Group commenced the Petroleum Trading Business in the later part of the financial year ended 31 March 2022. The Petroleum Trading Business primarily involves the buy-and-sell contracts of petroleum products. More details in this regard are set out in the section headed “Information on the Company” in this letter.

The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$34.1 million. The majority of the proceeds are intended to be applied to develop the Petroleum Trading Business (see the section headed “Information on the Company” in this letter). According to the annual report of the Company for the financial year ended 31 March 2022, the Group had a bank balance and cash of approximately HK\$139.5 million compared to HK\$30.9 million as at 31 March 2021, respectively. The Directors confirm that the increased bank balance and cash was primarily used to meet the requirements for the Group’s current business operations, including the settlement of the trade and other payables balance of approximately HK\$89.7 million as at 31 March 2022 compared to HK\$6.6 million as at 31 March 2021. In addition, the Directors confirm that the cash collected from contracts concluded for sale of petroleum products is primarily used to settle the cost of relevant petroleum products sold. Based on the Company’s management accounts as at 31 July 2022, the PRC Subsidiary’s Petroleum Trading Business had an outstanding trade receivables balance of approximately RMB53.9 million for one customer, and a trade payables balance of RMB59.8 million for one supplier. Both balances were fully settled in August 2022 resulting in the net cash outflow of approximately RMB5.9 million, which was financed by the PRC Subsidiary’s own internal resources. In the circumstances, the Board is of the view that there is a need to raise new capital through the Subscription with a view to expanding the Petroleum Trading Business.

Based on the Company’s management accounts as at 31 July 2022, the Group’s cash balance was insufficient to meet the obligations in full in respect of the Potential Purchase Contract (as defined below), which is worth up to approximately RMB100 million. The proceeds from the Subscription will be used by the Company to fulfill the obligations under the above-mentioned contract. If the proceeds from the Subscription are not forthcoming, the negotiations for the contemplated transaction could not be proceeded with, resulting in the loss of a business opportunity for the PRC Subsidiary (as defined below) and an impediment to the further development of the Petroleum Trading Business. In order to successfully carry out the contemplated transaction, there is an imminent need for the Company to raise funds through the Subscription, so that the negotiations for the contemplated transaction could be proceeded with. The Company would also like to emphasise that the nature of the Petroleum Trading Business requires huge capital outlay and as such, it is essential for the Company to have sufficient and ample funds held in reserve for the purpose of capturing any business opportunities as and when they arise so as to further expand the Petroleum Trading Business.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Given Mr. Liu has a material interest in the Subscription, he has abstained from voting on the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder. Save for Mr. Liu, none of the Directors has a material interest in Subscription Agreement and the transactions contemplated thereunder and accordingly none of them was required to abstain from voting on such Board resolutions.

USE OF PROCEEDS

The gross proceeds of the Subscription will be HK\$34.5 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$34.1 million. On such basis, the net price per Subscription Share will be approximately HK\$0.227.

The Company intends to apply the net proceeds from the Subscription in the following manner: (a) approximately HK\$3.4 million (or approximately 10%) of which will be used for the Group's general working capital purposes; and (b) approximately HK\$30.7 million (or approximately 90%) of which will be used for trading of petroleum products (see the section headed "Information on the Company" in this letter). The expected timeline of utilising approximately HK\$30.7 million of the net proceeds from the Subscription will be within three months after the Company's receipt of proceeds from the Subscription.

LETTER FROM THE BOARD

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately preceding the date of this circular:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
6 August 2021	rights issue on the basis of one (1) rights Share for every five (5) existing Shares held on the record date	Approximately HK\$48.1 million	(i) approximately 75%, representing approximately HK\$36.1 million, would be used to start up the new construction and engineering related business of the new subsidiary (i.e. the PRC Subsidiary (as defined below)) in Mainland China; and (ii) approximately 25%, representing approximately HK\$12.0 million, would be used towards the general working capital of the Company	The net proceeds of the rights issue would be fully applied as intended. As of the Latest Practicable Date, approximately HK\$19.1 million of the net proceeds for the set-up and operation of the construction business remained unutilised and will continue to be used for the construction business segment, which the Directors expect to be fully utilised by 31 March 2023, while HK\$1.8 million of the net proceeds for general working capital purpose remained unutilised. The unutilised net proceeds were deposited into licensed banks in Hong Kong and Mainland China.

INFORMATION ON THE COMPANY

The Group is principally engaged in construction and engineering related businesses in Mainland China and Hong Kong, including interior fitting-out and renovation services, alteration and addition works for properties, and trading businesses. Standard Development (Shandong) Limited (標準發展(山東)有限公司) (the “**PRC Subsidiary**”), an indirect wholly-owned subsidiary of the Company in Mainland China, has two potential construction business contracts at the moment, namely, (i) a renovation project contract worth approximately RMB8 million; and (ii) an alteration works contract worth approximately RMB30 million, both of which are still under negotiation and are expected to be signed within the next month.

The PRC Subsidiary has also commenced the Petroleum Trading Business in the second half of the financial year ended 31 March 2022. Generally speaking, the Petroleum Trading Business of the PRC Subsidiary consists of two business models: (i) as long as the right buyers and sellers are identified, the transactions can be carried out in a back-to-back manner (“**Model 1**”), which is usually completed within one month; (ii) the PRC Subsidiary purchases petroleum products from suppliers before selling such products to customers (“**Model 2**”). Under the latter business model, the PRC Subsidiary normally pays a deposit of 20% of the contractual amount in the supplier contract to the supplier after signing a

LETTER FROM THE BOARD

contract for the purchase of petroleum products, and usually finds the customer within one month and normally collects 20% of the contractual amount in the sale contract from the customer as the deposit. Within the next month, the PRC Subsidiary will then pay the remaining 80% of the purchase price in accordance with the terms of the supplier contract to the supplier and collect the remaining 80% of the sale price of the customer after the completion of the delivery of petroleum products to the customer (the timing of payments to the supplier and from the customer is subject to market conditions). The entire sale-and-purchase transaction process is completed within three months to the extent possible. For the financial year ended 31 March 2022, the percentage of revenue generated from Model 1 and Model 2 was approximately 50.6% and 49.4%, respectively. The Directors expect a similar revenue split between the two models going forward should the business environment and market conditions remain at the similar level.

After the PRC Subsidiary commenced the Petroleum Trading Business in the second half of the financial year ended 31 March 2022 and up to 31 July 2022, the PRC Subsidiary has approximately 11 customers and seven suppliers, all of which are companies engaged in the petroleum trading business, with a mix of state-owned enterprises and private enterprises. For the 11 customers, three of them were under Model 1 while eight of them were under Model 2. For the seven suppliers, two of them were under Model 1 while five of them were under Model 2.

As at the Latest Practicable Date, the PRC Subsidiary had two contracts on hand in relation to the Petroleum Trading Business comprising (i) a petroleum product sale contract worth approximately RMB49.6 million; and (ii) a petroleum product purchase contract worth approximately RMB48.9 million. These two contracts are expected to be conducted in the manner under Model 2. The Directors expect that the latter contract will be primarily financed by the cash to be collected from the former contract and/or any of the Group's available working capital (depending on the cash collection status and also its internal cash flow status). Further, the Directors confirm that there had been no payment of deposits for both contracts yet as at the Latest Practicable Date.

The PRC Subsidiary has been actively negotiating a contract ("**Potential Purchase Contract**") with one supplier (which is a private enterprise) with a contractual value of up to approximately RMB100 million. At the same time, the PRC Subsidiary has also been actively negotiating contracts ("**Potential Sale Contracts**") with potential customers (which are private enterprises), which are worth above RMB100 million in total. Both the Potential Purchase Contract and the Potential Sale Contracts are expected to be conducted in the manner under Model 2. The PRC Subsidiary would pay approximately 20% of the contractual amount in the Potential Purchase Contract as deposit to the potential supplier first, followed by the PRC Subsidiary's receipt of approximately 20% of the contractual amount in the Potential Sale Contracts with the potential customers as deposit, within approximately one month from payment of the deposit to the supplier as described above. The Subscription is, therefore, considered necessary for securing the Potential Purchase Contract by being able to pay for the initial deposit. At this stage, the Directors anticipate that the PRC Subsidiary would be able to finalise the Potential Purchase Contract with the supplier and pay the initial deposit to such supplier within approximately two weeks from the Company's receipt of proceeds from the Subscription i.e. the payment of such deposit is expected to be within November 2022. After receiving the 20% deposit from the customers,

LETTER FROM THE BOARD

the remaining 80% of the Potential Purchase Contract amount would be paid by the PRC Subsidiary to the supplier within approximately the next two months by utilising the Group's available bank balance and cash and working capital (depending on the cash collection status and also the Company's internal cash flow status). Within approximately one month after this payment, the PRC Subsidiary is due to receive the remaining 80% of the Potential Sale Contracts amount from the potential customers. The Company wishes to emphasise that the Potential Purchase Contract and the Potential Sale Contracts are under active negotiation which, however, may or may not materialise.

According to the Company's management accounts as at 31 July 2022, the Group's cash balance was insufficient to meet the obligations in full in respect of the Potential Purchase Contract. The proceeds from the Subscription will be used by the Company to fulfill the obligations under the Potential Purchase Contract. If the proceeds from the Subscription are not forthcoming, the negotiations for the contemplated transaction could not be proceeded with, resulting in the loss of a business opportunity for the PRC Subsidiary and an impediment to the further development of the Petroleum Trading Business. In order to successfully carry out the contemplated transaction, there is an imminent need for the Company to raise funds through the Subscription, so that the negotiations for the contemplated transaction could be proceeded with. The Company would also like to emphasise that the nature of the Petroleum Trading Business requires huge capital outlay and as such, it is essential for the Company to have sufficient and ample funds held in reserve for the purpose of capturing any business opportunities as and when they arise so as to further expand the Petroleum Trading Business.

In the event that the Potential Purchase Contract does not materialise, the net proceeds from the Subscription are expected to be applied to other purchase contracts in connection with the trading of petroleum products. Should the Potential Sale Contracts materialise, it is expected that the cash collected from these contracts will be used to settle any cost of petroleum products sold in this connection and/or further develop the Petroleum Trading Business by securing next contracts. Save for the Potential Purchase Contract and the Potential Sale Contracts, the Directors confirm that there were no other contracts being negotiated as at the Latest Practicable Date.

Leveraging Mr. Liu's experience and expertise in the petroleum trading industry, the Company has successfully commenced the Petroleum Trading Business by managing to source supplies and liaise with customers in this business segment. With the relevant experience and expertise developed by the Company and the size of the market for the Petroleum Trading Business in Mainland China¹, the Directors are confident of the PRC Subsidiary's continuous engagement in this business segment.

¹ According to the Organisation of the Petroleum Exporting Countries, the oil demand in China was approximately 13.2 million barrels per day in 2020 and is expected to rise to approximately 17.0 million barrels per day in 2045, representing a growth of 3.8%. (<https://www.opec.org/chapter.php?chapterNr=207&tableID=201>)

LETTER FROM THE BOARD

INFORMATION ON THE SUBSCRIBER

The Subscriber, the controlling shareholder of the Company, is a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly owned by Mr. Liu. The principal business of the Subscriber is investment holding including holding of the Shares.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Subscriber held 968,460,000 Shares, which represented approximately 72.06% of the issued share capital of the Company. Accordingly, the Subscriber is a controlling shareholder and connected person of the Company as defined in the Listing Rules. Therefore, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription and the Specific Mandate. Pelican Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

EGM

The EGM will be held for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber).

The Subscriber and its associate(s) (if any) will abstain from voting on the relevant ordinary resolution at the EGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber), and is required to abstain from voting on the resolution to approve the aforesaid matters at the EGM.

EGM NOTICE AND PROXY ARRANGEMENT

A notice convening the EGM to be held at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Friday, 21 October 2022 at 10:00 a.m. is set out on pages 50 to 51 of this circular.

LETTER FROM THE BOARD

A form of proxy for use by Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof (as the case may be) should you so desire and in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The EGM is scheduled to be held on Friday, 21 October 2022. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 18 October 2022 to 21 October 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 October 2022.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions as set out in the notice convening the EGM will be voted by poll and, after being verified by the scrutineer, the results of the poll will be published in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 17 to 18 of this circular and the letter from the Independent Financial Adviser set out on pages 19 to 44 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription and the Specific Mandate are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription and the Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By Order of the Board
Standard Development Group Limited
Ye Zuobin
Executive Director



STANDARD DEVELOPMENT GROUP LIMITED

標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

3 October 2022

To the Independent Shareholders

Dear Sir/Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES**

We refer to the circular dated 3 October 2022 issued by the Company to its Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, as the members of Independent Board Committee, have been appointed to advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Subscription and the Specific Mandate are set out in the letter from the Board contained in the Circular. None of the members of the Independent Board Committee has any direct or indirect interest in the Subscription and the Specific Mandate.

Pelican Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Specific Mandate. We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 19 to 44 of the Circular which contains, among others, its advice and recommendation to us as regards the terms of the Subscription Agreement and the transactions contemplated thereunder.

Having taken into account the terms of the Subscription Agreement and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

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

Dr. Su Lixin
*Independent non-executive
Director*

Mr. Liang Rongjin
*Independent non-executive
Director*

Dr. Yan Bing
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice in respect of the Subscription and the Specific Mandate, which has been prepared for the purpose of inclusion in this circular:



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

3 October 2022

*To the Independent Board Committee and the Independent Shareholders of
Standard Development Group Limited*

Dear Sirs,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION
OF NEW SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 3 October 2022 (the “**Circular**”), of which this letter forms a part. 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 announcements of the Company dated 23 August 2022 and 16 September 2022 in relation to the Subscription Agreement and the transactions contemplated thereunder (the “**Announcement**”). On 23 August 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 150,000,000 new Shares at the Subscription Price of HK\$0.23 per Subscription Share (or in aggregate HK\$34,500,000).

The Subscription Shares represent approximately: (a) 11.16% of the Company’s total issued share capital as at the Latest Practicable Date; and (b) 10.04% of the Company’s issued share capital as enlarged by the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date save for the issue of the Subscription Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the granting of approval for the listing of, and permission to deal in, the Subscription Shares.

As at the Latest Practicable Date, the Subscriber held 968,460,000 Shares, which represented approximately 72.06% of the issued share capital of the Company. Accordingly, the Subscriber is a controlling shareholder and connected person of the Company as defined in the Listing Rules. Therefore, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises three executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing, has been established to advise the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited ("**Pelican Financial**") is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican Financial and the Company nor any other parties, or any circumstance as set out in Rule 13.84, that could be reasonably be regarded as a hindrance to Pelican Financial's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. We also confirm that in the last two years, there had been no business engagement between the Company and Pelican Financial.

Apart from normal professional fees payable to us in connection with our current appointment, no arrangement exists whereby Pelican Financial will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription Agreement and the transactions contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) regarding the Subscription Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Subscription Agreement, the Announcement, the annual report of the Group for the financial year ended 31 March 2022 (the “**2022 Annual Report**”) and the draft Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Subscription Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Information on the Group

The Company is an investment holding company. The Group is principally engaged in construction and engineering-related businesses in Mainland China and Hong Kong, including interior fitting-out and renovation services, alteration and addition work for properties, and trading businesses.

As mentioned in the Board Letter, in May 2021, the Company appointed Mr. Liu Zhancheng (劉展程) (“**Mr. Liu**”), the controlling Shareholder of the Company, as an executive Director. Mr. Liu possesses solid experience and expertise in the business of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

petroleum products trading and against this backdrop, the Group commenced the new business of petroleum products trading through Standard Development (Shandong) Limited (標準發展(山東)有限公司), an indirect wholly-owned subsidiary of the Company (the “**PRC Subsidiary**”), in the later part of the financial year ended 31 March 2022.

The business of petroleum products trading primarily involves the buy-and-sell contracts of petroleum products. For details, please refer to the section headed “Information on the Company” in the Board Letter.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 March 2022 as extracted from the 2022 Annual Report.

Table 1: Financial performance of the Group

	For the financial year ended 31 March	
	2022 <i>(audited)</i> HK\$'000	2021 <i>(audited)</i> HK\$'000
Revenue		
<i>Construction and engineering-related business</i>		
– Construction and engineering-related services	155,355	215,916
– Interior design services	4,793	5,978
<i>Trading business</i>		
– Consumables	13,582	–
– Petroleum	132,828	–
Total revenue	306,558	221,894
Gross profit by segment		
<i>Construction and engineering-related business</i>		
	(596)	13,902
<i>Trading business</i>		
	10,777	–
Total gross profit	10,181	13,902
Gross profit margin by segment		
<i>Construction and engineering-related business</i>		
	(0.4)%	6.3%
<i>Trading business</i>		
	7.4%	–
Total gross profit margin	3.3%	6.3%
(Loss)/profit for the year by segment		
<i>Construction and engineering-related business</i>		
	(11,626)	1,006
<i>Trading business</i>		
	10,614	–
(Loss)/profit for the year	(21,010)	1,006

Note: Segment results represent the profit earned by/loss from each segment without allocation of central administration costs, certain other income, gains and losses, certain finance costs and directors’ emoluments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2022 Annual Report, the Group recorded revenue of approximately HK\$306.6 million for the year ended 31 March 2022, representing a growth of approximately HK\$84.7 million, or 38.2%, from approximately HK\$221.9 million for the year ended 31 March 2021. Such revenue growth was mainly driven by the increase in revenue from the Group's new trading business in Mainland China operated by the PRC Subsidiary, which involved the trading of petroleum products. On the other hand, the Group recorded a decrease in revenue from its construction and engineering-related business by approximately HK\$61.7 million, or 27.8%, between the two years ended 31 March 2022, which as we understand from the Company, came entirely from its operation in Hong Kong and was mainly due to the decrease in the number of projects undertaken and the lower value of construction contracts awarded to the Group, as well as the delay in construction progress and the curtailment of new construction contracts due to the impact of COVID-19 pandemic. Meanwhile, according to the 2022 Annual Report and the Company, the Group commenced not only its petroleum products trading business but also construction and engineering-related businesses in Mainland China in the second-half of 2021, with the latter having generated approximately HK\$7.8 million in revenue for the Group for the year ended 31 March 2022. In light of the above, the revenue growth of the Group was a result of its timely strategy and action to commence its businesses in Mainland China.

Despite the increase in the Group's revenue, its gross profit had decreased by approximately HK\$3.7 million to approximately HK\$10.2 million for the year ended 31 March 2022. In particular, the Group's construction and engineering-related business recorded a gross loss of approximately HK\$0.6 million for the financial year ended 31 March 2022 compared with a gross profit of approximately HK\$13.9 million for the previous financial year. As a result of that, the relevant gross profit margin decreased from approximately 6.3% to approximately -0.4%. The change of a gross profit to a gross loss of the Group's construction and engineering-related business was mainly due to, as discussed above, (i) the decrease in the number of projects undertaken by the Group and the Group's adoption of a more competitive pricing strategy against the fierce market competition under the sluggish economy in Hong Kong; and (ii) the Group's construction projects having been halted and new contracts having been suspended due to the outbreak of COVID-19.

Furthermore, the Group recorded a loss of approximately HK\$21.0 million for the year ended 31 March 2022, as compared with a profit of approximately HK\$1.0 million for the previous financial year. Such change from a profit to loss position was mainly attributable to (i) the drop in the Group's gross profit as discussed above; (ii) the impairment losses under the expected credit loss model of approximately HK\$8.8 million for the year ended 31 March 2022 as compared with a reversal of impairment losses of HK\$2.0 million for the previous financial year; and (iii) the increase in administrative and other operating expenses of the Group of approximately HK\$7.6 million or 50.0%, from approximately HK\$15.0 million for the year ended 31 March 2021 to approximately HK\$22.5 million for the year ended 31 March 2022, as a result of the increase in the Group's staff costs and legal and professional fees during the year. Among the net loss for the year ended 31 March 2022, the net (loss)/profit of the Group's construction and engineering-related business and trading business accounted for approximately HK\$(11.6) million and approximately HK\$10.6 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, the consolidated assets and liabilities of the Group as at 31 March 2021 and 31 March 2022 as extracted from the 2022 Annual Report are summarised as follows:

Table 2: Financial position of the Group

	As at 31 March 2022 (audited) HK\$'000	As at 31 March 2021 (audited) HK\$'000
Total assets		
– non-current assets	12,148	6,040
– current assets	241,606	143,371
Total liabilities		
– non-current liabilities	1,689	355
– current liabilities	106,741	31,351
Net current assets	134,865	112,020
Net assets	145,324	117,705

The Group recorded total assets of approximately HK\$253.8 million as at 31 March 2022, representing an increase of approximately HK\$104.3 million or 69.8% from approximately HK\$149.4 million as at 31 March 2021. The increase in total assets of the Group as at 31 March 2022 was mainly attributable to the increase in (i) its bank balances and cash of approximately HK\$108.6 million; (ii) its contract assets of approximately HK\$3.1 million; (iii) its deferred tax assets of approximately HK\$2.9 million; and (iv) its plant and equipment of approximately HK\$1.7 million, between 31 March 2021 and 31 March 2022.

On the other hand, the Group recorded total liabilities of approximately HK\$108.4 million as at 31 March 2022, representing an increase of approximately HK\$76.7 million or 242.0% from approximately HK\$31.7 million as at 31 March 2021. The increase was mainly driven by the increase in the Group's trade and other payables of approximately HK\$83.1 million, which was offset by the decrease in borrowings of approximately HK\$10.2 million.

As a result of the above, the net current asset and net asset value of the Group were approximately HK\$134.9 million and HK\$145.3 million as at 31 March 2022, representing an increase of approximately 20.4% and 23.5%, from approximately HK\$112.0 million and HK\$117.7 million as at 31 March 2021 respectively.

2. Information on the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, and is wholly owned by Mr. Liu, the chairman of the Board, the chief executive officer, an executive Director and the controlling Shareholder. The principal business activity of the Subscriber is investment holding including holding of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Use of proceeds

The gross proceeds from the Subscription will be HK\$34.5 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$34.1 million. On such basis, the net price per Subscription Share will be approximately HK\$0.227.

The Company intends to apply the net proceeds from the Subscription in the following manner:

- a) approximately HK\$30.7 million, or approximately 90%, of which will be used for the Group's trading of petroleum products in its trading business (within an expected timeline of three months after the Company's receipt of proceeds from the Subscription); and
- b) approximately HK\$3.4 million (or approximately 10%) of which will be used for the Group's general working capital purposes.

4. Reasons for and benefits of the Subscription

The PRC Subsidiary's business of petroleum products trading

According to the 2022 Annual Report, the Group recorded revenue growth of approximately HK\$84.7 million, or 38.2%, between the two years ended 31 March 2022. Such revenue growth was mainly driven by the increase in revenue from the Group's new trading business in Mainland China, which involved the trading of petroleum products by the PRC Subsidiary.

As disclosed in the Board Letter, the PRC Subsidiary's business of petroleum products trading operates under two models: (i) purchase and sale of petroleum products on almost a back-to-back basis (the "**Model 1**") which usually complete within a month; and (ii) purchase of petroleum products from suppliers first before selling them to customers (the "**Model 2**"). Under Model 2, the PRC Subsidiary would normally first pay a deposit of 20% of the contractual amount in the sales contract with the supplier (the "**Supplier Contractual Amount**"), and within one month thereafter, collect a deposit of 20% of the contractual amount in the sales contract with the customer (the "**Customer Contractual Amount**"). Within the next month, the PRC Subsidiary would then pay the remaining 80% of the Supplier Contractual Amount and collect the remaining 80% of the Customer Contractual Amount after delivering the petroleum products to the customer (the timing of payments to the supplier and from the customer is subject to market conditions). The entire sale-and-purchase transaction is normally completed within three months.

As stated in the Board Letter, for the financial year ended 31 March 2022, the percentage of revenue generated from Model 1 and Model 2 was 50.6% and 49.4%, respectively. The Directors expect a similar revenue split between the two models going forward should the business environment and market condition remain at a similar level.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, between the period when the PRC Subsidiary commenced its business in the second half of the financial year 2022 and up to 31 July 2022, the PRC Subsidiary had 11 customers and seven suppliers, all of which were companies engaged in the petroleum trading business, with a mix of state-owned enterprise and private enterprise, reflecting that the PRC Subsidiary had been able to establish partnerships with a diverse customers and suppliers despite its relatively brief history in business. For the 11 customers, three of them were under Model 1 while eight of them were under Model 2. For the seven suppliers, two of them were under Model 1 while five of them were under Model 2.

From our discussion with the Company, we noted that as at the Latest Practicable Date, the PRC Subsidiary had two relevant contracts under Model 2 on hand: (i) a petroleum sales contract that is worth approximately RMB49.6 million; and (ii) a petroleum purchase contract that is worth approximately RMB48.9 million. As advised by the Company, the latter contract will be primarily financed by the cash to be collected from the former contract and/or the Group's available working capital (depending on the cash collection status and also its internal cash flow status). As stated in the Board Letter, the Directors confirm that there has been no payment of deposits for both contracts yet as at the Latest Practicable Date. As stated in the Board Letter, based on the Company's management accounts as at 31 July 2022, the PRC Subsidiary's business of petroleum products trading had trade receivables of approximately RMB53.9 million from one customer and trade payables of approximately RMB59.8 million to one supplier, which resulted in a net cash outflow of approximately RMB5.9 million when both balances were fully settled in August 2022. Hence, for the PRC Subsidiary to have a sustainable supply of capital to capture business opportunities as they arise, it is crucial that the Subscription takes place.

It is also noted that the PRC Subsidiary has been actively negotiating one potential purchase contract for petroleum products that is worth up to approximately RMB100 million (the "**Potential Purchase Contract**"), and several potential sales contracts for petroleum products which together are worth above RMB100 million (the "**Potential Sales Contracts**").

We understand that the Potential Purchase Contract and Potential Sales Contracts follow the same 20% deposit payment schedule (i.e., Model 2) as discussed above, and hence whether the PRC Subsidiary can proceed with the Potential Purchase Contract depends on the success of the Subscription, as without the proceeds from the Subscription, the PRC Subsidiary would not be able to pay for the initial deposit to the relevant supplier.

We also understand that should the Potential Purchase Contract and the Potential Sales Contracts materialise, the cash collected from the latter will be used to settle any cost of selling those petroleum products in this connection and/or secure new contracts in the same regard. At this stage, the Directors anticipate that the PRC Subsidiary would be able to finalise the Potential Purchase Contract with the supplier and pay the initial deposit to such supplier within approximately two weeks after the Company's receipt of proceeds from the Subscription (i.e., the payment of such deposit is expected to be in November 2022). On the other hand, in the event that the Potential Purchase Contract does not materialize, the net proceeds from the Subscription are expected to be applied to other purchase contracts in connection with the trading of petroleum products. We consider such arrangement as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

commercially reasonable, given that by leveraging the financial resources provided by the Subscriber to support its relatively new business of petroleum products trading, the Group would be able to enjoy a higher degree of liquidity in its daily operation without needing to have its capital locked up in new petroleum products trading contracts, which are in general capital intensive.

We also conducted independent research on the petroleum industry in China and noted that due to the rise in its middle class and increasing population, the demand for petroleum in China is expected to continue to rise until 2045. According to the data published by the Organization of the Petroleum Exporting Countries (OPEC), the oil demand in China was approximately 13.2 million barrels per day in 2020 and is expected to rise to approximately 17.0 million barrels per day in 2045, representing a growth of 3.8%.¹ With the current upward trend in global energy needs, it is also expected that China's position as a global leading petroleum supplier will only be reinforced. In light of the opportunities presented in the Chinese petroleum industry, we consider that it is commercially reasonable for the Group to increase its involvement in this industry, especially when it has already witnessed success in it.

The financing needs of the Group

It is noted from the 2022 Annual Report that, despite the revenue contribution by the Group's petroleum products trading business of approximately HK\$132.8 million for the year ended 31 March 2022, the Group recorded an overall drop in its gross profit of approximately HK\$3.7 million, mainly as a result of the decreased gross profit margin of its businesses in Hong Kong.

On the other hand, according to the 2022 Annual Report, although the Group recorded a growth in its current assets of approximately HK\$98.2 million, or 68.5%, and a growth in its bank balances and cash of approximately HK\$108.6 million, or 4.5 times, between 31 March 2021 and 31 March 2022, it also experienced an increase in its current liabilities of approximately HK\$75.4 million, or 3.5 times, between 31 March 2021 and 31 March 2022. From our discussion with the Directors, we noted that such increase in the Group's bank balances and cash of approximately HK\$108.6 million between 31 March 2021 and 31 March 2022 was already used primarily in the Group's current business operations, in particular, in settling its trade and other payables balance of approximately HK\$89.7 million as at 31 March 2022, which increased from approximately HK\$6.6 million as at 31 March 2021. As a result of the above changes in the Group's current assets and liabilities, the Group's current ratio (calculated by dividing its current assets by its current liabilities) decreased from 4.6 times as at 31 March 2021 to 2.3 times as at 31 March 2022, reflecting an increased pressure on the Group's ability to fulfill its financial obligations.

Despite its increased financial stress as discussed above, we have nonetheless inquired the Company about its funding needs in view that the cash deployed for the PRC Subsidiary's trading of petroleum products normally return in three months after the

¹ Please refer to the data published by OPEC, the intergovernmental organization of 13 oil-exporting developing nations that coordinates and unifies the petroleum policies of its member countries, at: <https://www.opec.org/chapter.php?chapterNr=207&tableID=201>

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completion of the sales, and that the PRC Subsidiary has been conducting and expanding its trading business without additional funds required. In this regard, we understand from the Company that, while the Directors consider that the PRC Subsidiary may continue to be profitable with or without the Subscription, the net proceeds from the Subscription will allow the PRC Subsidiary to more flexibly capture opportunities as they arise.

As advised by the Company, we also noted that based on its management accounts as at 31 July 2022, the Group's cash balance was insufficient to meet its obligations under the Potential Purchase Contract, which as discussed above, is worth up to RMB100 million. Hence, the proceeds from the Subscription are necessary not only for the Company to fulfill the obligations under the aforementioned purported contract, but also for it to proceed with negotiating such contemplated transaction. Without the net proceeds from the Subscription of approximately HK\$34.1 million, the Company would not have sufficient capital to pay for the supplier deposit so as to complete the Potential Purchase Contract. Absent the petroleum products that would have been purchased under the Potential Purchase Contract, the Group would not be able to proceed with the Potential Sales Contracts or sign any other new sales contracts in order to generate cash therefrom, and that would significantly hinder the growth of such business. On the other hand, given that the business of petroleum products trading is in general capital intensive, it is essential for the Company to have sufficient and ample funds held in reserve for the purpose of capturing any business opportunities as and when they arise so as to further expand such business. In light of the above, we concur with the Directors that there is an immediate need for the Company to raise funds by means of the Subscription for the purpose of entering into the Potential Purchase Contract and the Potential Sales Contracts.

On the other hand, given that the goal of the Company is to maximize the interests of the Company and the Shareholders as a whole, we also consider that the Subscription is in alignment with goal and is commercially reasonable, especially when Mr. Liu, the controlling Shareholder of the Company and the sole shareholder of the Subscriber, is expected to continue to connect the PRC Subsidiary with petroleum products suppliers so that the net proceeds from the Subscription, or his investment, can be effectively utilized.

We also noted that the Group had approximately HK\$22.5 million unutilized net proceeds from its rights issue conducted in August 2021 (the "**Unutilized Proceeds**"). As at the Latest Practicable Date, approximately HK\$19.1 million of the net proceeds allocated for setting up the PRC Subsidiary has remained unutilized but is expected to be fully utilized for the Group's construction business by 31 March 2023, while approximately HK\$1.8 million of the net proceeds allocated for general working capital purposes has remained unutilized. For details, please refer to the section headed "Equity fund raising of the Company during the past twelve months" in the Board Letter.

We have discussed with the Company the Unutilized Proceeds and noted that they are expected to be allocated to the Company's upcoming and potential construction business contracts. As disclosed in the Board Letter, the PRC Subsidiary current has two potential construction business contracts, namely, (i) a renovation project contract that is worth approximately RMB8 million; and (ii) an alteration works contract that is worth approximately RMB30 million, both of which are still under negotiation and are expected to be signed within the next month. Given that the Company intends to apply the Unutilized

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Proceeds to the construction business of the PRC Subsidiary and already has construction contracts on the way which require funding, the Unutilized Proceeds would not be applied to the PRC Subsidiary's business of petroleum products trading and do not constitute spare funds which could be easily deployed by the Company.

Our view

In light of the above, we understand that the Group would like to expand and contribute more funds and resources towards its petroleum products trading business, meanwhile strengthening its working capital base so that it can enjoy higher liquidity in its daily operations and implementation of business strategies.

We also noted from the Board Letter that, the Directors are of the view that the Subscription reflects the confidence and commitment of the Subscriber, the controlling shareholder of the Company, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling shareholder of the Company is crucial to ensuring the business stability and long-term development of the Group. We concur with the Directors in this respect and consider that the Subscription would further strengthen the alignment of interests between the Subscriber and the Company.

Having considered (i) the growth potential of the Group's petroleum products trading business in Mainland China; (ii) the financial position of the Group as at 31 March 2022; (iii) the liquidity and flexibility that the Subscription is expected to offer through enhancing the Group's working capital base; and (iv) the expected further alignment of interests between the Subscriber and the Company through the Subscription, we concur with the Directors that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Alternative fundraising methods

We have enquired the Company and we understand that the Directors have considered other alternative fundraising methods such as debt financing, rights issue or open offer. However, in light of recent market conditions, the Directors are of the view that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to debt financing, rights issue or open offer.

We agree with the Directors in this respect, given that debt financing would cause the Group to incur additional financing costs and that given that the Group's loss position for its latest financial year, the Group may be subject to lengthier negotiations with financial institutions and a less favorable interest rate.

On the other hand, a rights issue or an open offer in general (i) involves the issue of listing documents with other application and administrative procedures and hence is in general a longer process which may not allow the Company to raise the required capital efficiently; and (ii) is subject to underwriting uncertainty and market risks (i.e., underwriting and other related fees could be high). Hence, they may not be the most time- and cost-efficient means of fundraising for the Company compared to the Subscription, as the latter would involve much less documentation and allow the Company to raise funds without

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incurring placing commissions. Given that the Company recently completed a rights issue in September 2021, we also consider that the Subscription by the Subscriber is an appropriate fundraising method currently available to the Group.

Having considered the above and the expectation that the Subscription will strengthen the tie between the Subscriber and the Company, we concur with the Directors that the Subscription is currently an appropriate way to raise capital for the Company and is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Subscription Agreement

Set out below are the principal terms of the Subscription Agreement. For more details, please refer to the section headed “The Subscription Agreement” in the Board Letter.

Date	23 August 2022 (after trading hours)
Parties	(i) the Company; and (ii) the Subscriber
Subscription Shares	150,000,000 new Shares
Subscription Price	The Subscription Price of HK\$0.23 per Subscription Share represents: a) a discount of approximately 14.8% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on 23 August 2022, being the date of the Subscription Agreement (the “ Last Trading Date ” and the “ LTD Discount ”); b) a discount of approximately 16.1% to the average closing price of approximately HK\$0.274 per Share for the last five consecutive trading days up to and including 23 August 2022 (the “ Five Days Discount ”); c) a discount of approximately 18.4% to the average closing price of approximately HK\$0.282 per Share for the last ten consecutive trading days up to and including 23 August 2022 (the “ Ten Days Discount ”);

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- d) a discount of approximately 11.5% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- e) a premium of approximately 113.0% over the Group's audited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.108 per Share (the "NAV Premium").

The Subscription Price was determined after negotiation between the Company and the Subscriber after taking into account (i) the current market condition; and (ii) the prevailing market price and trading volume of the Shares.

Subscription Shares

Assuming there will be no change in the issued share capital of the Company from the Last Trading Date to the Completion Date save for the allotment and issue of the Subscription Shares, the Subscription Shares represent approximately:

- (i) 11.16% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) 10.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares will be HK\$1,500,000.

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

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Conditions Precedent

Completion is conditional upon the following Conditions having been fulfilled:

- (i) the Subscription Agreement and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares to the Subscriber, having been approved by the Independent Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not being subsequently revoked prior to the Completion).

In the event that the above Conditions are not fulfilled on or before the Long Stop Date, being 31 October 2022 (or such later date as may be agreed between the Parties), the Subscription Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach), and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement.

Completion

Completion shall take place on the 3rd Business Day after the day on which the last of the Conditions is fulfilled (or such later date as may be agreed between the Parties).

The aggregate Subscription Price for the Subscription Shares, being HK\$34,500,000, shall be paid by the Subscriber to the Company on or before Completion. On the Completion Date, the Subscription Shares shall be allotted and issued to the Subscribers free from all liens, charges, security, interests, encumbrances and adverse claims.

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Specific Mandate

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the EGM.

Application for listing

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

7. Our assessment of the Subscription Price

Given that the Subscription Price was determined based on current market condition and the prevailing market price and trading volume of the Shares, in assessing the fairness and reasonableness of the Subscription Price, we have conducted the following analysis:

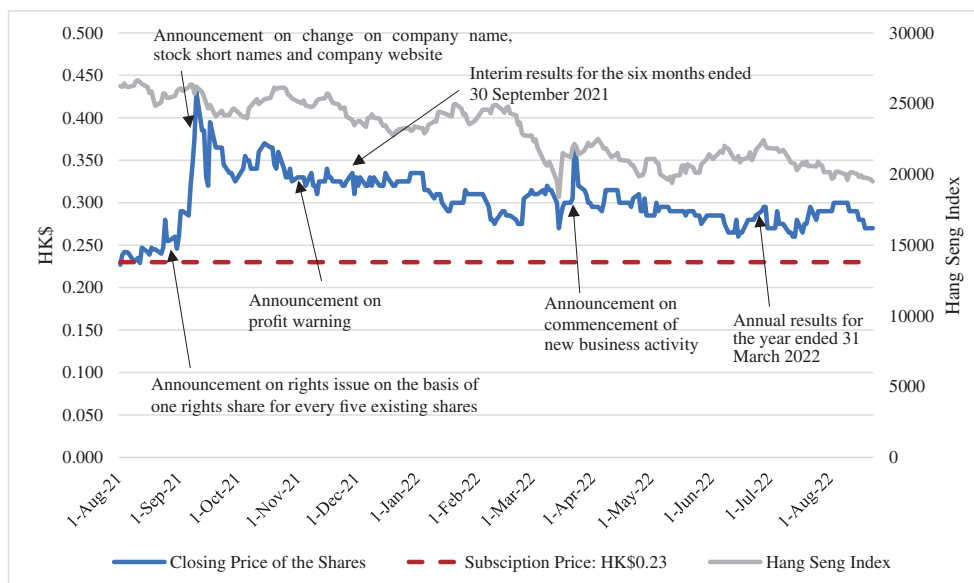
a) Share price performance

In order to understand the general price trend of the Shares, we have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 24 August 2021 up to and including 23 August 2022 (being 12 months up to and including the Last Trading Date) (the “**Review Period**”) together with the Hang Seng Index, for our analysis. We consider a sampling period of 12 months before the Last Trading Date as adequate to illustrate the recent price movement of the Shares prior to the Latest Trading Date and such comparison would allow for a fairer and more reasonable comparison among the historical closing prices of the Shares and hence assessment of the Subscription Price, given in our view, a longer period may not accurately reflect recent market conditions. In addition, in light that the Company, which was formerly named LKS Holding Group Limited, underwent a mandatory general offer transaction in June 2021 and that has brought material changes to its board composition as well as management, we consider that the Share price performance after June 2021 provides a more relevant representation of the Company’s current state of affairs.

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Set out below are the historical closing Share prices and the Hang Seng Index during the Review Period:

Chart 1: Historical closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated above, during the Review Period, the Share price, in general, demonstrated a downward trend since its peak on 10 September 2021, ranging between HK\$0.246 and HK\$0.430 per Share with an average of approximately HK\$0.306 per Share.

The Subscription Price of HK\$0.23 per Subscription Share is therefore lower than the lowest Share price of HK\$0.246 per Share by approximately 6.5% and the average Share price of HK\$0.306 per Share by approximately 24.8%.

We are also aware of the below notable events during the Review Period:

- (i) The Share closing price started to increase on 24 August 2021 after the issue of the Company's announcement on its rights issue on 23 August 2021;
- (ii) The closing Share price was at its peak at HK\$0.430 on 10 September 2021, after the publication of the Company's announcement on the change of its name and website on 9 September 2021;
- (iii) The closing Share price declined to HK\$0.370 after the publication of the Company's business update announcement on 15 October 2021 regarding a dispute between a customer and the Group in which the Group sought to recover payment of HK\$2,000,000;

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- (iv) The Share price further decreased to HK\$0.330 after the publication of the Company's profit warning announcement on 2 November 2021;
- (v) The closing Share price continued to drop to HK\$0.270 after the publication of the Company's interim results announcement for the six months ended 30 September 2021 on 26 November 2021, which indicated a change from the Group's net profit to net loss position for the six months ended 30 September 2021;
- (vi) The closing Share price spiked to HK\$0.365 on 23 March 2022, right after the publication of the Company's announcement on its commencement of its petroleum products trading business on 22 March 2022; and
- (vii) The closing Share price then gradually dropped and fluctuated between the level of HK\$0.260 and HK\$0.300 during the period from 28 Apr 2022 up to and including the Last Trading Date.

Apart from the above events, we noted that the movement of the closing Share prices in general correlated with the overall market performance as reflected by the Hang Seng Index, except that the Share prices fluctuated in a greater multitude. Both the closing Share prices and the Hang Seng Index reflected a negative market sentiment during the Review Period, which might have been influenced by the property crisis in China, the uncertainty in the COVID-19 pandemic development, as well as geopolitical conflicts such as those between Russia and Ukraine.

Despite the Subscription Price of HK\$0.23 per Subscription Share being lower than the average closing Share prices of approximately HK\$0.306 per Share during the Review Period, it represents a premium of approximately 113.0% to the Group's audited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.108 per Share.

We also consider that the Subscription Price should be assessed together with the Company's financial performance and hence the attractiveness of the Shares, as well as the prevailing market conditions. As discussed above, the Group recorded a loss of approximately HK\$21.0 million for the year ended 31 March 2022, as compared with a profit of approximately HK\$1.0 million for the previous financial year. Given the Group's recent financial performance and the fact that the liquidity of the Share had been relatively low during the Review Period as discussed below, we consider that it is reasonable to set the Subscription Price at a discount to its recent closing Share prices.

In addition, as discussed in the below sub-section headed "Market comparables analysis", it is also not uncommon that the subscription price is set at a discount to the issuer's recent closing share prices.

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b) Trading liquidity of the Shares

In order to understand the market demand for the Shares, we have studied the trading liquidity of the Shares. The following table sets out the total trading volume and average daily trading volume of the Shares, as well as the percentage of the average daily trading volume of the Shares to the total number of issued Shares for each month during the Review Period:

Table 3: Trading liquidity of the Shares

Month	Number of trading days (days)	Average daily volume (Shares)	% of average daily trading volume to total issued shares (%)
2021			
August	6	3561667	0.265%
September	21	6320354	0.525%
October	18	1122661	0.084%
November	22	722132	0.054%
December	22	432196	0.032%
2022			
January	21	490476	0.036%
February	17	312353	0.023%
March	23	1239950	0.092%
April	18	527778	0.039%
May	20	490145	0.036%
June	21	243619	0.018%
July	20	488943	0.036%
August (to up and including the Last Trading Date)	17	241176	0.018%
		Minimum	0.018%
		Mean	0.097%
		Maximum	0.525%

Source: the website of the Stock Exchange

We noted from the above table that the average daily trading volume of the Shares was relatively thin during the Review Period, given that it had been below 0.1% of the total number of issued Shares for most of the months during the Review Period, and for the whole of 2022 thus far.

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Given the low liquidity of the Shares as illustrated above, we consider that it is fair and reasonable to set the Subscription Price at a discount to the closing price of the Shares as at the Last Trading Date, so that the Subscription becomes more attractive to the Subscriber.

c) Market comparables analysis

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a search on the website of the Stock Exchange for transactions which (i) involved the subscription of new shares of listed companies by either their connected person(s) or independent third party(ies) (excluding companies whose trading of shares had been suspended as the inclusion of these long-suspended companies would distort the data given that the illiquidity of their shares might have affected the determination of their subscription prices and hence would not reflect the market norms of companies that are publicly tradable)²; and (ii) were announced during the period from 1 May 2022 up to and including the Last Trading Date, being approximately four months period prior to the Last Trading Date (the “**Comparable Period**”).

We considered our selection criteria for these comparable transactions (the “**Comparable Transactions**”) and the Comparable Period as fair and reasonable given that (i) the selection of subscription exercises with subscribers therein being connected persons and/or independent third parties of the relevant issuers, which were conducted pursuant to either a general mandate or specific mandate, would provide a more comprehensive view of prevailing market conditions; (ii) there is a sufficient number of Comparable Transactions conducted during the Comparable Period for our analysis; and (iii) the length of the Comparable Period is long enough to capture the recent market trends, but not too distant in time which would make the samples less relevant to the dynamic of the current financial market.

In selecting the Comparable Transactions, we have also included companies with different market capitalisation and from different industries listed on the Stock Exchange, given that we consider (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced only by other construction companies listed on the Stock Exchange, and/or by those with a market capitalization that is close to that of the Company; (ii) the market sentiment toward a company’s shares, which are often affected by, among others, the company’s financial performance, industry or market capitalization, are already reflected in their recent share prices and hence the premium/discount represented by the Comparable Transactions’ subscription prices over/to the recent share prices already provides a relevant and direct reference with regards to the market practice in determining the subscription price; (iii) whether a company is listed on the Main Board or GEM of the Stock Exchange, or has a small or larger market capitalization, would unlikely have a material impact on the premium/discount represented by its subscription price over/to its recent share prices, and such view is

² The excluded transactions included the subscriptions of new shares conducted by (i) Flying Financial Service Holdings Limited (stock code: 8030) announced on 23 May 2022, and (ii) Evershine Group Holdings Limited (stock code: 8022) announced on 4 August 2022, both of these companies are long-suspended companies as at the Last Trading Date.

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supported by the figures presented by the Comparable Transactions as shown in Table 4 below; and (iv) there is expected to be only a handful of comparable transactions if we were to select them by industry, as only one company from the list of Comparable Transactions is a construction company (and is listed on GEM of the Stock Exchange). Taking into account these factors, we consider that our selection criteria for the Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price.

Based on our selection criteria, we have identified 29 Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Comparable Transactions. However, we consider that the subscription prices in the Comparable Transactions were determined under similar market conditions and sentiment and hence reflect relevant general market trends in an open market. Accordingly, we are of the view that the Comparable Transactions provide a general reference in our assessment of the fairness and reasonableness of the Subscription Price.

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Table 4: Comparable Transactions

Date of Announcement	Company Name (Stock code)	Market Capitalisation (as at 30 September 2022) <i>(HK\$ million)</i>	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day on/prior to the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the average closing price for the last five trading days prior to/up to and including the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the average closing price for the last ten trading days prior to/up to and including the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the consolidated net asset value per share <i>(Note 1)</i>
22/8/2022	Peking University Resources (Holdings) Company Limited (618)	744.5	(16.67)	(15.11)	(29.58)	(76.54)
19/8/2022	Polyard Petroleum International Group Limited (8011)	799.2	(7.69)	(11.85)	(11.94)	114.29
15/8/2022	SEEC Media Group Limited (205)	817.1	(13.04)	(19.52)	(12.66)	(3.99)
5/8/2022	Morris Home Holdings Limited (1575)	242.3	(59.35)	(50.00)	(41.67)	26.00
4/8/2022	Innovent Biologics, Inc. (1801)	37,361.0	29.13	30.32	27.16	426.97
31/7/2022	Fullshare Holdings Limited (607)	6,158.7	(4.35)	(8.33)	(7.56)	(86.15)
28/7/2022	Zhong Ji Longevity Science Group Limited (767)	209.5	(1.79)	(12.70)	(17.91)	(54.78)
28/7/2022	GCL New Energy Holdings Limited (451)	1,957.8	(19.77)	(19.77)	(21.14)	(63.51)
24/7/2022	Global Sweeteners Holdings Limited (3889)	102.9	28.21	26.90	25.00	N/A <i>(Note 3)</i>
22/7/2022	Ximei Resources Holding Limited (9936)	1,540.8	(12.09)	(11.50)	(12.40)	101.76
15/7/2022	Suoxinda Holdings Limited (3680)	482.5	(16.22)	(19.79)	(17.17)	186.95
14/7/2022	China Ruyi Holdings Limited (136)	15,715.8	(2.04)	(7.69)	(12.09)	248.63
13/7/2022	China Fordoo Holdings Limited (2399)	1,150.2	(11.29)	(5.17)	(2.14)	133.83

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Date of Announcement	Company Name (Stock code)	Market Capitalisation (as at 30 September 2022) <i>(HK\$ million)</i>	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day on/prior to the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the average closing price for the last five trading days prior to/up to and including the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the average closing price for the last ten trading days prior to/up to and including the date of the respective agreement <i>(%)</i>	Premium/ (discount) of the subscription price over/to the consolidated net asset value per share <i>(Note 1)</i>
12/7/2022	C&D International Investment Group Limited (1908)	32,258.7	(7.91)	(12.60)	(15.80)	(62.64)
5/7/2022	Moody Technology Holdings Limited (1400)	29.7	(3.85)	(5.06)	(6.02)	N/A <i>(Note 3)</i>
28/6/2022	GOME Retail Holdings Limited (493)	5,250.7	(12.09)	(6.98)	(4.53)	(29.10)
27/6/2022	Cornerstone Technologies Holdings Limited (8391)	389.0	(17.33)	(17.99)	(21.32)	499.96
27/6/2022	Wealthking Investments Limited (1140)	4,093.1	6.38	4.82	2.46	(63.24)
19/6/2022	Merdeka Financial Group Limited (8163)	122.4	(9.09)	(4.55)	1.45	N/A <i>(Note 3)</i>
10/6/2022	China Ocean Group Development Limited (8047)	614.4	(11.50)	(18.70)	(22.48)	(43.94)
8/6/2022	Christine International Holdings Limited (1210)	86.6	–	(4.43)	(5.75)	N/A <i>(Note 3)</i>
7/6/2022	Joy Spreader Group Inc. (6988)	3,415.6	(12.78)	(5.14)	(0.95)	221.27
31/5/2022	Basetrophy Group Holdings Limited (8460)	24.1	8.11	3.09	9.89	562.45
31/5/2022	TOT BIOPHARM International Company Limited (1875)	2,295.7	–	4.65	0.61	540.95
26/5/2022	IAG Holdings Limited (8513)	67.1	(11.76)	(18.92)	(18.18)	(20.18)

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Date of Announcement	Company Name (Stock code)	Market Capitalisation (as at 30 September 2022) (HK\$ million)	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day on/prior to the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/to the average closing price for the last five trading days prior to/up to and including the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/to the average closing price for the last ten trading days prior to/up to and including the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/to the consolidated net asset value per share (Note 1)
23/5/2022	Universal Health International Group Holding Limited (2211)	58.1	(6.25)	(14.29)	(11.76)	(88.69)
20/5/2022	Wisdom Wealth Resources Investment Holding Group Limited (7)	574.5	0.84	0.17	(72.85)	(83.54)
17/5/2022	China Hongguang Holdings Limited (8646)	223.4	(13.04)	(5.88)	(11.70)	(51.16)
16/5/2022	Trendzon Holdings Group Limited (1865)	684.5	–	21.17	27.01	88.21
	Minimum		(59.35)	(50.00)	(72.85)	(88.69)
	Average		(6.80)	(7.06)	(9.79)	96.95
	Maximum		29.13	30.32	27.16	562.45
	The Company (1867)	327.9	(14.81)	(16.06)	(18.44)	112.96

Source: the website of the Stock Exchange

Notes:

- The net asset value per share of each of companies involved in the Comparable Transactions was extracted from their respective latest financial reports (i.e., interim/annual report/results). Net asset value per share was calculated based on the reported net asset value of these companies divided by the number of their respective issued shares as at the relevant announcement date.
- Four transactions we identified during the Comparable Period were considered as outliers as (i) the premium of two of their respective subscription prices over their respective recent share prices per share was higher than the corresponding second-highest premium by more than four times; and (ii) the premium of two of their respective subscription prices over the latest net asset value per share was more than 1.5 times of the corresponding second-highest premium as represented by other Comparable Transactions. Hence, they are not included in the above analysis. These transactions included the subscription exercises of:

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- (i) Hypebeast Limited (stock code: 150) as disclosed in its announcement dated 29 July 2022, as the premium of its subscription price over its latest net asset value per share was approximately 33,425.16%, which is close to 60 times the next highest premium of 562.45% amongst the Comparable Transactions (excluding China Carbon Neutral Development Group Limited, which was considered an outlier as discussed below);
- (ii) Sinopharm Tech Holdings Limited (stock code: 8156) as disclosed in its announcement dated 27 July 2022, as the premium of its subscription price over its closing price per share on the last trading day prior to the date of the respective agreement was approximately 337.50%; and
- (iii) China Carbon Neutral Development Group Limited (stock code: 1372) as disclosed in its announcement dated 10 June 2022, as the premium of its subscription price over its latest net asset value per share was approximately 1,041.21%, which is about 1.9 times the next highest premium of 562.45% amongst the Comparable Transactions;
- (iv) Persta Resources Inc (stock code: 3395) as disclosed in its announcement dated 6 May 2022, as the premium of its subscription price over its closing price per share on the last trading day prior to the date of the respective agreement was approximately 122.22%,

both (ii) and (iv) are more than four times the next highest premium of 29.13% amongst the Comparable Transactions.

- 3. Each of these companies in these Comparable Transactions had recorded net liabilities for their respective latest financial year/period prior to their subscription exercises, and hence were excluded in our “premium/(discount) of the subscription price over/to the consolidated net asset value per share” analysis.
- 4. Exchange rates of RMB1=HK\$1.146 and SGD1=HK\$5.64 were applied when computing the respective net asset value of the companies in the Comparable Transactions when applicable.

As illustrated in the table above, the subscription prices of the Comparable Transactions:

- (i) ranged from a discount of approximately 59.35% to a premium of approximately 29.13%, with an average discount of approximately 6.80%, to/over their respective closing share prices on/prior to the date of the agreement;
- (ii) ranged from a discount of approximately 50.00% to a premium of approximately 30.32%, with an average discount of approximately 7.06%, to/over their respective average closing prices for the last five consecutive trading days prior to/up to and including the date of the agreement;
- (iii) ranged from a discount of approximately 72.85% to a premium of approximately 27.16%, with an average discount of approximately 9.79%, to/over their respective average closing prices for the last ten consecutive trading days prior to/up to and including the date of the agreement;
- (iv) ranged from a discount of approximately 88.69% to a premium of approximately 562.45%, with an average premium of approximately 96.95%, to/over their respective latest consolidated net asset value per share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As such, the LTD Discount of approximately 14.81%, the Five Days Discount of approximately 16.06%, the Ten Days Discount of approximately 18.44%, and the NAV Premium of approximately 112.96%, all fall within the above ranges of the Comparable Transactions.

In addition, the NAV Premium of approximately 112.96% is above the average premium of approximately 96.95% as represented by the Comparable Transactions.

Having considered that (i) it is common to set the subscription price at a discount to the prevailing market prices as represented by the Comparable Transactions; (ii) the LTD Discount, the Five Days Discount, the Ten Days Discount and the NAV Premium are all within the range of those of the Comparable Transactions; (iii) the NAV Premium is above the average premium as represented by the Comparable Transactions; (iv) the net loss position of the Group for the year ended 31 March 2022 would have likely lowered the attractiveness of the Shares; (v) the liquidity of the Shares had been relatively low during the Review Period; (vi) the reasons for and benefits of the Subscription; and (vii) the Subscription is an appropriate fundraising method currently available to the Group, we are of the view that it is fair and reasonable to set the Subscription Price at a discount to the recent closing Share prices, and that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

8. Potential financial effects

According to the 2022 Annual Report, the audited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$145.3 million and HK\$139.5 million as at 31 March 2022, respectively.

Upon Completion, it is expected that both the net asset value and cash and cash equivalents of the Group will increase by the same amount of approximately HK\$34.1 million, being the estimated net proceeds from the Subscription.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon Completion.

Nonetheless, based on the above analysis, the Subscription is expected to have a positive impact on the Group's financial position. Accordingly, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

9. Potential dilution of the shareholding of the Company

As illustrated in the Board Letter under the section headed "Effect on shareholding structure of the Company following the completion of the Subscription", the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 27.94%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Shares represent approximately: (a) 11.16% of the Company's total issued share capital as at the Latest Practicable Date; and (b) 10.04% of the Company's issued share capital as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date save for the issue of the Subscription Shares).

On such basis, the shareholding of existing public Shareholders will be diluted from approximately 27.94% to approximately 25.14% upon Completion (i.e., 2.8 percentage points).

Furthermore, based on the Subscription Price, the Subscription will have a theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 2.93%.

Nonetheless, having taken into account (i) the reasons for and benefits of the Subscription; (ii) the Subscription is an appropriate fundraising method currently available to the Group; (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; (iv) the Subscription is expected to have an overall positive impact on the Group's financial position; and (v) the potential dilution effect to existing public Shareholders is relatively mild (i.e. 2.8 percentage points), we are of the view that such potential dilution effect as a result of the Subscription is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that, the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. We also recommend the Independent Shareholders to vote in favor of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

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 authorized and issued share capital of the Company as at the Latest Practicable Date were, and following Completion, are expected to be as follows:

(a) As at the Latest Practicable Date

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.01	2,000,000,000
Issued and fully paid:	HK\$0.01	1,344,000,000

(b) Immediately following the Completion (assuming there being no other changes in the number of issued Shares from the Latest Practicable Date up to and including the Completion Date save for the allotment and issue of the Subscription Shares)

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.01	2,000,000,000
Issued and fully paid:	HK\$0.01	1,494,000,000

All of the Shares and the Subscription Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Subscription Shares in issue and to be issued are or will be listed on the Main Board of the Stock Exchange.

3. DISCLOSURE OF INTEREST

(a) Interests and short positions of the Directors and chief executives of the Company 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 or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; and (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Beneficial Interests	Spouse Interests	Number of Shares held		Total	Percentage of issued Shares
			Interests in Controlled Corporation	Other Interests		
Mr. Liu (<i>Note</i>)	-	-	968,460,000(L)	-	968,460,000(L)	72.06%

Note: "L" denotes long position. The 968,460,000 Shares were held by Fujincheng Investment Holdings Co., Ltd., a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly owned by Mr. Liu. Mr. Liu is the sole director and sole beneficial owner of Fujincheng Investment Holdings Co., Ltd. Accordingly, Mr. Liu was deemed to be interested in the 968,460,000 Shares by virtue of the SFO.

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

(b) Substantial Shareholders' interests and short positions in the Shares and the underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to

the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO of who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Director	Beneficial Interests	Number of Shares held			Total	Percentage of issued Shares
		Spouse Interests	Interests in Corporation	Other Interests		
Fujincheng Investment Holdings Co., Ltd. (Note 1)	968,460,000(L)	-	-	-	968,460,000(L)	72.06%
Ms. Qin Hui (Note 2)	-	968,460,000(L)	-	-	968,460,000(L)	72.06%

Note: (1) "L" denotes long position.

(2) "L" denotes long position. Ms. Qin Hui is the spouse of Mr. Liu. Accordingly, Mr. Qin Hui is deemed to be interested in the 968,460,000 Shares by virtue of the SFO.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. DIRECTOR'S INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which had been, since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date, 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.

7. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT'S QUALIFICATION AND CONSENT

The following sets out the qualifications of the expert who has given its opinion, letter or advice included in this circular:

Name	Qualifications
Pelican Financial Limited	A licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO

The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter, report and/or opinion in the form and context in which it is included and the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, the above expert did not have 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 any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interests, directly or indirectly, in any assets which had been, since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date, acquired, disposed of by or leased to any other member of the Group, or were proposed to be acquired, disposed of or by or leased to any member of the Group.

10. GENERAL INFORMATION

- (a) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (b) The company secretary of the Company is Ms. Yim Sau Ping, a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (d) The business address of all the Directors and senior management team of the Company, the head office and principal place of business of the Company in Hong Kong is Room 1409-10, 14/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.bzg.cn) for not less than 14 days from the date of this circular:

- (a) the Subscription Agreement;
- (b) the letter of consent referred to in the section headed "9. Expert's Qualification and Consent" in this Appendix; and
- (c) this circular.

NOTICE OF EGM



STANDARD DEVELOPMENT GROUP LIMITED 標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Standard Development Group Limited (the “**Company**”) will be held at 21/F, Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Friday, 21 October 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 23 August 2022 and entered into between the Company as issuer and Fujincheng Investment Holdings Co., Ltd. as subscriber in relation to the subscription of an aggregate of 150,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) at the price of HK\$0.23 each (a copy of the Subscription Agreement is produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares pursuant thereto) be and are hereby confirmed, approved and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares, subject to and in accordance with the terms and conditions set out in the Subscription Agreement; and

NOTICE OF EGM

- (c) any one Director be and is hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all acts, matters and things, as the case may be in his/her discretion consider desirable or expedient to give effect to the Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”

By Order of the Board
Standard Development Group Limited
Liu Zhancheng
Chairman and Executive Director

Hong Kong, 3 October 2022

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person(s) as his proxy(ies) to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed
2. A form of proxy for use at the EGM is enclosed herewith. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under seal or the hand of an officer, attorney or other person duly authorised.
3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:00 a.m. on 19 October 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the term of proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from 18 October 2022 to 21 October 2022 both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 17 October 2022.
5. To safeguard the health and safety of the Shareholders and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM: (i) limiting the number of the attendees to avoid over-crowding; (ii) compulsory body temperature screening/checks; (iii) compulsory wearing of face mask; (iv) maintaining an appropriate social distancing between seats; and (v) no provision of food or beverages and no distribution of gifts.
6. Any vote of members (attending in person or by proxy) at the EGM shall be taken by poll.

As at the date of this notice, the Board comprises Mr. Liu Zhancheng, Ms. Qin Mingyue and Mr. Ye Zuobin as executive Directors; and Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing as independent non-executive Directors.