
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Royal Century Resources Holdings Limited

仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE OF 104,520,000 RIGHTS SHARES
AT HK\$0.30 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS;
(IV) CONNECTED TRANSACTIONS IN RELATION TO THE PLACING
AGREEMENT AND THE MATCHING SERVICE AGREEMENT;
AND
(V) NOTICE OF EXTRAORDINARY GENERAL MEETING

Underwriter to the Rights Issue

 Simomax Securities Ltd.
佳富達證券

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

 MERDEKA 領智

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

A letter from the Board is set out on pages 16 to 43 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 44 to 45 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 72 of this circular.

A notice convening the EGM to be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Friday, 13 November 2020 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM:

- compulsory body temperature checks and health declarations for all attendees
- compulsory wearing of a surgical face mask for each attendee throughout the EGM
- no distribution of corporate gift nor provision of refreshment

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

The Rights Issue will proceed on a non-fully underwritten basis. Save for the Rights Shares to be taken up by Chaoshang pursuant to the Irrevocable Undertaking and the Underwritten Shares, there is no requirement for a minimum level of subscription. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

This circular with a form of proxy will remain on the "Latest Company Announcements" page of the website of GEM at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.royalcentury.hk.

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 28 August 2020 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Rights Issue, the Underwriting Agreement and the Placing Agreement
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“ChaoShang”	Hong Kong ChaoShang Group Limited, a company incorporated in Bermuda with limited liability, and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2322) and a substantial shareholder of the Company
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 4,000 Existing Shares to 8,000 Consolidated Shares
“Company”	Royal Century Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, and the issued shares of which are listed on GEM (stock code: 8125)

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of the Company upon the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020 at 11:00 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder
“Existing Share(s)”	ordinary share(s) of the Company prior to the Share Consolidation becoming effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries (from time to time)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va) established for the purpose of giving a recommendation to the Independent Shareholders in respect of the fairness and reasonableness of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder, and as to the voting action therefor, after taking into account the advice of the Independent Financial Adviser
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholder(s) other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; and (ii) ChaoShang and its associate(s)
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Irrevocable Undertaking”	the irrevocable and unconditional undertaking dated 28 August 2020 given by ChaoShang in favour of the Company, the details of which are set out in the section headed “(III) Proposed Rights Issue – The Irrevocable Undertaking” in the “Letter from the Board” in this circular
“Last Trading Day”	28 August 2020, being the last trading day of the Shares on the Stock Exchange before the publication of the Announcement

DEFINITIONS

“Latest Practicable Date”	22 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on Monday, 14 December 2020 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the latest time for acceptance will be extended to 5:00 p.m. on the same Business Day; or (ii) at any time between 12:00 noon and 4:00 p.m., the latest time for acceptance will be extended to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
“Latest Time for Termination”	4:30 p.m. on the first (1st) Business Day immediately after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter
“Latest Time for Announcement of Unsubscribed Rights Shares”	4:00 p.m. on the fourth (4th) Business Day after the Latest Time for Acceptance, being the latest time for the Company to announce the number of Unsubscribed Rights Shares subject to the Unsubscribed Shares Arrangement
“Latest Time for Unsubscribed Shares Arrangement”	4:00 p.m. on the third (3rd) Business Day after the Latest Time for Announcement of Unsubscribed Rights Shares, being the latest time for the Placing Agent to determine the list of Placees and to notify the Company and the Underwriter of the results of the Placing
“Matching Service Agreement”	the matching service agreement dated 22 October 2020 and entered into between the Company and ChaoShang Securities in relation to the appointment of ChaoShang Securities as matching service agent for the sale and purchase of odd lots of the Consolidated Shares (including the Rights Shares)

DEFINITIONS

“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Unsubscribed Shares Arrangement; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s) procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the terms and conditions of the Placing Agreement

DEFINITIONS

“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent” or “ChaoShang Securities”	ChaoShang Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Unsubscribed Shares Arrangement in accordance with Rule 10.31(1) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 28 August 2020 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Period”	a period commencing from the first (1st) Business Day immediately after the Latest Time for Announcement of Unsubscribed Rights Shares, which is expected to be Monday, 21 December 2020, and ending at the Latest Time for Unsubscribed Shares Arrangement
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Monday, 30 November 2020 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s) (if any)
“Record Date”	Friday, 27 November 2020 or such other date as may be agreed between the Company and the Underwriter, being the date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the share registrar and transfer office of the Company in Hong Kong, situated at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	104,520,000 Consolidated Shares proposed to be allotted and issued by the Company for subscription pursuant to the Rights Issue
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	proposed consolidation of the issued Shares on the basis of ten (10) Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of the Company (including the Existing Share(s) or the Consolidated Share(s), as the case may be) with no par value
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.30 per Rights Share
“substantial shareholder”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Underwriter” or “Sinomax Securities”	Sinomax Securities Limited, a company incorporated in Hong Kong with limited liability, and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 28 August 2020 and entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	35,000,000 Rights Shares, being the maximum number of Rights Shares to be partially-underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Shares Arrangement”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the terms and conditions of the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation, the Change in Board Lot Size and the Rights Issue is set out below.

Event	Time and Date
Latest date and time for lodging transfer of Shares in order to qualify for attendance and voting at the EGM	4:00 p.m. on Monday, 9 November 2020
Closure of the register of members of the Company for determining the entitlement to attend and vote at the EGM	Tuesday, 10 November 2020 to Monday, 16 November 2020 (both days inclusive)
Latest date and time for lodging forms of proxy for the EGM (not less than 48 hours (excluding any part of a day that is a public holiday)* prior to the time of EGM)	11:00 a.m. on Friday, 13 November 2020
Record date for determining attendance and voting rights at the EGM	Monday, 16 November 2020
Expected date and time of the EGM	11:00 a.m. on Monday, 16 November 2020
Publication of the announcement of the results of the EGM	Monday, 16 November 2020
The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue as set out in this circular.	
Effective date of the Share Consolidation	Wednesday, 18 November 2020
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 18 November 2020
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 18 November 2020
Original counter for trading in the Existing Shares in board lots of 4,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 18 November 2020

EXPECTED TIMETABLE

Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 18 November 2020
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue	Wednesday, 18 November 2020
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue	Thursday, 19 November 2020
Latest date and time for lodging transfer of Consolidated Shares in order to qualify for the Rights Issue	4:00 p.m. on Friday, 20 November 2020
Closure of the register of members of the Company for determining the entitlements to the Rights Issue	Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive)
Record Date for the Rights Issue	Friday, 27 November 2020
Register of members of the Company re-opens	Monday, 30 November 2020
Despatch of the Prospectus Documents	Monday, 30 November 2020
Original counter for trading in the Consolidated Shares in new board lots of 8,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Wednesday, 2 December 2020
Parallel trading in the Consolidated Shares (in the form of new share certificates in board lots of 8,000 Consolidated Shares and existing share certificates in board lots of 400 Consolidated Shares) commences	9:00 a.m. on Wednesday, 2 December 2020
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 2 December 2020
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 2 December 2020

EXPECTED TIMETABLE

Latest time for splitting of PAL(s)	4:00 p.m. on Friday, 4 December 2020
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 9 December 2020
Latest date and time for lodging transfer document of nil-paid Rights Shares in order to qualify for the Unsubscribed Shares Arrangement	4:00 p.m. on Monday, 14 December 2020
Latest Time for Acceptance of and payment for the Rights Issue	4:00 p.m. on Monday, 14 December 2020
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:30 p.m. on Tuesday, 15 December 2020
Announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Unsubscribed Shares Arrangement	Friday, 18 December 2020
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Monday, 21 December 2020
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) ends	4:10 p.m. on Tuesday, 22 December 2020
Parallel trading in the Consolidated Shares (in the form of new share certificates in the board lots of 8,000 Consolidated Shares and existing share certificates in the board lots of 400 Consolidated Shares) ends	4:10 p.m. on Tuesday, 22 December 2020
Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Wednesday, 23 December 2020
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	Monday, 28 December 2020

EXPECTED TIMETABLE

Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per NQS Unsold Rights Share under the Unsubscribed Shares Arrangement)	Monday, 28 December 2020
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	Tuesday, 29 December 2020
Despatch of share certificates for fully-paid Rights Shares	Tuesday, 29 December 2020
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Wednesday, 30 December 2020
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of the odd lots of the Consolidated Shares	Thursday, 7 January 2021
Payment of Net Gain to relevant No Action Shareholder(s) (if any)	Monday, 11 January 2021

* Pursuant to section 598(3) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), in calculating the period of notice required of appointment of proxy, no account is to be taken of any part of a day that is a public holiday.

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

EXPECTED TIMETABLE

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

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance and in such event, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance and in such event, the Latest Time for Acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue, or materially and adversely affect the market price of the Shares; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (e) any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (g) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (h) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (i) any moratorium, suspension or material restriction on trading of the shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD



Royal Century Resources Holdings Limited

仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

Executive Directors:

Chan Chi Yuen (*Chairman*)

Mr. Wang Jun

Mr. Zhang Weijie

Non-executive Director

Mr. Tsang Kei Cheong

Registered office:

Suite 2201, 22/F.

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Chan Chiu Hung Alex

Mr. Wu Zhao

Mr. Lam Cheok Va

24 October 2020

To the Shareholders

Dear Sir or Madam,

- (I) PROPOSED SHARE CONSOLIDATION;**
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE OF 104,520,000 RIGHTS SHARES
AT HK\$0.30 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE
RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS;
(IV) CONNECTED TRANSACTIONS IN RELATION TO THE PLACING
AGREEMENT AND THE MATCHING SERVICE AGREEMENT;
AND
(V) NOTICE OF EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

References are made to (i) the Announcement in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Rights Issue, the Underwriting Agreement and the Placing Agreement; (ii) the announcement of the Company dated 3 September 2020 in relation to, among other things, the appointment of Merdeka Corporate Finance Limited as the Independent Financial Adviser; and (iii) the announcement of the Company dated 22 October 2020 in relation to, among other things, the appointment of ChaoShang Securities as matching service agent for the sale and purchase of odd lots of the Consolidated Shares (including the Rights Shares).

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

(I) PROPOSED SHARE CONSOLIDATION

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

Effects of the Share Consolidation

As at the Latest Practicable Date, 522,600,000 Existing Shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no new Existing Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Share Consolidation, not less than 52,260,000 Consolidated Shares will be in issue. Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and that on the date the Share Consolidation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. The Share Consolidation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

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

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Hong Kong laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

As at the Latest Practicable Date, none of the conditions precedent as set out above is fulfilled.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 18 November 2020, being the second Business Day after the date of EGM.

Listing application

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

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

LETTER FROM THE BOARD

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

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

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

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

Arrangement on odd lot trading

In order to facilitate the trading of odd lots, if any, of the Consolidated Shares arising from the Share Consolidation, the Company has appointed ChaoShang Securities as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from Wednesday, 2 December 2020 to Thursday, 7 January 2021. Shareholders who wish to take advantage of this facility should contact Ms. Kwan of ChaoShang Securities at Room 2206-2210, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (telephone number: (852) 3899 2558 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

Free exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Wednesday, 18 November 2020, being the second Business Day immediately after the date of the EGM, Shareholders may during the period from Wednesday, 18 November 2020 to Monday, 28 December 2020 (both days inclusive) submit their existing share certificates in the colour of grey for the Existing Shares to the Company's share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for exchange for new share certificates, on the basis of every ten (10) Existing Shares for one (1) Consolidated Share without any fractional Consolidated Share, in the colour of yellow for the Consolidated Shares at the expense of the Company.

It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 Business Days after the submission of the existing share certificates to the share registrar of the Company for exchange. Thereafter, a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) will be payable by the Shareholders to the Company's share registrar for each share certificate for the Consolidated Shares issued or each share certificate for the Existing Shares submitted for cancellation, whichever is higher.

After 4:10 p.m. on Tuesday, 22 December 2020, trading will only be in Consolidated Shares which share certificates will be issued in yellow colour. Existing share certificates in grey colour for the Existing Shares will only remain effective as good evidence of legal title and may be exchanged for share certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

(II) PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 4,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 4,000 Existing Shares to 8,000 Consolidated Shares subject to and upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.031 per Existing Share (equivalent to the theoretical closing price of HK\$0.31 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the value of each existing board lot of 4,000 Existing Shares is HK\$124; (ii) the value of each board lot of 4,000 Consolidated Shares, assuming the Share Consolidation has become effective, would be HK\$1,240; and (iii) the value of each board lot of 8,000 Consolidated Shares, assuming the Share Consolidation and the Change in Board Lot Size have become effective, would be HK\$2,480.

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

LETTER FROM THE BOARD

REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND PROPOSED CHANGE IN BOARD LOT SIZE

The Existing Shares has been constantly traded below HK\$1.00 in the past two years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share. The Directors believe that this will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.031, with a board lot size of 4,000 Existing Shares, the Company is trading under HK\$2,000 per board lot.

It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. The theoretical price per board lot of 8,000 Consolidated Shares will be HK\$2,480. Accordingly, the Board considers that the Share Consolidation and Change in Board Lot Size are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the Rights Issue and the transactions contemplated thereunder, the Company has no intention to carry out other corporate actions or arrangements which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any plan to conduct any equity fund raising activities in the coming 12 months.

(III) PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM and the Share Consolidation becoming effective, the Board proposed to raise gross proceeds of approximately HK\$31.35 million (before expenses) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date by issuing 104,520,000 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

On 28 August 2020, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

LETTER FROM THE BOARD

Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.30 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	522,600,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective:	52,260,000 Consolidated Shares (assuming no further issue of new Share(s) or repurchase of Share(s) from the Latest Practicable Date and up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	104,520,000 Rights Shares (assuming full acceptance of the Rights Shares and no further issue of new Share(s) and no repurchase of Share(s) from the Latest Practicable Date and up to the Record Date)
Total number of Consolidated Shares upon completion of the Rights Issue:	156,780,000 Consolidated Shares (assuming full acceptance of the Rights Shares and no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) from the Latest Practicable Date and up to the completion of the Rights Issue)
Gross proceeds from the Rights Issue to be raised:	Approximately HK\$31.35 million before expenses (assuming all Rights Shares were taken up)

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

Assuming that the Share Consolidation has become effective on the Latest Practicable Date and that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the 104,520,000 Rights Shares represent (i) 200% of the Company's issued share capital as at the Latest Practicable Date; and (ii) approximately 66.67% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares.

LETTER FROM THE BOARD

Mr. Chan Chi Yuen, an executive Director, is also an executive director of ChaoShang, which is the holding company of the Placing Agent under the Unsubscribed Shares Arrangement, and has abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder voluntarily on the ground of good corporate governance.

The Rights Issue will proceed on a non-fully underwritten basis. Save for the Rights Shares to be taken up by ChaoShang under the Irrevocable Undertaking and the Underwritten Shares, there is no requirement for a minimum level of subscription. Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

Irrevocable Undertakings

As at the Latest Practicable Date, ChaoShang is beneficially interested in an aggregate of 85,752,000 Existing Shares, representing approximately 16.41% of the existing issued Shares.

Pursuant to the Irrevocable Undertaking, ChaoShang has provided irrevocable and unconditional undertaking to the Company that (i) ChaoShang will subscribe, or procure its nominee(s) to subscribe, for 17,150,400 Rights Shares which comprise the full acceptance of its provisional entitlement (the “**Undertaken Shares**”), which together with the 85,752,000 Existing Shares (after the Share Consolidation has become effective), representing approximately 16.41% of the entire issued share capital of the Company upon completion of the Rights Issue (assuming full acceptance of the Rights Shares); (ii) 85,752,000 Existing Shares (or 8,575,200 Consolidated Shares, as the case may be) will continue to be beneficially owned by it on the Record Date; and (iii) ChaoShang will lodge their acceptance, or procure its nominee(s) to lodge acceptance of the 17,150,400 Undertaken Shares, which will be offered to it under the Rights Issue, with the Registrar, with payment in full therefor pursuant to the terms and conditions of the Prospectus Documents.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 20 November 2020.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Wednesday, 18 November 2020 and the Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 19 November 2020.

LETTER FROM THE BOARD

The Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Subject to, among other things, the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order issued by a licensed bank for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, there are no Overseas Shareholders with registered addresses situated outside Hong Kong. The Company will continue to ascertain whether there are any Overseas Shareholders and will make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

LETTER FROM THE BOARD

In the event that there are any Non-Qualifying Shareholders on the Record Date, the Company will send the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only. Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Wednesday, 2 December 2020 to Wednesday, 9 December 2020 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders in Hong Kong dollars. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any NQS Unsold Rights Shares will first be placed by the Placing Agent under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully placed, will be taken up by the Underwriter.

Net Gain (if any) will be paid pro-rata (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit. For the nil-paid Rights Shares that are sold in the market by the Company, if the buyer(s) of such nil-paid Rights Shares does/do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Unsubscribed Shares Arrangement.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, which is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents (assuming the Share Consolidation has become effective as at the Latest Practicable Date):

- (a) a discount of approximately 3.23% to the adjusted closing price of HK\$0.31 per Consolidated Share, based on the closing price of HK\$0.031 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;
- (b) a discount of 25.00% to the adjusted closing price of HK\$0.40 per Consolidated Share, based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

LETTER FROM THE BOARD

- (c) a discount of approximately 9.91% to the theoretical ex-rights price of approximately HK\$0.333 per Consolidated Share based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 28.57% to the adjusted average closing price of HK\$0.42 per Consolidated Share, based on the average closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 30.88% to the adjusted average closing price of HK\$0.434 per Consolidated Share, based on the average closing price of HK\$0.0434 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (f) a discount of approximately 81.13% to the adjusted audited consolidated net asset value per Consolidated Share of approximately HK\$1.59 based on the published audited consolidated net asset value of the Company of approximately HK\$82.99 million as at 31 March 2020 as extracted from the annual report of the Company for the year ended 31 March 2020 and the number of issued Consolidated Shares after the Share Consolidation, which is 52,260,000; and
- (g) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 11.76% of the theoretical diluted price of HK\$0.34 per Consolidated Share to the benchmarked price of HK\$0.42 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the adjusted closing price on the Last Trading Day of HK\$0.40 per Consolidated Share and the adjusted average closing price of HK\$0.42 per Consolidated Share, based on the average closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Share Consolidation).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, among other factors, (i) the recent closing prices of the Existing Shares; (ii) the prevailing market conditions; (iii) a loss attributable to owners of the Company of approximately HK\$28.13 million recorded by the Company for the financial year ended 31 March 2020; and (iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issue" below in this circular.

LETTER FROM THE BOARD

After taking into consideration the reasons for the Rights Issue as stated in the section headed “Reasons for the Rights Issue” below, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) consider that the terms of the Rights Issue and the Underwriting Agreement, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.28.

Status of Rights Shares

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

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

Share certificates for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Tuesday, 29 December 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

Fractions of Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for listing

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

LETTER FROM THE BOARD

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Unsubscribed Shares Arrangement

Pursuant to rule 10.31(1)(b) of the GEM Listing Rules, the Company in the Rights Issue must make compensatory arrangement to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering such Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent Placees for the benefit of those Shareholders to whom they were offered by way of rights. In order to comply with the GEM Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement. Upon and subject to the terms and condition set out in the Placing Agreement, the Placing Agent agrees, as agent of the Company, during the Placing Period to procure on a best effort basis Placees to subscribe for the Unsubscribed Rights Shares at the Placing Price, subject to the condition that such actual price shall not be lower than the Placing Price. The Placing Agent may carry out the Placing itself and/or, at its own expenses, through such other agents as the Placing Agent may agree with the Company. The Placing Agent shall procure that such other agents shall comply with all relevant obligations to which the Placing Agent is subject under the terms of the Placing Agreement. Any Unsubscribed Rights Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any Net Gain, that is realised from the Placing will be paid to those No Action Shareholders.

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The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on Wednesday, 23 December 2020, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Up to 87,369,600 unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Unsubscribed Shares Arrangement in aggregate may be placed by the Placing Agent pursuant to the terms of the Placing Agreement.

Net Gain (if any) will be paid on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

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

For further details of the Placing Agreement, please refer to the section headed “(IV) Connected transactions – The Placing Agreement” in this circular.

THE UNDERWRITING AGREEMENT

On 28 August 2020, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders’ approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite on a non-fully underwritten basis up to 35,000,000 Rights Shares (other than those agreed to be taken up by ChaoShang pursuant to the Irrevocable Undertaking).

LETTER FROM THE BOARD

Principal terms of the Underwriting Agreement are set out below:

Date: 28 August 2020

Underwriter: Sinomax Securities Limited

The Underwriter is a corporation licensed to carry out Type 1 (dealings in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its associate(s) do not hold any Existing Shares, and each of the Underwriter and its ultimate beneficial owner(s) is an Independent Third Party.

Total number of Rights Shares underwritten by the Underwriter: The Underwritten Shares (i.e. up to 35,000,000 Rights Shares)

Underwriting commission: 2% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares (i.e. 35,000,000 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter

The terms of the Underwriting Agreement (including the underwriting commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions; and taking into account the following factors: (i) the recent closing prices of the Existing Shares; (ii) the prevailing market conditions; (iii) the loss attributable to owners of the Company of approximately HK\$28.11 million recorded by the Company for the financial year ended 31 March 2020; and (iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issue" below.

The Directors (excluding the independent non-executive Directors whose opinion is set forth in "Letter from the Independent Board Committee" in this circular) are of the view that the terms of the Underwriting Agreement (including the underwriting commission rate) are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (a) the passing of the necessary resolutions at the EGM to approve (i) the Underwriting Agreement and the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the GEM Listing Rules or other applicable laws and regulations), (ii) the Placing Agreement and the transactions contemplated thereunder by the Shareholders (other than those who are required to abstain from voting according to the GEM Listing Rules or other applicable laws and regulations) and (iii) the Share Consolidation;
- (b) the Share Consolidation having become effective;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully paid forms) by no later than the Business Day prior to the first day of their dealings;
- (f) the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (g) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;

LETTER FROM THE BOARD

- (h) the compliance with and performance of all the undertakings and obligations of ChaoShang, or any of its nominee(s), under the Irrevocable Undertaking;
- (i) there being no specified event as stated in the Underwriting Agreement occurring prior to the Latest Time for Termination; and
- (j) the Shares remaining listed on GEM of the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance.

The Company shall use all reasonable endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree. The conditions precedent, other than condition (g) above which can only be waived by the Underwriter, are incapable of being waived. If any of the conditions precedent is not satisfied or waived (as the case may be) by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

(IV) CONNECTED TRANSACTIONS

THE PLACING AGREEMENT

On 28 August 2020, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date: 28 August 2020

Placing Agent: ChaoShang Securities Limited has been appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

The Placing Agent is a corporation licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. It is a wholly-owned subsidiary of ChaoShang, which is a substantial shareholder of the Company, and therefore is a connected person of the Company under the GEM Listing Rules.

LETTER FROM THE BOARD

- Placing fee: Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars of 2% of the amount which is equal to the Placing Price multiplied by the number of the Unsubscribed Rights Shares and the NQS unsold Rights Shares actually placed by the Placing Agent.
- Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be): The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall not be less than the Subscription Price.
- The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.
- Placees: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) (i) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies); (ii) who shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.00% or more of the voting rights of the Company upon completion of the Rights Issue, in order to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company and none of the Placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.
- Conditions precedent: The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional.
- Placing Period: a period commencing from the first Business Day immediately after the Latest Time for Announcement of Unsubscribed Rights Shares and ending on the Latest Time for Unsubscribed Shares Arrangement (both days inclusive)

LETTER FROM THE BOARD

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Unsubscribed Shares Arrangement would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, the Directors (excluding the independent non-executive Directors whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular) consider that the Unsubscribed Shares Arrangement is fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE MATCHING SERVICE AGREEMENT

On 22 October 2020, the Company entered into the Matching Service Agreement with ChaoShang Securities in relation to the appointment of ChaoShang Securities as matching service agent for the sale and purchase of odd lots of the Consolidated Shares (including the Rights Shares). The Matching Service Agreement was entered into with an aim to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation and alleviate the difficulties of Shareholders arising from the existence of odd lots of Rights Shares arising from the Rights Issue and the Change in Board Lot Size.

Details of the Matching Service Agreement are as follows:

- Date:** 22 October 2020
- Parties:**
- (i) the Company; and
 - (ii) ChaoShang Securities

ChaoShang Securities is a corporation licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. It is a wholly-owned subsidiary of ChaoShang, which is a substantial shareholder of the Company, and therefore is a connected person of the Company under the GEM Listing Rules.

LETTER FROM THE BOARD

Services:	ChaoShang Securities shall provide standard matching services to the Shareholders who wish to acquire odd lots of the Consolidated Shares (including the Rights Shares) to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares (including the Rights Shares) during the period as stated in the Prospectus in relation to the Rights Issue to be despatched to the Shareholders.
Service fee:	The service fee of HK\$20,000 shall be payable upon completion of the provision of the odd lot matching services.

The terms of the Matching Service Agreement (including the service fee) were determined after arm's length negotiations between the Company and ChaoShang Securities with reference to prevailing market terms (including service fee) for the comparable services provided by securities firms in Hong Kong.

The Directors (excluding the independent non-executive Directors whose opinion is set forth in the "Letter from Independent Board Committee" in this circular) consider that the service fee charged under the Matching Service Agreement is no less favourable to the Company than the prevailing market rate, and the entering into of the Matching Service Agreement is on normal commercial terms and the terms thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE RIGHTS ISSUE

The Group is principally engaged in (i) provision of fitting out and engineering, design and procurement of furnishings and related products services ("**Design, fitting out and engineering services**"); (ii) leasing of construction equipment; (iii) sourcing and merchandising of fine and rare wines; and (iv) provision of financial services.

As disclosed in previous announcements of the Company in late-2019, the Group is expanding its business of leasing of construction equipment. The Company also plans to further develop and enlarge its fitting out, engineering and maintenance services business. The Company currently intends to use the net proceeds from the Rights Issue for the following purposes: (i) as to approximately HK\$15 million to 20 million of the net proceeds for purchase of construction equipment for leasing purpose (depending on the actual prevailing purchase price per tonne of the construction equipment upon placing of the order(s)); and (ii) the remaining net proceeds of approximately HK\$9.45 million to 14.45 million for the Group's operating, administrative and general expenses, including (i) as to approximately up to HK\$9 million for payment of project costs (including materials costs and labour costs) in relation to the Design, fitting out and engineering services business; (ii) as to approximately up to HK\$2 million for payment of operating costs (including warehouse rental charges and salaries) in relation to the leasing of construction equipment business; and (iii) the remainder of approximately up to HK\$3.45 million for other operating expenses of the Group. The aforesaid intended use of the net proceeds from the Rights Issue will remain unaffected regardless of the ultimate subscription level. In the event that the net proceeds from the Rights Issue is less than HK\$15 million, all the net proceeds will be used for purchase of construction equipment for leasing purpose.

LETTER FROM THE BOARD

The Board has considered other alternative means of fund raising, such as debt financing/ bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company as, save for the collaterals for the existing banking facilities, the Group does not have any other significant assets which is satisfactory to the banks and can serve as collaterals for further bank loans. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs are high and additional borrowings will deteriorate the gearing position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors (excluding the independent non-executive Directors whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Directors (excluding the independent non-executive Directors whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) considers that the Rights Issue is in the best interest of the Company and the Shareholders as a whole. The Rights Issue will not only strengthen the Group’s capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

LETTER FROM THE BOARD

The gross proceeds from the Rights Issue amounts to a maximum of approximately HK\$31.35 million before expenses. The estimated expenses, in the sum of approximately HK\$1.90 million, in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, placing fee, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK\$29.45 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue for the following purposes: (i) as to approximately HK\$15 million to 20 million of the net proceeds for purchase of construction equipment for leasing purpose (depending on the actual prevailing purchase price per tonne of the construction equipment upon placing of the order(s)); and (ii) the remaining net proceeds of approximately HK\$9.45 million to 14.45 million for the Group's operating, administrative and general expenses, including (i) as to approximately up to HK\$9 million for payment of project costs (including materials costs and labour costs) in relation to the Design, fitting out and engineering services business; (ii) as to approximately up to HK\$2 million for payment of operating costs (including warehouse rental charges and salaries) in relation to the leasing of construction equipment business; and (iii) the remainder of approximately up to HK\$3.45 million for other operating expenses of the Group. The aforesaid intended use of the net proceeds from the Rights Issue will remain unaffected regardless of the ultimate subscription level. In the event that the net proceeds from the Rights Issue is less than HK\$15 million, all the net proceeds will be used for purchase of construction equipment for leasing purpose. Due to the fact that the Company may need to place order(s) for certain construction equipment prior to completion of the Rights Issue in order to meet the demand from the customers, the Company may need to arrange for short term financing for purchasing the construction equipment before the net proceeds are available at completion of the Rights Issue. In such event, the net proceeds designated for purchase of construction equipment as mentioned above will be applied for settling such short-term financing for the purchase.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 522,600,000 Shares in issue.

On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date and up to completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; (iv) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than ChaoShang, who has provided the Irrevocable Undertaking, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Unsubscribed Shares Arrangement; and (v) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than ChaoShang, who has provided the Irrevocable Undertaking, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (on a partially underwritten basis):

LETTER FROM THE BOARD

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon the Share Consolidation becoming effective but before completion of the Rights Issue		(iii) Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		(iv) Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than ChaoShang who has provided Irrevocable Undertaking and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Unsubscribed Shares Arrangement		(v) Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than ChaoShang who has provided Irrevocable Undertaking and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (on a partially underwritten basis)	
	<i>Number of Existing</i>		<i>Number of Consolidated</i>		<i>Number of Consolidated</i>		<i>Number of Consolidated</i>		<i>Number of Consolidated</i>	
	<i>Shares</i>	<i>Approx.%</i>	<i>Shares</i>	<i>Approx.%</i>	<i>Shares</i>	<i>Approx.%</i>	<i>Shares</i>	<i>Approx.%</i>	<i>Shares</i>	<i>Approx.%</i>
ChaoShang	85,752,000	16.41	8,575,200	16.41	25,725,600	16.41	25,725,600	16.41	25,725,600	24.64
Time Vanguard Holdings Limited	50,000,000	9.57	5,000,000	9.57	15,000,000	9.57	5,000,000	3.19	5,000,000	4.79
Underwriter (Note)	-	-	-	-	-	-	-	-	35,000,000	33.52
Placees	-	-	-	-	-	-	87,369,600	55.73	-	-
Other public Shareholders	386,848,000	74.02	38,684,800	74.02	116,054,400	74.02	38,684,800	24.67	38,684,800	37.05
Total:	522,600,000	100.00	52,260,000	100.00	156,780,000	100.00	156,780,000	100.00	104,410,400	100.00

Note:

Pursuant to the terms and conditions of the Underwriting Agreement, the Underwriter undertakes to the Company that in the event of it being called upon to subscribe for or procure subscribers or purchasers of the Underwritten Shares, it shall ensure that each of the subscribers or purchasers of the Underwritten Shares procured by it (including the Underwriter itself):

- (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules); and

LETTER FROM THE BOARD

- (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.

As confirmed by the Underwriter, it will not in fact take up the Underwritten Shares for its own account in an amount that would cause it to make a mandatory general offer under the Takeovers Code. In satisfying its underwriting commitments, the Underwriter will be obliged to procure subscriptions for the Underwritten Shares from parties not acting in concert with the Underwriter; and shall and shall cause the sub-underwriter(s) to take up, and/or procure independent subscribers or purchasers to take up, such number of Underwritten Shares as necessary to ensure that (i) the public float requirements under the GEM Listing Rules are complied with; and (ii) such that it, its sub-underwriter(s) and the subscribers or purchasers procured by it or by its sub-underwriter(s) shall not, together with party(ies) acting in concert with each of them, hold 30.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue. To ensure the compliance of the public float requirements under the GEM Listing Rules can be fulfilled by the Company and without triggering any mandatory general offer obligation under Rule 26 of the Takeovers Code, as at the Latest Practicable Date, the Underwriter has procured a sub-underwriter, namely Get Nice Securities Limited, who is independent of the Underwriter to sub-underwrite 4,000,000 Rights Shares, representing approximately 3.83% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue. As confirmed by the sub-underwriter, each of the sub-underwriter and its respective connected persons and associates is an Independent Third Party. Apart from the aforesaid sub-underwriting commitment, the sub-underwriter did not hold any Shares as at the Latest Practicable Date.

As such, none of the Underwriter, sub-underwriter(s), subscribers or purchasers of the Underwritten Shares will, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 30.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue at all times.

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

The following are fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
12 November 2019	Placing of new Shares	approximately HK\$6,500,000	For purchase of construction equipment for leasing purposes	use as intended

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

Rights Issue

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules since there is no controlling Shareholder. As such, Mr. Chan Chi Yuen, Mr. Wang Jun, Mr. Zhang Weijie, Mr. Tsang Kei Cheong and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the EGM.

Placing Agreement and the Matching Service Agreement

ChaoShang Securities is wholly-owned by ChaoShang, which is a substantial shareholder of the Company. As at the Latest Practicable Date, ChaoShang is beneficially interested in 85,752,000 Existing Shares, representing approximately 16.41% of the existing issued Shares. Therefore, ChaoShang Securities is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Given that the transactions contemplated under the Placing Agreement and the Matching Service Agreement are both entered into by the Company with the same party, they are aggregated pursuant to Rule 20.79 of the GEM Listing Rules. As such, the entering into of the Placing Agreement and the Matching Service Agreement and the transactions contemplated thereunder constitutes a connected transaction on the part of the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EGM

A notice convening the EGM to be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020 at 11:00 a.m. at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the Share Consolidation, the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder is set out on pages EGM-1 to EGM-5 of this circular. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; as well as ChaoShang, will be required to abstain from voting on the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed, to the best knowledge of the Directors, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder at the EGM. On the other hand, to the best knowledge of the Directors, no Shareholder is required to abstain from voting on the resolution to approve the Share Consolidation.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon in any event no later than Friday, 13 November 2020 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 November 2020 to Monday, 16 November 2020 (both days inclusive) for determining the entitlement for attendance and voting at the EGM. The register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive) for determining the entitlement to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va), to advise the Independent Shareholders in respect of the fairness and reasonableness of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder, and as to the voting action therefor, after taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM THE BOARD

With the approval of the Independent Board Committee, Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

RECOMMENDATION

The Directors consider that the Share Consolidation, Change in Board Lot Size, the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Shareholders or Independent Shareholders (as the case may be) are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolution(s) approving, among other things, the Share Consolidation, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement to be proposed at the EGM.

Shareholders are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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

The Rights Issue will proceed on a non-fully underwritten basis. Save for the Rights Shares to be taken up by Chaoshang pursuant to the Irrevocable Undertaking and the Underwritten Shares, there is no requirement for a minimum level of subscription. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 19 November 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 2 December 2020 to Wednesday, 9 December 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,

For and on behalf of the Board

Royal Century Resources Holdings Limited

Chan Chi Yuen

Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Royal Century Resources Holdings Limited

仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

24 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE OF 104,520,000 RIGHTS SHARES
AT HK\$0.30 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE
RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS;**

AND

**(II) CONNECTED TRANSACTIONS IN RELATION TO THE PLACING
AGREEMENT AND THE MATCHING SERVICE AGREEMENT**

We refer to the circular of the Company dated 24 October 2020 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue (including the Subscription Price), the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Details of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement are set out in the “Letter from the Board” on pages 16 to 43 of the Circular.

The Independent Financial Adviser has been appointed to advise us and Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 46 to 72 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement, taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that (i) the terms of the Rights Issue (including the Subscription Price), the Underwriting Agreement, the Placing Agreement and the Matching Service Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) the Unsubscribed Shares Arrangement is fair and reasonable and would provide adequate safeguard to protect the interest of the minority Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Royal Century Resources Holdings Limited

Mr. Chan Chiu Hung Alex

Mr. Wu Zhao

Mr. Lam Cheok Va

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder, which is prepared for the purpose of inclusion in this circular.



Room 1108–1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

24 October 2020

To: Independent Board Committee and Independent Shareholders of Royal Century Resources Holdings Limited

Dear Sirs/Madams,

**(I) PROPOSED RIGHTS ISSUE OF 104,520,000 RIGHTS SHARES
AT HK\$0.30 PER RIGHTS SHARE ON THE BASIS OF TWO
(2) RIGHTS SHARES FOR EVERY ONE
(1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON
A NON-FULLY UNDERWRITTEN BASIS; AND
(II) CONNECTED TRANSACTIONS IN RELATION TO THE PLACING
AGREEMENT AND THE MATCHING SERVICE AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of Royal Century Resources Holdings Limited (the “**Company**”) dated 24 October 2020 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

As stated in the Letter from the Board, subject to, among other conditions, the approval by the Independent Shareholders at the EGM and the Share Consolidation becoming effective, the Board proposed to raise gross proceeds of approximately HK\$31.35 million (before expenses) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date by issuing 104,520,000 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules since there is no controlling Shareholder. As such, Mr. Chan Chi Yuen, Mr. Wang Jun, Mr. Zhang Weijie, Mr. Tsang Kei Cheong and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va, has been formed to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder. We, Merdeka Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Mr. Chan Chi Yuen, an executive Director, is also an executive director of ChaoShang, which is the holding company of the Placing Agent under the Unsubscribed Shares Arrangement, and has abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder voluntarily on the ground of good corporate governance.

As at the Latest Practicable Date, we did not have any relationships or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or any other parties. Accordingly, we are qualified to give independent advice on the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Rights Issue. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter and the Placing Agent or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Business and financial performance of the Group

According to the Letter from the Board, the Group is principally engaged in (i) provision of fitting out and engineering, design and procurement of furnishings and related products services (“**Design, Fitting Out and Engineering Services**”); (ii) leasing of construction equipment (“**Leasing Business**”); (iii) sourcing and merchandising of fine and rare wines (“**Wine Business**”); and (iv) provision of financial services (“**Financial Business**”).

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2020 extracted from the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”):

	For the year ended 31 March 2020 HK\$	For the year ended 31 March 2019 HK\$	Year on year change %
Revenue	42,755,000	28,150,000	51.88
– Fitting out and engineering services income	11,694,000	14,327,000	(18.38)
– Design and procurement of furnishings and related products services income	4,964,000	4,689,000	5.86
– Installation services income from leased construction equipment	1,200,000	–	N/A
– Rental income from leasing of construction equipment	2,406,000	–	N/A
– Sales of fine and rare wines	21,741,000	5,830,000	272.92
– Interest income from money lending	750,000	3,304,000	(77.30)
Loss for the year attributable to owners of the Company	28,114,000	20,074,000	40.05

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March 2020 HK\$	As at 31 March 2019 HK\$	Year on year change %
Cash and bank balances	10,698,000	27,009,000	(60.39)
Total assets	114,270,000	116,088,000	(1.57)
Total liabilities	31,277,000	11,675,000	167.90
Total Equity	82,993,000	104,413,000	(20.51)

1.1 Financial Performance

As illustrated above, the Group recorded revenue of approximately HK\$42.76 million for the year ended 31 March 2020 (“FY2019/20”), representing an increase of approximately 51.88% as compared to the year ended 31 March 2019. As set out in the 2020 Annual Report, the significant increase of the Group’s total revenue was mainly attributed by the Leasing Business and the re-activation of the Wine Business.

For FY2019/20, revenue from (i) fitting out and engineering services income contributed approximately HK\$11.69 million, representing a reduction of approximately 18.38% from the previous financial year; (ii) design and procurement of furnishings and related products services income contributed approximately HK\$4.96 million, representing an increase of approximately 5.86% from the previous financial year; (iii) installation services income from leased construction equipment contributed approximately HK\$1.20 million; (iv) rental income from leasing of construction equipment contributed approximately HK\$2.41 million; (v) sales of fine and rare wines contributed approximately HK\$21.74 million, representing an increase of approximately 272.92% from the previous financial year; and (vi) interest income from money lending contributed approximately HK\$0.75 million, representing a reduction of approximately 77.30% from the previous financial year.

For the year ended 31 March 2020, the loss for the year attributable to owners of the Company was approximately HK\$28.11 million as compared to approximately HK\$20.07 million in the previous year. The increase in net loss was mainly attributable to the loss on changes in fair value of investment property of approximately HK\$2.6 million, and impairment of intangible assets and goodwill of approximately HK\$6.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial Position

As at 31 March 2020, total assets of the Group amounted to approximately HK\$114.27 million, representing a slight decrease of approximately 1.57% as compared to that as at 31 March 2019. As understood from the 2020 Annual Report, the major changes of the total assets of the Group was (i) an increase in property, plant and equipment (mainly scaffolding equipment) of approximately HK\$12.32 million; (ii) an increase in right-of-use assets of approximately HK\$19.90 million; (iii) an decrease in value of investment property, goodwill and intangible assets of approximately HK\$8.86 million and (iv) a reduction in cash and bank balances of approximately HK\$16.30 million.

As at 31 March 2020, total liabilities of the Group amounted to approximately HK\$31.28 million, representing an increase of approximately 167.90% as compared to that as at 31 March 2019. As understood from the 2020 Annual Report, the increase in total liabilities as at 31 March 2020 was principally attributable to the record of aggregate lease liabilities of HK\$20.39 million. As understood from the Company, the underlying lease liabilities were due to application of accounting standard HKFRS 16 for leasing of the Group from 1 April 2019.

As at 31 March 2020, the cash and bank balances of the Group amounted to approximately HK\$10.70 million, representing a drop of approximately 60.39% as compared to that as at 31 March 2019. As understood from the Company, the relevant cash was mainly utilized on the acquisition of scaffolding equipment during the year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Business Prospects

Design, Fitting Out and Engineering Services

As advised by the Company, the Group mainly provides design, fitting out and other engineering services to commercial institutions and residence end users as well as public sectors.

For FY2019/20, the Group has made effort to submit tenders and to enlarge the scale of operations of fitting out and engineering services business. The Group has constantly been invited by the existing and potential customers to submit the tenders regarding to the provision of fitting out and engineering services.

As advised by the Company, the public sector client is principally the Hong Kong Housing Authority and the private sector clients are usually sourced from returning clients and referrals from contractors. For FY2019/2020, the Company has been invited to participate and has submitted tenders in both public sector and private sector. It is anticipated by the Board that the Company will continue to participate in submission of tenders in remaining 2020 and the first half of 2021.

Apart from the private sector projects, the Group is also in active negotiation with various contractors engaging in the public housing maintenance, improvement and vacant flat refurbishment works. The Group expects such contract works would bring not only stable and recurring income to the Group but would also pave the way for the Group's further participation in the public sector works. As at the Latest Practicable Date, the Group is in preliminary negotiation with contractors but no concrete terms have been finalized.

Despite the unfavourable social and economic condition due to the outbreak and ongoing dissemination of social unrest in Hong Kong and COVID-19, which the Board believes to be short term incidents, caused numerous construction projects including infrastructure construction projects and building repair and maintenance projects being suspended or postponed, the Group expects the performance of the fitting out and engineering services business will be improved gradually.

Hence, the Board considers that it is essential for the Group to maintain sufficient cash balance to secure and/or facilitate potential projects in relation to the Design, Fitting Out and Engineering Services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Leasing Business

As advised by the Company, the Leasing Business of the Group mainly leases scaffolding equipment to construction companies. Scaffolding equipment is a temporary structure used to support a work crew and materials to aid in the construction, maintenance and repair of buildings, bridges and all other man-made structures. The terms of the lease is not fixed and is depending on the schedule of the underlying projects.

The Leasing Business was developed as a natural expansion of and ancillary to the existing principal business of the Group in 2019, and started to record rental and installation services income of approximately HK\$3.6 million during FY2019/20.

As of 31 August 2020, the Company owns approximately 1,600 tonnes of scaffolding equipment for leasing purposes.

The Board considers that given the Leasing Business is in the development and growth phase, in conjunction with the recovery of the social and economic condition in Hong Kong, the number of leasing orders would be expected to increase and able to generate a solid and stable income stream to the Group.

Therefore, the Board will continue to acquire scaffolding equipment to cope with the growing demand of the Leasing Business and the total amount is expected to be approximately HK\$15 million to HK\$20 million.

Wine Business

As noted from the 2020 Annual Report, in respect with the Wine Business, the Group has developed and maintained a stable and sustainable relationship with its customers and suppliers and securing recurring orders therefrom. The Group has been actively in identification of suppliers and sourcing potential customers to sustain the development of this business. Accordingly, the Group has satisfactorily increased its revenue during FY2019/20. The Group expects the wine merchandising business will continue to attribute a stable and solid income stream to the Group.

Financial Business

The Group's Financial Business maintained a loan portfolio with principal amount of approximately HK\$6.3 million as at 31 March 2020 and recognised an aggregate interest income of approximately HK\$0.8 million for the year ended 31 March 2020. The interest income was narrowing in line with the reduction in loan portfolio since the fourth quarter of last year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, the Group will continue to adopt a prudent management approach to carry out the Financial Business in order to minimize its credit risk exposure and ensure a healthy development in its money lending, securities advisory services, securities dealing and brokerage services and assets management services business while proactively exploring and seeking for high creditworthiness customers to have steady revenue base.

2. Background of and Reasons for the Rights Issue

2.1 *Reasons for the Rights Issue and use of proceeds*

As understood from the Company, the Group is actively expanding its Leasing Business and plans to further develop and enlarge its Design, Fitting Out and Engineering Services.

As stated in the Letter from the Board, the Company currently intends to use the net proceeds from the Rights Issue for the following purposes: (i) as to approximately HK\$15 million to 20 million of the net proceeds for purchase of construction equipment for leasing purpose (depending on the actual prevailing purchase price per tonne of the construction equipment upon placing of the order(s)); and (ii) the remaining net proceeds of approximately HK\$9.45 million to 14.45 million for the Group's operating, administrative and general expenses, including (i) as to approximately up to HK\$9 million for payment of project costs (including materials costs and labour costs) in relation to the Design, fitting out and engineering services business; (ii) as to approximately up to HK\$2 million for payment of operating costs (including warehouse rental charges and salaries) in relation to the leasing of construction equipment business; and (iii) the remainder of approximately up to HK\$3.45 million for other operating expenses of the Group. The aforesaid intended use of the net proceeds from the Rights Issue will remain unaffected regardless of the ultimate subscription level. In the event that the net proceeds from the Rights Issue is less than HK\$15 million, all the net proceeds will be used for purchase of construction equipment for leasing purpose.

Purchase of construction equipment for leasing purpose

The Group has conducted placing of new Shares on 1 November 2018 and 12 November 2019 (the "**Previous Placings**"), raising net proceeds of approximately HK\$13.8 million and approximately HK\$6.5 million, respectively, for purchasing of scaffolding equipment for leasing purpose. The abovementioned proceeds have been utilized fully as at the Latest Practicable Date on the said purpose.

As disclosed in the announcements of the Company dated 29 November 2018 and 18 December 2018, the Company has placed orders from an independent supplier to make acquisitions scaffolding equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 1 September 2020 and 7 September 2020, the Company has further announced that the Company has placed orders from another independent supplier for acquiring scaffolding equipment in an aggregate amount of approximately HK\$16 million.

As of 31 August 2020, the Company has leased out approximately 940 tonnes of scaffolding equipment for use in 12 construction projects. The Company would further deliver scaffolding equipment to the existing construction projects and other construction project(s) to be commenced.

As advised by the Company, the Company has recently secured orders for leasing of the construction equipment to be used in the Three-Runway System (“3RS”) project of the Hong Kong International Airport, and it is expected that the Company shall require to purchase a vast amount of such scaffolding equipment to meet the upcoming demand of those orders.

According to the Hong Kong 2019–20 Budget as announced by the Financial Secretary, the annual public expenditures on infrastructures is estimated to exceed HK\$100.0 billion in the next few years and the annual total construction output will increase to over HK\$300 billion, covering, among others, redevelopment projects, development and expansion of new towns and new development areas, as well as construction of a third runway for the airport.

The construction of the 3RS at Hong Kong International Airport comprises different components, including the formation of about 650 hectares of land, the construction of the Third Runway, taxiways and aprons, and the Third Runway Passenger Building, expansion of the existing Terminal 2, provisions of a new automated people mover system and a high-speed baggage handling system, modification of the existing North Runway and the construction of airport support infrastructure, utilities and facilities. In addition, according to The Hong Kong Airport Authority, the third runway will commence operation from 2022 and the entire 3RS by 2024. The 3RS also consists of a third runway building covering 280,000 m², 34 air bridges and 23 remote parking positions, as well as the expansion and connection of Terminal 2 to the new complex.

Working capital

As mentioned in paragraph “1.3 Business Prospects” under section “1. Business and financial performance of the Group”, the Company participates tender for sourcing projects in relation to the Design, Fitting Out and Engineering Services. The Company expects that upon the recovery of the social unrest and COVID-19 pandemic in Hong Kong, the fitting out industry will recover and the amount of tender will also increase.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, for projects with respect to Design, Fitting Out and Engineering Services, before the Group receives the majority of its contractual payments from its clients, the Group normally needs to incur a substantial amount of net cash outflows at the early stage of its projects for set-up expenditure, such as labour costs, subcontracting charges and material costs. Progress payments or milestone payments will only be paid to the Group after the Group's completed works are certified by its customers or authorised persons employed by them. Accordingly, the cash inflows and cash outflows for a particular project may fluctuate from time to time and if, at any time, the Group becomes engaged in a number of projects that require initial set-up costs while the Group has lower cash inflows from other projects, its cash flow position may be adversely affected.

As advised by the Company, the monthly working capital for Design, Fitting Out and Engineering Services other than the costs incurred for projects is approximately HK\$160,000 and the Leasing Business is approximately HK\$430,000. It is anticipated that upon the recovery of the social unrest and COVID-19 pandemic in Hong Kong, the working capital for both business segments will also surge accordingly.

As disclosed in the 2020 Annual Report, the cash and bank balances of the Group as at 31 March 2020 was approximately HK\$10.70 million (31 March 2019: approximately HK\$27.00 million) and the total monthly working capital of the Group is approximately HK\$1.60 million. Hence, we consider that the cash position of the Group is relatively low.

2.2 Fund raising alternatives

As stated in the Letter from the Board, the Board has considered other alternative means of fund raising, such as debt financing and placing of new Shares, before resolving to the Rights Issue.

In respect of debt financing, the Board does not consider debt financing to be desirable at this stage as the expected finance costs are high and additional borrowings will deteriorate the gearing position of the Group.

In respect of placing of new Shares, the Directors considered that it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. Furthermore, the Company has already conducted placing of new shares in November 2018 and November 2019 such that another placing of new Shares would not be desirable at this stage.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In consideration between rights issue and open offer, the Board considers that the Rights Issue would be more favourable and attractive to the Shareholders than an open offer because it would allow Shareholders to have more flexibility in dealing with the Consolidated Shares and the nil-paid rights attaching thereto.

In lights of the above, in particular that (i) the Group is actively expanding its Leasing Business and plans to further develop and enlarge its Design, Fitting Out and Engineering Services, and it is believed that both industries would rejuvenate upon recovery of the social unrest and COVID-19 pandemic in Hong Kong; (ii) the Company has secured orders for leasing of the construction equipment to be used in the 3RS at Hong Kong International Airport; (iii) the business nature of the Design, Fitting Out and Engineering Services would require sufficient cash flow to facilitate the underlying projects; (iv) the net proceeds from the fund raising activities in the past 12 months were already utilized as the intended uses; (v) the cash and bank balances of the Group is at a relatively low position; and (vi) the Rights Issue is an equitable means to raise funding for the Group by allowing pro-rata participation of the Qualifying Shareholders after considering other financing alternatives by the Directors, we concurred with the Directors that the Rights Issue represents an opportunity to raise additional funding for purchase of construction equipment for leasing purpose and replenishing the internal cash resources for working capital purpose and it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

3. Principal terms of the Rights Issue

3.1 *The principal terms of the Rights Issue are summarised below:*

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	522,600,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	52,260,000 Consolidated Shares (assuming no further issue of new Share(s) or repurchase of Share(s) from the Latest Practicable Date and up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	104,520,000 Shares (assuming full acceptance of the Rights Shares and no further issue of new Share(s) and no repurchase of Share(s) from the Latest Practicable Date and up to the Record Date)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	156,780,000 Consolidated Shares, (assuming full acceptance of the Rights Shares and no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) from the Latest Practicable Date and up to the completion of the Rights Issue)
Number of Rights Shares being undertaken by ChaoShang	:	17,150,400 Rights Shares
Gross proceeds from the Rights Issue	:	Approximately HK\$31.35 million before expenses (assuming all Rights Shares were taken up)
Underwriter Commission Rate	:	2%
Placing Agent Fee	:	2%

3.2 Analysis on the Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, which is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents (assuming the Share Consolidation has become effective as at the Latest Practicable Date):

- (a) a discount of approximately 3.23% to the adjusted closing price of HK\$0.31 per Consolidated Share, based on the closing price of HK\$0.031 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;
- (b) a discount of 25.00% to the adjusted closing price of HK\$0.40 per Consolidated Share, based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (c) a discount of approximately 9.91% to the theoretical ex-rights price of approximately HK\$0.333 per Consolidated Share based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

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- (d) a discount of approximately 28.57% to the adjusted average closing price of HK\$0.42 per Consolidated Share, based on the average closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 30.88% to the adjusted average closing price of HK\$0.434 per Consolidated Share, based on the average closing price of HK\$0.0434 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (f) a discount of approximately 81.13% to the adjusted audited consolidated net asset value per Consolidated Share of approximately HK\$1.59 based on the published audited consolidated net asset value of the Company of approximately HK\$82.99 million as at 31 March 2020 as extracted from the annual report of the Company for the year ended 31 March 2020 and the number of issued Consolidated Shares after the Share Consolidation, which is 52,260,000; and
- (g) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 11.76% of the theoretical diluted price of HK\$0.34 per Consolidated Share to the benchmarked price of HK\$0.42 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the adjusted closing price on the Last Trading Day of HK\$0.40 per Consolidated Share and the adjusted average closing price of HK\$0.42 per Consolidated Share, based on the average closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day and adjusted for the effect of the Share Consolidation).

3.3 Comparison with adjusted historical closing prices of the Consolidated Share

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily adjusted closing price of the Shares (as adjusted for 10-to-1 Share Consolidation) as quoted on the Stock Exchange from 28 August 2019 up to and including 28 August 2020 (the “**Review Period**”), being a period of approximately one year prior to and including the Last Trading Day. An approximate one year period is adopted for analysis as (i) it is commonly used for analysis purpose; (ii) a short review period can only demonstrate the share price performance in a limited and specific time which may be affected by specific events; and (iii) the market condition and operating condition of the Company may be substantially different from those conditions one year back, thus a review period over one year may not provide meaningful comparison of the Consolidated Share price. The comparison of daily adjusted closing prices of the Consolidated Shares and the Subscription Price is illustrated as follows:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical daily adjusted closing price per Consolidated Share



Source: the Stock Exchange's website (<http://www.hkex.com.hk>)

During the Review Period, the average adjusted closing price was approximately HK\$0.62 per Consolidated Share (the “**Average Adjusted Closing Price**”). The daily adjusted closing price ranged from HK\$0.36 per Consolidated Share recorded on 13 July and 14 July 2020 (the “**Lowest Adjusted Closing Price**”) to HK\$0.98 per Consolidated Share (the “**Highest Adjusted Closing Price**”) recorded on 30 September 2019 during the Review Period.

As shown in the above chart, we note that the adjusted closing price per Consolidated Share shows a general downward trend and were traded above the Subscription Price throughout the Review Period. The Subscription Price of HK\$0.30 represents (i) a discount of approximately 16.67% to the Lowest Adjusted Closing Price of HK\$0.36 per Consolidated Share; (ii) a discount of approximately 69.39% to the Highest Adjusted Closing Price of HK\$0.98 per Consolidated Share; and (iii) a discount of approximately 51.61% to the Average Adjusted Closing Price of approximately HK\$0.62 per Consolidated Share for the Share Price Review Period.

As discussed in the sub-section below headed “3.4 Comparison with recent rights issue exercises”, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue as to meet the companies’ need for additional funding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.4 Comparison with recent rights issue exercises

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have further reviewed the rights issue exercises initially announced by companies listed on the Stock Exchange from 28 May 2020 up to the Last Trading Day (being around three-month period prior to and including the Last Trading Day) (the “Comparables”). An approximate three-month period is adopted for analysis so as to reflect the most recent trend of rights issue transactions by different companies under the same/similar recent market condition in the market up to the Last Trading Day (the market sentiment and condition can be different over a three-month period).

To the best of our knowledge, we have found 9 transactions which met the said criteria. We consider that the aforesaid review period is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to rights issue exercise under the recent market conditions and sentiment. We consider it is fair and representative to compare the respective discounts/premiums between each of the Comparables and that of the Rights Issue. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any independent verification with regard to the businesses and operations of the Comparables.

Company name (stock code)	Date of announcement	Premium/ (discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the date of announcement in relation to the respective rights issue %	Premium/ (discount) of the subscription price to the closing price per share on the date of announcement in relation to the respective rights issue %	Underwriting commission %	Potential maximum dilution of shareholding %
Milan Station Holdings Limited (1150)	28 August 2020	(10.57)	(3.51)	2.00	71.43
Wealth Glory Holdings Limited (8269)	24 August 2020	(11.10)	(3.60)	2.50	71.43
Beaver Group (Holding) Company Limited (8275)	10 August 2020	(28.95)	(20.59)	5.00	33.33
Greatwalle Inc. (8315)	5 August 2020	(27.54)	(21.88)	1.00 (note 1)	25.00
Larry Jewelry International Company Limited (8351)	30 July 2020	(29.17)	(6.59)	5.00	83.33
National Investments Fund Limited (1227)	7 July 2020	(28.57)	(6.25)	3.50	83.33
China Merchant Securities Co., Ltd. (6099)	6 July 2020	(41.79)	(20.33)	N/A (note 2)	23.08
Cathay Pacific Airways Limited (293)	9 June 2020	(46.90)	(35.00)	2.00	38.89
Summit Ascent Holdings Limited (102)	1 June 2020	0.00	0.00	0.00	60.00
	Maximum	(46.90)	(35.00)	5.00	83.33
	Minimum	0	0	0.00	23.08
	Average	(24.95)	(13.08)	2.63	54.42
	The Company	(25.00)	(10.00)	2.00	66.67

Source: the Stock Exchange's website (<http://www.hkex.com.hk>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. According to the prospectus of the rights issue of Greatwalle Inc. (8315) dated 19 August 2020, the respective underwriter was being paid an underwriting commission equal to a lump sum amount of HK\$200,000.00. Given the gross proceeds of the rights issue of Greatwalle Inc. (8315) is approximately HK\$20.70 million, hence the respective commission rate is approximately 1.00%.
2. The underwriting commission was not disclosed in the prospectus of the rights issue of China Merchant Securities Co., Ltd. (6099).

As shown by the above table, the discount as represented by the subscription prices of the Comparables to (i) the respective closing prices of their shares on the date of announcement in relation to the respective rights issue ranged from a discount of approximately 46.90% to a nil discount (the “**Comparables LTD Market Range**”), with an average discount of approximately 24.95% (the “**Comparables LTD Market Average**”); and (ii) the respective theoretical ex-rights prices of their shares on the date of announcement in relation to the respective rights issue ranged from a discount of approximately 35.00% to a nil discount (the “**Comparables TERP Market Range**”), with an average discount of approximately 13.08% (the “**Comparables TERP Market Average**”).

The Subscription Price of HK\$0.30 per Rights Share (assuming the Share Consolidation has become effective as at the Latest Practicable Date) represents (i) a discount of approximately 25.00% to the adjusted closing price per Consolidated Share on the Last Trading Day (the “**Company LTD Discount**”) and (ii) a discount of approximately 10.00% to the theoretical ex-rights price per Consolidated Share (the “**Company TERP Discount**”).

As shown in the above table, (i) the Company LTD Discount and Company TERP Discount hence fell within the Comparables LTD Market Range and Comparables TERP Market Range respectively; and (ii) the Company LTD Discount is similar to the Comparables LTD Market Average and Company TERP Discount is below the Comparables TERP Market Average. Having considered the above, we consider the Subscription Price to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.5 Historical trading liquidity of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, apart from the daily closing price of the Shares, we have also reviewed the trading volume data in respect of the Shares during the Review Period as illustrated in the table below:

Month	Total trading volume for the month/period <i>Number of Shares</i>	Number of trading days in the corresponding month/period	Average daily trading volume for the relevant month/period <i>(Note 1) Number of Shares</i>	Percentage of average daily trading volume to number of Shares in issue as at the end of the relevant month/period <i>(Note 2)</i>
2019				
August (including 28 August)	9,728,000	3	3,242,667	0.744%
September	143,688,000	21	6,842,286	1.571%
October	52,980,000	21	2,522,857	0.579%
November	133,552,000	21	6,359,619	1.217%
December	123,356,000	20	6,167,800	1.180%
2020				
January	12,252,000	20	612,600	0.117%
February	7,020,000	20	351,000	0.067%
March	36,564,000	22	1,662,000	0.318%
April	5,436,000	19	286,105	0.055%
May	7,652,000	20	382,600	0.073%
June	10,664,000	21	507,810	0.097%
July	36,496,000	22	1,658,909	0.317%
August (up to the Last Trading Day)	31,416,000	20	1,570,800	0.301%

Source: the Stock Exchange's website (<http://www.hkex.com.hk>)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on number of Shares in issue stated in the monthly return of the Company as at the respective month end.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, we note that the average number of Shares traded per trading date in each month during the Review Period as a percentage of the total number of issued Shares as at the respective month-ends ranged from approximately 0.055% to approximately 1.571%. Given the relatively thin trading liquidity of the Share during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market, without exerting impact on the Share price. Accordingly, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

3.6 *The Underwriting Agreement*

On 28 August 2020, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite on a non-fully underwritten basis up to 35,000,000 Rights Shares (other than those agreed to be taken up by ChaoShang pursuant to the Irrevocable Undertaking). Material terms of the Underwriting Agreement are set out below:

Date	:	28 August 2020
Underwriter	:	Sinomax Securities Limited
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwritten Shares (i.e. up to 35,000,000 Rights Shares)
Commission (the “ Underwriter Commission Rate ”)	:	2% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares (i.e. 35,000,000 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter

With reference to the Letter from the Board, the terms of the Underwriting Agreement (including the Underwriter Commission Rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions, and taking into account the following factors: (i) the recent closing prices of the Existing Shares; (ii) the prevailing market conditions; (iii) the loss attributable to owners of the Company of approximately HK\$28.11 million recorded by the Company for the financial year ended 31 March 2020; and (iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed “Reasons for the Rights Issue” in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the above table under the paragraph “3.4 Comparison with recent rights issue exercises” of the section “3. Principal terms of the Rights Issue” regarding the Comparables, we noted that the Underwriter Commission Rate of 2% falls (i) within the range of commissions of nil to 5.0% received by underwriters in the Comparables; and (ii) below the average of the commission rate of the Comparables of approximately 2.63%.

As understood from the Company, the Company has approached financial institutions to see if they were interested to be underwriter of the rights issue of the Company. The Underwriter is the only available securities house who agrees to provide underwriting service for the Rights Issue at current fund-raising size on a partially-underwritten basis after considering the Company’s business scale, financial performance of the Group and recent market sentiment.

Taking into consideration of the above, we concur with the Company that the Underwriting Agreement is on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.7 Other terms

Application for excess Rights Shares

As set out in the Letter from the Board, the proposed Rights Issue does not have excess application arrangements. Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company in the Rights Issue must make compensatory arrangement to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering such Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent Placees for the benefit of those Shareholders to whom they were offered by way of rights.

In order to comply with the GEM Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement. Upon and subject to the terms and condition set out in the Placing Agreement, the Placing Agent agrees, as agent of the Company, during the Placing Period to procure on a best effort basis Placees to subscribe for the Unsubscribed Rights Shares at the Placing Price, subject to the condition that such actual price shall not be lower than the Placing Price. The Placing Agent may carry out the Placing itself and/or, at its own expenses, through such other agents as the Placing Agent may agree with the Company. The Placing Agent shall procure that such other agents shall comply with all relevant obligations to which the Placing Agent is subject under the terms of the Placing Agreement. Any Unsubscribed Rights Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any Net Gain that is realised from the Placing will be paid to those No Action Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected Transactions – The Placing Agreement and the Matching Service Agreement

The Placing Agreement

On 28 August 2020, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	28 August 2020
Placing Agent	:	ChaoShang Securities Limited
Placing Fee (the “ Placing Agent Fee ”)	:	2% of the amount which is equal to the Placing Price multiplied by the number of the Unsubscribed Rights Shares and the NQS unsold Rights Shares actually placed by the Placing Agent
Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be)	:	The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall not be less than the Subscription Price The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) (i) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies); (ii) who shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.00% or more of the voting rights of the Company upon completion of the Rights Issue, in order to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company and none of the Placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code

The Placing Agent is a corporation licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. It is a wholly-owned subsidiary of ChaoShang, which is a substantial shareholder of the Company, and therefore is a connected person of the Company under the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the terms of the Placing Agreement (including the Placing Agent Fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms.

As understood from the Company, the Company had consulted brokerage companies (including the Placing Agent) for acting as a placing agent for the Rights Issue and only the Placing Agent responded with interest.

According to the Placing Agreement, the Company will pay to the Placing Agent the Placing Agent Fee of 2% of the amount which is equal to the Placing Price multiplied by the number of the Unsubscribed Rights Shares and the NQS unsold Rights Shares actually placed by the Placing Agent.

To assess the fairness and reasonableness of the Placing Agent Fee, we have identified 8 companies and consider the commission charged by placing agents in similar fund raising activity, i.e. rights issue and disclosed the placing commission since 28 August 2019 up to the Last Trading Day (being a twelve-month period immediately prior to the Last Trading Day) (“**Placing Comparables**”). We believe that the identified 8 companies are sufficient for us to form a view on the fairness and reasonableness of the Placing Agent Fee.

Company name (stock code)	Date of announcement	Placing commission (subscription price multiplied by the unsubscribed rights shares that have been successfully placed by the placing agent)
Magnus Concordia Group Limited (1172)	28 October 2019	Higher of (i) HK\$300,000; and (ii) 1.50%
Beijing Capital Land Ltd. (2868)	9 December 2019	1.20%
Neway Group Holdings Limited (55) (note)	10 January 2020	A fixed fee of HK\$100,000
FDG Electric Vehicles Limited (729)	21 January 2020	Total of (i) a fixed amount of HK\$850,000 and (ii) 3.00%
CMMB VISION HOLDINGS LIMITED (471)	3 February 2020	A fixed fee of HK\$150,000
Future World Financial Holdings Limited (572)	22 May 2020	3.50%
Forebase International Holdings Limited (2310)	29 May 2020	Higher of (i) HK\$200,000 or (ii) 2.50%
Summit Ascent Holdings Limited (102)	1 June 2020	Higher of (i) HK\$150,000 or (ii) 1.50%
	The Placing Agent Fee	2.00%

Note: As disclosed in the announcement of Neway Group Holdings Limited (55) dated 4 May 2020, the rights issue of Neway Group Holdings Limited (55) was voted down at the relevant special general meeting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the above Placing Comparables, we noted that the placing commission paid by these companies has fee structures of either (i) higher of a fixed fee or a commission rate based on the actual non-subscribed shares being placed by the placing agent; or (ii) a fixed fee; or (iii) a commission rate based on the non-subscribed shares being placed by the placing agent. Notwithstanding the structure of the fee payable under the Placing Comparables, we noted that the placing commission rates of the Placing Comparables range from 1.20% to 3.50%. Hence, the Placing Agent Fee of 2.00% falls within the range of the Placing Comparables.

In addition, as advised by the Company, the actual commission payable by the Company will depend on the number of Unsubscribed Rights Shares successfully placed by the Placing Agent and given the current market conditions, there is uncertainty over the number of Unsubscribed Rights Shares that may be successfully placed by the Placing Agent, and the existing Placing Agent Fee structure would provide more incentive for the Placing Agent to place a greater number of Unsubscribed Rights Shares.

Hence, we consider that the Placing Agent Fee pursuant to the Placing Agreement is fair and reasonable.

Matching Service Agreement

As set out in the Letter from the Board, in order to facilitate the trading of odd lots, if any, of the Consolidated Shares arising from the Share Consolidation, the Company has appointed ChaoShang Securities Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from Wednesday, 2 December 2020 to Thursday, 7 January 2021 (the “**Provision of Matching Services**”)

Shareholders should note that matching of the sale and purchase of odd lots of the Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed.

We have noticed from the Comparables that, 6 out of the 9 Comparables offer odds lots matching and we conclude that it is a common practice for companies to provide such service when conducting a rights issue. We have reviewed the relevant rights issue prospectus, however, the respective Comparables did not disclose the underlying odds lots matching service fee in their rights issue prospectus.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As understood from the Company, prior to appointing ChaoShang Securities as the agent for Provision of Matching Services, the Company has consulted other securities houses for price quotation and the service fee offered to ChaoShang Securities is similar to the prevailing market rates. We have also consulted two securities houses, which are different from those consulted by the Company, and we understand that the service fee HK\$20,000 offered to ChaoShang Securities is within the market range.

Hence, we consider that, given the minimal amount of the service fee in relation to the provision of odds lots matching service within the market and it is an optional service to be offered by the listed issuers at their own discretion, it is common for listed companies not to disclose the relevant service fee in their prospectus. Upon comparing the service fee offered to ChaoShang Securities and our enquiries based on our best effort, we consider that the Provision of Matching Services arrangement and the underlying service fee provided to ChaoShang Securities are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conclusion

Given that (i) the placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall not be less than the Subscription Price; (ii) the Unsubscribed Shares Arrangement would provide (a) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (b) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (c) a compensatory mechanism for No Action Shareholders; (iii) the Placing Agent Fee of 2.00% falls within the range of the Placing Comparables; (iv) the actual fee to be received by the Placing Agent would depends on the actual number of Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) to be placed by the Placing Agent which would motivate the Placing Agent to place out the relevant shares and generate more proceeds into the Company; and (v) the Provision of Matching Services arrangement is a common arrangement within a rights issue exercise and the service fee provided by the Group is similar to the prevailing market rates, we concur with the Directors that the terms of the Placing Agreement and the Matching Service Agreement are on normal commercial terms and the Unsubscribed Shares Arrangement is fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

4. Possible dilution of the shareholding interests of the existing public Shareholders

As illustrated above, the potential maximum dilution of the shareholding for the Comparables ranged from 23.08% to 83.33% ("**Comparables Dilution Market Range**"). The 66.67% potential maximum dilution of the Rights Issue hence falls within the Comparables Dilution Market Range.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As in all other cases of rights issues and open offers, dilution on the shareholdings of those Qualifying Shareholders who do not take up in full their assured entitlements under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, (i) where all Qualifying Shareholders do not accept the Rights Issue (other than ChaoShang who has provided Irrevocable Undertaking) and all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Unsubscribed Shares Arrangement, the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of approximately 49.35%; or (ii) where all Qualifying Shareholders do not accept the Rights Issue (other than ChaoShang who has provided Irrevocable Undertaking) and none of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Unsubscribed Shares Arrangement and hence all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (on a partially underwritten basis), the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of approximately 36.97%.

Details of the dilution effect are presented in the table under the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY” of the Letter from the Board.

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

- Independent Shareholders are given the chances to express their views on the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder through their votes at the EGM;
- Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Consolidated Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

5. Financial effects of the Rights Issue

Net tangible assets

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “**Pro Forma Statement**”) as enlarged by the Rights Issue as at 31 March 2020, which is prepared as if the Rights Issue and Share Consolidation had been completed on 31 March 2020, is set out under Appendix II to the Circular.

With reference to the Pro Forma Statement, the consolidated net tangible assets of the Group was approximately HK\$65.98 million as at 31 March 2020. According to the Pro Forma Statement, the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2020 would be approximately HK\$95.43 million as if the Rights Issue had been completed on 31 March 2020.

Liquidity

Assuming if all the Rights Shares are being subscribed by the Qualifying Shareholders or 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Unsubscribed Shares Arrangement, part of the net proceeds of not less than approximately HK\$9.45 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

Gearing ratio

According to the 2020 Annual Report, as at 31 March 2020, the Group’s only borrowings comprised of lease liabilities of approximately HK\$20.4 million. The Group’s gearing ratio, calculated by dividing total borrowings by total equity, was approximately 24.6%. As set out in the letter from the Board, the net proceeds from the Rights Issue will be used for the purchase of construction equipment for leasing purpose and working capital, it is expected that the gearing ratio of the Group would be decreased.

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

Based on the foregoing, we consider that the Rights Issue can provide additional liquidity and enhance the overall financial position of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue, the Underwriting Agreement and the Placing Agreement, the Matching Service Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue (including the Unsubscribed Shares Arrangement) and the Placing would provide adequate safeguard to protect the interest of the minority Shareholders are in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the resolutions at the EGM in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited

Wallace So
Director

Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 9 years of experience in corporate finance.

1. FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 are set out in the following documents which have been published on both the GEM website at www.hkgem.com and the Company's website at www.royalcentury.hk:

- the annual report of the Company for the year ended 31 March 2018 published on 29 June 2018 (pages 68 to 167) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2018/0629/gln20180629133.pdf>);
- the annual report of the Company for the year ended 31 March 2019 published on 24 June 2019 (pages 71 to 195) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2019/0624/gln20190624139.pdf>);
- the annual report of the Company for the year ended 31 March 2020 published on 30 June 2020 (pages 75 to 198) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063000751.pdf>); and
- the first quarterly report of the Company for the three months ended 30 June 2020 published on 14 August 2020 (pages 2 to 15) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0814/2020081400033.pdf>).

2. STATEMENT OF INDEBTEDNESS**Statement of Indebtedness*****Borrowings***

At the close of business on 31 August 2020, being the latest practicable date on which such information was available to the Company, the Group had no outstanding borrowings.

Lease liabilities

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 31 August 2020, being the latest practicable date on which such information was available to the Company, the Group had current and non-current lease liabilities amounting to HK\$7,019,000 and HK\$10,604,000, respectively.

Commitment

As at the close of business on 31 August 2020, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the capital expenditure contracted but not provided for in the consolidated financial statements in respect of development of construction equipment management system of HK\$125,000.

Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at the close of business on 31 August 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 31 August 2020 and up to the Latest Practicable Date, except for a short term borrowing of HK\$8,000,000 from an independent third party on 15 September 2020; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including internally generated funds, the present bank and other facilities and the net proceeds from the Rights Issue as disclosed in the Announcement, the Group will have sufficient working capital for at least twelve (12) months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Provision of design, fitting out and engineering services

The Group mainly provided fitting out and other engineering services to commercial institutions and residence end users as well as public sectors. The Group has made effort to submit tenders and to enlarge the scale of operations of fitting out and engineering services business during the year ended 31 March 2020 (“FY2020”). The Group has constantly been invited by the existing and potential customers to submit the tenders regarding to the provision of fitting out and engineering services. During FY2020, the Group has also received and completed orders in relation to the furnishings and related products. During the three months ended 30 June 2020, the Group has consolidated the provision of fitting out and engineering services and the provision of design and procurement of furnishings and related products services into the provision of design, fitting out and engineering in order to concentrate and effectively utilize the resources.

Despite the unfavourable social and economic condition due to the outbreak and ongoing dissemination of social unrest and unstable activities in Hong Kong and COVID-19, causing numerous construction projects including infrastructure construction projects and building repair and maintenance projects being suspended or postponed, the Group has managed to secure contracts with sums of approximately HK\$18.4 million, of which approximately HK\$7.4 million has been recognised during the second half of FY2020. The Group expects the social unrest and the COVID-19 outbreak are short term incidents and believes that the situation will improve when the COVID-19 outbreak is under control and the performance of the fitting out and engineering services business will be improved gradually.

Apart from the provision of design, fitting out and engineering services to the commercial institutions and the residence end-users, the Group has been extending its services to the public sectors including the government authority. The Group has also been proactively developing for cohesive business relationship with project contractors of different segments in order to widen its market spectrum. The Group has been invited to submit tenders for both private sectors and public sectors.

During the three months ended 30 June 2020, the Group has further secured projects with contract sum significantly higher than the aggregate amount of all contracts awarded during FY2020. With these brilliant results, the Group is vigorously in negotiation with a number of other potential customers for the provision of design, fitting out and engineering services including provision of the public housing maintenance, improvement and vacant flat refurbishment works and services. The Group expects such exploration and strategy will further broaden and strengthen the income stream and the sustainable development of the design, fitting out and engineering services business with maximization of return of the shareholders and the value of the Group.

Leasing of construction equipment

The leasing of construction equipment business segment was developed as a natural expansion of and ancillary to the existing principal business of the Group in the year ended 31 March 2019 (“FY2019”). The business segment successfully and gradually commenced its operation and recorded rental and installation services income of approximately HK\$3.6 million during FY2020.

Despite the unfavourable social and economic condition due to the outbreak and ongoing dissemination of social unrest and unstable activities in Hong Kong and the COVID-19, the Group has successfully secured orders from various contractors/customers in relation to the leasing of construction equipment during FY2020.

As the leasing of construction equipment business is in the development and growth phase, the number of leasing orders would be expected to increase continuously during FY2020.

The Group’s leasing business has rapid increase in number of customers and projects during the three months ended 30 June 2020. The Group has been building and consolidating business relationship with its existing customers with recurring orders and is able to explore new customers and conclude projects with significant contract sums. With the ongoing increase in number of customers and projects, the revenue generating therefrom has been increased significantly during the three months ended 30 June 2020. Although such growth rate may not be dramatically raised constantly, the leasing of construction equipment is relatively stable and low risk in nature which would progressively develop into an economic scale with considerable and sustainable income stream to the Group.

With the commencement of the infrastructural facilities such as the development and construction of the third aerial runway and the new airport terminal and buildings, it is expected that the leasing of construction equipment business of the Group would be benefited from such positive growth and development. During the past few months, the Group has explored and negotiated with the contracts alongside such development and has managed to secure new project(s) therefrom.

Looking forward, with the branding recognition of the Group's leasing of construction equipment business and the enlargement of its operation scale, the rental income derived therefrom would have significant growth potential in the coming years.

Sourcing and merchandising of fine and rare wines

The Group has developed and maintained a stable and sustainable relationship with its customers and suppliers and securing recurring orders therefrom. The Group has been actively in identification of suppliers and more potential customers to sustain the development of this business. The Group expects the wine merchandising business would be a stable income stream of the Group and the Group would maintain the wine merchandising at a steady level of operations.

Financial services

The Group continues to adopt a prudent management approach to carry out the financial services business in order to minimize its credit risk exposure while proactively exploring and seeking for high creditworthiness customers to ensure a healthy development in its money lending, securities advisory services, securities dealing and brokerage services and assets management services business.

The Group's money lending business maintains a loan portfolio with principal amount of approximately the same level as at 31 March 2020.

Certain commission income was also recognised from the introducing brokerage services during the three months ended 30 June 2020.

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



42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

Tel 電話: +852 2909 5555
Fax 傳真: +852 2810 0032
info@mazars.hk
www.mazars.hk

The Directors
Royal Century Resources Holdings Limited
Suite 2201, 22/F.
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

**ROYAL CENTURY RESOURCES HOLDINGS LIMITED
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Royal Century Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets attributable to the equity holders of the Company at 31 March 2020 and related notes (the "Pro Forma Financial Information") as set out on page II – 4 to II – 5 to the circular dated 24 October 2020 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in page II – 4 to II – 5 to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 104,520,000 rights shares (the "Rights Shares") at HK\$0.3 per Rights Share on the basis of two Rights Shares for every one consolidated share of the Company held on the rights issue record date (the "Rights Issue") on the Group's unaudited consolidated net tangible assets attributable to the equity holders of the Company at 31 March 2020 as if the Rights Issue and share consolidation on the basis that every ten issued existing shares be consolidated into one consolidated share (the "Share Consolidation") had taken place on 31 March 2020.

As part of this process, information about the Group's financial position at 31 March 2020 has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2020, on which an audit report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountant's independence and quality control

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

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

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 March 2020 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 24 October 2020

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with paragraph 7.31 of the GEM Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue and Share Consolidation had been completed on 31 March 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group had the Rights Issue and Share Consolidation been completed on 31 March 2020 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated statement of financial position of the Group at 31 March 2020, as extracted from the financial statements of the Group for the year ended 31 March 2020, with adjustments described below.

Consolidated net tangible assets of the Group attributable to the equity holders of the Company at 31 March 2020 <i>HK\$'000</i> <i>(Note i)</i>	Consolidated net tangible assets per Share at 31 March 2020 <i>HK\$</i> <i>(Note ii)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note iii)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note iv)</i>
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Rights Issue of
104,520,000 Rights
Shares at subscription
price of HK\$0.3 per
Rights Share

65,977	1.262	29,456	95,433	0.609
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Notes:

- (i) The consolidated net tangible assets of the Group attributable to equity holders of the Company at 31 March 2020 of approximately HK\$65,977,000 is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company at 31 March 2020 of approximately HK\$82,993,000 as adjusted to exclude intangible assets and goodwill of approximately HK\$15,149,000 and HK\$1,867,000 respectively as shown on the consolidated statement of financial position of the Group at 31 March 2020 as extracted from the financial statements of the Group for the year ended 31 March 2020.
- (ii) The consolidated net tangible assets per Consolidated Share at 31 March 2020 is calculated based on the consolidated net tangible assets of the Group attributable to the equity holders of the Company at 31 March 2020 of approximately HK\$65,977,000 and 52,260,000 Consolidated Shares in issue at 31 March 2020 as if the Share Consolidation had become effective on 31 March 2020.
- (iii) The estimated net proceeds from the Rights Issue of approximately HK\$29,456,000 is calculated based on 104,520,000 Rights Shares to be issued (on the basis of two Rights Shares for every one Consolidated Share held as at the rights issue record date) at the subscription price of HK\$0.3 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,900,000, assuming that the Rights Issue had been completed on 31 March 2020.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Rights Issue is calculated based on 156,780,000 Consolidated Shares, comprising 52,260,000 Consolidated Shares in issue at 31 March 2020 as if the Share Consolidation had become effective on 31 March 2020 and 104,520,000 Rights Shares to be issued, pursuant to the Rights Issue (on the basis of two Rights Shares for every one Consolidated Share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 31 March 2020.
- (v) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The Company does not have an authorised share capital nor any nominal value of Shares in its capital.

- (a) As at the Latest Practicable Date, the number of Shares in issue was as follows:

Type	Number
Ordinary Shares	522,600,000

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

Type	Number
Ordinary Shares	52,260,000

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

Type	Number
Ordinary Shares	52,260,000
Maximum number of Rights Shares	<u>104,520,000</u>
	<u><u>156,780,000</u></u>

All the Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued are or will be listed on GEM.

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

The Company had not issued any Existing Shares since 31 March 2020, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, (i) the Company had no outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares; (ii) there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option; and (iii) there were no arrangements under which future dividends were waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Interests of substantial Shareholders

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

Long positions in the Shares and the underlying shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company ^(Note 1)
Sinomax Securities ^(Note 2)	Underwriter	35,000,000	22.32%
Smart Domain Group Limited (“ Smart Domain ”) ^(Note 2)	Interest of a controlled corporation	35,000,000	22.32%
Fu Shek Financial Holdings Limited (“ Fu Shek ”) ^(Note 2)	Interest of a controlled corporation	35,000,000	22.32%
ChaoShang ^(Note 3)	Beneficial owner	85,752,000	16.41%
Time Vanguard Holdings Limited (“ Time Vanguard ”) ^(Note 4)	Beneficial owner	50,000,000	9.57%
Pure Virtue Enterprise Limited (“ Pure Virtue ”) ^(Note 4)	Interest of a controlled corporation	50,000,000	9.57%
China Huarong Overseas Investment Holdings Co. Limited (“ Huarong Overseas ”) ^(Note 4)	Interest of a controlled corporation	50,000,000	9.57%
華融華僑資產管理股份有限公司 (“ Huarong Huaqiao ”) ^(Note 4)	Interest of a controlled corporation	50,000,000	9.57%
Huarong Zhiyuan Investment & Management Co., Ltd. (“ Huarong Zhiyuan ”) ^(Note 4)	Interest of a controlled corporation	50,000,000	9.57%
China Huarong Asset Management Co., Ltd. (“ Huarong Asset Management ”) ^(Note 4)	Interest of a controlled corporation	50,000,000	9.57%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of issued Existing Shares as at the Latest Practicable Date (i.e. 522,600,000 Existing Shares), save for that of Sinomax Securities, Smart Domain and Fu Shek, which was calculated based on the expected issued share capital of the Company as consolidated under the Share Consolidation and enlarged by the allotment and issue of the Rights Shares under the Rights Issue comprising 156,780,000 Consolidated Shares (assuming full acceptance of the Rights Shares and no further issue and/or repurchase of Existing Shares and/or Consolidated Shares from the Latest Practicable Date to the completion of Rights Shares).
2. Sinomax Securities is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Smart Domain. Smart Domain is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Fu Shek, which is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2263).

Pursuant to the terms and conditions of the Underwriting Agreement, Sinomax Securities (as the Underwriter) has conditionally agreed to underwrite on a non-fully underwritten basis up to 35,000,000 Rights Shares (other than those agreed to be taken up by ChaoShang pursuant to the Irrevocable Undertaking).
3. ChaoShang is a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2322). As at the Latest Practicable Date, ChaoShang was beneficially interested in 85,752,000 Existing Shares. Pursuant to the Irrevocable Undertaking, ChaoShang has provided an irrevocable and unconditional undertaking to the Company that it shall subscribe, or procure its nominee(s) to subscribe, for 17,150,400 Rights Shares, which comprise the full acceptance of its provisional entitlement.
4. 50,000,000 Existing Shares are registered in the name of Time Vanguard, which is wholly-owned by Pure Virtue. Pure Virtue is wholly-owned by Huarong Overseas, which is wholly-owned by Huarong Huaqiao. Huarong Huaqiao is 91% owned by Huarong Zhiyuan, which is wholly-owned by Huarong Asset Management. As such, each of Pure Virtue, Huarong Overseas, Huarong Huaqiao, Huarong Zhiyuan and Huarong Asset Management is deemed to be interested in the relevant Existing Shares under the SFO.

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

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or any of their close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

Director	Name of company	Nature of business	Nature of interests
Mr. Chan Chi Yuen	ChaoShang and its subsidiaries	Money lending business and securities and asset management business	Executive director and chief executive officer of ChaoShang

As the Board is independent of the boards of directors of the abovementioned companies, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such companies.

6. LITIGATION

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

7. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

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

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

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) a conditional placing agreement dated 1 November 2018 and entered into between the Company and the Placing Agent in relation to the placing, on a best effort basis, of up to 72,600,000 new Shares at a price of HK\$0.2 per placing share;
- (b) a master agreement dated 29 November 2018 (the “**Master Agreement**”) and entered into between Royal Century Construction Equipment Limited (“**Royal Century Construction**”) (as purchaser), an indirect wholly-owned subsidiary of the Company, and Ho Hon Systems Mould Plank Limited (“**Ho Hon Systems**”) (as supplier) in respect of the provision of scaffolding equipment by Ho Hon Systems to Royal Century Construction from time to time subject to the placing of purchasing orders by Royal Century Construction for an aggregate consideration of not more than HK\$15,000,000 during the term of the Master Agreement;
- (c) a purchasing order placed by Royal Century Construction with Ho Hon Systems on 18 December 2018 pursuant to the Master Agreement for purchase of scaffolding equipment in the amount of HK\$15,952,319;
- (d) a sale and purchase agreement dated 21 December 2018 and entered into amongst Mr. Wong Wai Ming (“**Mr. Wong**”) and Ms. Wong Mei Ling (as vendors) and Royal Century Investment Group Limited (as purchaser), being a direct wholly-owned subsidiary of the Company, in relation to the sale and purchase of the entire issued share capital of, and shareholder’s loan owed to Mr. Wong by, Vai Tak Building Works Company Limited for a consideration of HK\$1,880,000;
- (e) a conditional placing agreement dated 12 November 2019 and entered into between the Company and the Placing Agent in relation to the placing, on a best effort basis, of up to 87,000,000 new Shares at a price of HK\$0.08 per placing share;

- (f) the Underwriting Agreement;
- (g) the Placing Agreement;
- (h) the Matching Service Agreement;
- (i) a purchasing order placed by Royal Century Construction with Kaiping City Hong Qiang Machinery and Equipment Company Limited (“**Hong Qiang**”) on 1 September 2020 for purchase of scaffolding equipment in the amount of approximately HK\$4,700,000; and
- (j) a purchase agreement dated 7 September 2020 and entered into between Royal Century Construction (as purchaser) and Hong Qiang (as supplier) in respect of the purchase of scaffolding equipment at the total consideration of approximately HK\$11,160,000.

9. QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
Mazars CPA Limited	certified public accountants
Merdeka Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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

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

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

10. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including Independent Financial Adviser fees, underwriting commission, placing commission, matching service fee, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.9 million.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	<i>Executive Directors</i>
	Mr. Chan Chi Yuen (<i>Chairman</i>)
	Mr. Wang Jun Mr. Zhang Weijie
	<i>Non-executive Director</i>
	Mr. Tsang Kei Cheong
	<i>Independent non-executive Directors</i>
	Mr. Chan Chiu Hung Alex
	Mr. Wu Zhao
	Mr. Lam Cheok Va
Audit committee	Mr. Chan Chiu Hung Alex (<i>Chairman</i>) Mr. Wu Zhao Mr. Lam Cheok Va
Nomination committee	Mr. Wu Zhao (<i>Chairman</i>) Mr. Chan Chiu Hung Alex Mr. Lam Cheok Va
Remuneration committee	Mr. Lam Cheok Va (<i>Chairman</i>) Mr. Chan Chiu Hung Alex Mr. Wu Zhao
Compliance committee	Mr. Chan Chiu Hung Alex (<i>Chairman</i>) Mr. Wu Zhao Mr. Lam Cheok Va
Registered office and principal place of business	Suite 2201, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Authorised representatives	Mr. Chan Chi Yuen Mr. Pang Pui Hung Paton
Compliance officer	Mr. Chan Chi Yuen
Company secretary	Mr. Pang Pui Hung Paton

Share registrar in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Principal banker	OCBC Wing Hang Bank 139-141 Des Voeux Road West, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Auditors and reporting accountants	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Legal adviser to the Company as to Hong Kong laws	Michael Li & Co. 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Merdeka Corporate Finance Limited Room 1108-1110 11/F, Wing On Centre 111 Connaught Road Central Hong Kong
Placing Agent	ChaoShang Securities Limited Rooms 2206-2210, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Underwriter	Sinomax Securities Limited Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chan Chi Yuen (“Mr. Chan”), aged 53, is an executive Director and the chairman of the Company. He joined the Group since October 2015. Mr. Chan holds a bachelor degree with honours in Business Administration and a master of science degree with distinction in Corporate Governance and Directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. He is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan is currently an executive director and the chief executive officer of Hong Kong ChaoShang Group Limited (Stock code: 2322). He is also an independent non-executive director of Leyou Technologies Holdings Limited (Stock code: 1089). He was an independent non-executive director of U-RIGHT International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited) (Stock code: 627) from November 2010 to December 2017, Jun Yang Financial Holding Limited (now known as Power Financial Group Limited) (Stock code: 397) from January 2005 to October 2017, Affluent Partners Holdings Limited (Stock code: 1466) from December 2016 to September 2018, China Baoli Technologies Holdings Limited (Stock code: 164) from April 2006 to September 2019, Media Asia Group Holdings Limited (Stock code: 8075) from September 2009 to March 2020, New Times Energy Corporation Limited (Stock code: 166) from May 2012 to March 2020 and Asia Energy Logistics Group Limited (Stock code: 351) from September 2004 to July 2020, and an executive director of Great Wall Belt & Road Holdings Limited (Stock code: 524) from June 2015 to October 2019.

Mr. Wang Jun (“Mr. Wang”), aged 51, is an executive Director. He joined the Group since February 2017. Mr. Wang completed a certificate programme in General Education from 廣東省遂溪師範學校 (for transliteration purpose only, Guangdong Suixi Education College), the PRC in 1988. Mr. Wang completed a professional programme in Business Administration from 上海國際經濟技術進修學院 (Shanghai Institute of International Economic and Technical Education) in the PRC and was awarded a bachelor degree in management in 2010. He also holds a qualification as qualified funds practitioner from the Asset Management Association of China. Mr. Wang has extensive experience in real estate, corporate strategic management, project management, investment business, and funds management.

Mr. Zhang Weijie (“Mr. Zhang”), aged 35, is an executive Director. He joined the Group since May 2018. Mr. Zhang completed a course in Tsinghua Business Administration and Innovation Executive Leadership programme from The Research Institute of Tsinghua University in Shenzhen, the PRC in 2013. He has extensive management experience in financial leasing and investment business and in securities investment in the PRC and Hong Kong.

Non-executive Director

Mr. Tsang Kei Cheong (“Mr. Tsang”), aged 43, was appointed as a Director on 20 January 2014 and became an executive Director on 30 June 2014. Mr. Tsang was re-designated as a non-executive Director on 22 December 2016. Mr. Tsang joined our Group in 2004 and has extensive experience in the interior design and consultancy industry. Prior to joining the Group, Mr. Tsang worked at S.W. Law & Associates Architects & Development Consultants Ltd, an architectural company from July 1998 to July 2004 as project coordinator responsible for assisting project architects to deal with clients, contractors and consultants. Mr. Tsang was awarded a Diploma in Electronics and Communications Engineering by Kwun Tong Technical Institute in July 1997. Mr. Tsang graduated from a Master of Engineering Management course offered by the University of Technology, Sydney in conjunction with the Hong Kong Management Association in 2014.

Independent non-executive Directors

Mr. Chan Chiu Hung Alex (“Mr. A Chan”), aged 54, is an independent non-executive Director since September 2015. Mr. A Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales, and The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Mr. A Chan obtained a Bachelor of Business Administration degree (major in Finance) from Hong Kong Baptist University and professional diplomas in Hong Kong tax and China tax from the Hong Kong Institute of Certified Public Accountants. He has served in senior financial and company secretarial positions in a number of public companies listed in Hong Kong and Singapore for years.

Mr. A Chan is currently an independent non-executive director of KK Culture Holdings Limited (Stock code: 550). He was an independent non-executive director of Feishang Non-metal Materials Technology Limited (now known as HangKan Group Limited) (Stock code: 8331) from December 2015 to December 2017.

Mr. Wu Zhao (“Mr. Wu”), aged 42, is an independent non-executive Director since November 2015. Mr. Wu obtained a bachelor degree in Engineering (Chemical) from the University of Queensland, Australia. He also obtained a master of commerce in applied finance and a master of information technology from the University of Queensland, Australia. He has extensive experience in finance, information technology, investment and funds management. Mr. Wu ceased to act as a director and the licensed representative of Type 1 (Dealings in Securities) and Type 4 (Advising on Securities) license of a fund management company from July 2018. Mr. Wu is currently an independent non-executive director of Silk Road Logistics Holdings Limited (Stock code: 988).

Mr. Lam Cheok Va (“Mr. Lam”), aged 62, is an independent nonexecutive Director since April 2016. Mr. Lam is a member of the Standing Committee of Yunnan Province Committee of the Chinese People’s Political Consultative Conference. He is also the President of Macau Yunnan Chamber of Commerce, the Director General of Macau Small and Medium Enterprises Chamber of Commerce, a director of China Federation of Overseas Entrepreneurs, a director of Macau Chamber of Commerce, an executive director of Macau Region China Council for the Promotion of Peaceful National Reunification, and a member of Advisory Board of School of Language and Translation of Macau Polytechnic Institute. Mr. Lam has extensive experience in business including entertainment, food and beverage, retail, tourism and consulting. Mr. Lam is currently a director of Macau Resources Group Limited, of which its securities are traded on the Over-The-Counter Market, the United States (OTCBB: MRGLF).

Senior management

Mr. Pang Pui Hung Paton (“Mr. Pang”), aged 51, is the financial controller and the company secretary of the Company. He currently holds directorship in certain subsidiaries of the Group. Mr. Pang has extensive experience in the field of accounting, auditing, business advisory services and financial management. He has been engaged in the senior financial and company secretarial position in listed companies in Hong Kong since 2014. Mr. Pang holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University. He is a fellow member of the Association of International Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.

Mr. Li Sze Yan (“Mr. Li”), aged 40, is the project controller of a subsidiary of the Group. Mr. Li join the Group in December 2017 and has extensive experience in fitting out and engineering industries.

Mr. Chiu Kam Sang (“Mr. Chiu”), aged 55, is the director of a subsidiary of the Group. Mr. Chiu joined the Group in 2018 and has extensive experience in waterproofing works and maintenance industries.

The business address of the Directors and the senior management is the same as the Company’s principal place of business at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprises three members, namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va, being all the independent non-executive Directors. The primary duties of the audit committee include the review of the Group’s financial reporting process and the internal control systems as well as risk management of the Group.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2018, 2019 and 2020;
- (c) the first quarterly report of the Company for the three months ended 30 June 2020;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 44 to 45 of this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 46 to 72 of this circular;
- (f) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (g) the material contracts referred to in the paragraph headed "8. Material Contracts" of this appendix;
- (h) the written consent referred to in paragraph headed "9. Qualification and consent of Experts" of this appendix; and
- (i) this circular.

15. MISCELLANEOUS

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

NOTICE OF EGM



Royal Century Resources Holdings Limited

仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8125)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Royal Century Resources Holdings Limited (the “**Company**”) will be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

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

NOTICE OF EGM

2. **“THAT**

- (i) subject to and conditional upon the passing of the resolution numbered 1 and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (ii) the underwriting agreement dated 28 August 2020 (the **“Underwriting Agreement”**) and entered into between the Company and Sinomax Securities Limited (the **“Underwriter”**) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), in respect of the Rights Issue (as defined below), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (iii) subject to the fulfillment of the conditions set out in the Underwriting Agreement, the allotment and issue of 104,520,000 new Consolidated Shares (assuming no further issue and repurchase of shares of the Company up to the Record Date (as defined below)) (the **“Rights Shares”**) pursuant to an offer by way of rights to the shareholders of the Company (the **“Shareholders”**) at the subscription price of HK\$0.30 per Rights Share (the **“Subscription Price”**) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Shareholders (**“Qualifying Shareholders”**) whose names appear on the register of members of the Company on 27 November 2020, or such other date as may be agreed between the Company and the Underwriter for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the **“Record Date”**), as described in further details in a circular issued by the Company on 24 October 2020 (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (**“Non-Qualifying Shareholders”**), and on and subject to such terms and conditions as may be determined by the Directors (the **“Rights Issue”**), be and is hereby approved, confirmed and ratified;

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- (iv) the placing agreement dated 28 August 2020 (the “**Placing Agreement**”) and entered into between the Company and ChaoShang Securities Limited (“**ChaoShang Securities**”) (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (v) the matching service agreement dated 22 October 2020 (the “**Matching Service Agreement**”) and entered into between the Company and ChaoShang Securities (a copy of which has been produced to the Meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification), in relation to the appointment of ChaoShang Securities as matching service agent for the sale and purchase of odd lots of the Consolidated Shares (including the Rights Shares), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (vi) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (vii) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Matching Service Agreement and the transactions contemplated thereunder.”

By order of the Board
Royal Century Resources Holdings Limited
Chan Chi Yuen
Chairman and Executive Director

Hong Kong, 24 October 2020

NOTICE OF EGM

Registered office and principal place of business:

Suite 2201, 22/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange, Hong Kong not less than 48 hours before the time for holding the Meeting (i.e. 11:00 a.m. on Friday, 13 November 2020) or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 10 November 2020 to Monday, 16 November 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange, Hong Kong, not later than 4:00 p.m. on Monday, 9 November 2020.
4. A form of proxy for use at the Meeting is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.royalcentury.hk).
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will post an announcement on the websites of the Company at www.royalcentury.hk and the Stock Exchange at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.

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6. Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the Meeting:
- compulsory body temperature checks and health declarations for all attendees
 - compulsory wearing of a surgical face mask for each attendee throughout the Meeting
 - no distribution of corporate gift nor provision of refreshment

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