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BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO (I) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE; AND (II) PLACING OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

Reference is made to the announcement of Beaver Group (Holding) Company Limited (the “**Company**”) dated 23 May 2022 (the “**Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The announcement is made to provide supplemental information in relation to the subject matter.

INFORMATION OF THE VENDORS

As disclosed in the Announcement, the Target Group is held by two Vendors as to 60% and 40%, respectively. As at the date of the Announcement, the Target Company was legally and beneficially owned by Vendor I, namely Ms. Yip Nga Wan (葉雅雲) (“**Ms. Yip**”) as to 60% and Vendor II, namely Mr. Wong Hoi Cheung (王海翔) (“**Mr. Wong**”) as to 40%.

Ms. Yip is a licensed representative of each of TFAML and TFSL. Mr. Wong is a responsible officer of each of TFAML and TFSL and has over 15 years of working experience in the financial industry.

SOURCE OF FUNDING FOR THE ACQUISITION

As disclosed in the Announcement, HK\$10,000,000 of the Consideration shall be satisfied by cash and HK\$10,000,000 of the Consideration shall be settled by the issue of the Convertible Bond (I). The Company intends to finance the cash portion of the Consideration by utilising its internal resources and the gross proceeds from the proposed issue of the Convertible Bond (II). In the event that the Placing does not proceed or the amount raised is not sufficient for the settlement of the cash portion of the Consideration (given the Placing will be conducted on a best effort basis and subject to Shareholders' approval at the EGM), at Completion, the Company will finance the cash portion of the Consideration solely by, or with a combination of, (i) its general working capital; (ii) external borrowing through drawing down existing banking facility, or applying for new banking facility; and/or (iii) equity financing through additional fund-raising exercise(s), depending mainly on the then financial position of the Group and the prevailing economic and financial conditions.

DOWNWARD ADJUSTMENT

As disclosed in the Announcement, the Consideration shall be subject to downward adjustment as determined in accordance with the following formula:

- (a) in the event the Adjusted NAV is less than HK\$16,000,000, then the shortfall shall be deducted, on a dollar-to-dollar basis, from the original Consideration of HK\$20,000,000; and
- (b) in the event the Adjusted NAV is a negative figure, then the Adjusted Consideration shall be adjusted to HK\$4,000,000. Under the Acquisition Agreement, the Vendors warrant to the Company that there has been no deterioration in the financial or trading position, profitability, prospects or turnover of the Target Group and there has been no significant event or occurrence which has had or may following the Completion have an adverse effect on the business, value, profitability or prospects of the Group. In addition, the Completion is conditional upon, among others, the Vendors' warranties under the Acquisition Agreement remaining true, accurate and not misleading at Completion and no events having occurred that would result in any breach of any of the Vendors' warranties or other provisions of the Acquisition Agreement by the Vendors.

For the avoidance of doubt, given the aforesaid provisions in the Acquisition Agreement, if the Adjusted NAV eventually turns out to be a negative figure, this would in effect constitute a material adverse change in the financial position of the Group. In such circumstances, the Board would exercise its contractual right to (i) terminate the Acquisition Agreement; and (ii) demand from Vendor II to return the deposit of HK\$1,000,000. Upon termination, none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Acquisition Agreement). In view of the aforesaid, the Directors consider that the downward adjustment in the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole.

BASIS OF THE CONSIDERATION FOR THE ACQUISITION

The Consideration was determined after arm's length negotiations with reference to (i) the net asset value of the Target Group being approximately HK\$16.0 million as at 30 April 2022, (ii) the corporations wholly-owned by the Target Company licensed to carry out Type 1 (dealing in the securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO since 20 June 2018, (iii) the past financial and operating performance of the Target Group and the latest financial position of the Target Group as at 31 March 2022; (iv) the business and development prospects of the Target Group; and (v) the factors set out in the section headed "Reasons for and benefits of the Acquisition" in the Announcement.

The Consideration comprise of (i) the net assets value of HK\$16.0 million and (ii) a premium of HK\$4.0 million. In assessing the reasonableness of the premium of HK\$4.0 million, the Directors has considered the time required, the uncertainty of the results of setting up its own financial services firm, and the cost of application for new licenses of Type 1 (dealing in the securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO including the cost of recruiting and maintaining two responsible officers for each of the regulated activities during the application period and the professional fees in relation to the preparation of the application documents if the Company was to apply for the abovementioned licenses under the SFO, as compared to the Acquisition.

It is respectfully submitted that according to the Vendors, the loss position of the Target Group was mainly due to the lack of sufficient business development and execution staff and limited pipeline, in light of the COVID-19 pandemic situation.

The Directors are intended to (i) expand the business development team of the Target Group to increase the pipeline and business opportunities of the Target Group by recruiting two to five additional business development staff to expand its customer base and number of engagements; and (ii) expand the execution team of the Target Group after the Acquisition by recruiting two to five additional staff.

Having considered the abovementioned, the Directors are of the view that the Consideration is on normal commercial terms and is fair and reasonable for the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Further to those reasons and benefits as set forth in the Announcement, the Board considers that the Acquisition will allow the Group to benefit from diversified revenue streams. Whilst remaining focused on developing its existing businesses, the Board is eyeing on an increasing prevalence of financial technology in the market. In the first quarter of 2022, the Hong Kong market demonstrated robustness and resiliency despite worldwide market volatility and geopolitical conflicts. The IPO market remained strong with over 150 active applications. It is also expected that more and more Chinese companies listed in the United States will seek secondary listing in Hong Kong in the near future. Financial creativity continued to shine in the Hong Kong market. The first special purpose acquisition company was listed in March 2022 with more than ten active applications pending approvals as at 31 March 2022.

Through the Acquisition, the Company will have access to the market players of the financial services through the provision of financial services such as underwriting and providing investment advices. The Acquisition will enable the Company to diversify its revenue resources from providing foundation-related works service and leasing machinery to providing financial services. Leveraging the experience of the Target Group in the Hong Kong financial market, the Board believes the Company will be able to capture the growth in the financial market in Hong Kong and the PRC.

CONVERTIBLE BOND (I) AND (II)

The following table sets out the principal terms of the Convertible Bond (I) and (II):

	Convertible Bond (I)	Convertible Bond (II)
Issuer	The Company	The Company
Principal amount	HK\$10,000,000	Up to HK\$30,000,000
Maturity date	The date falling the expiration of two years after the First Issue Date	The date falling the expiration of two years after the First Issue Date
Interest rate	The Convertible Bond (I) bear interest on the outstanding principal amount from and including the First Issue Date at the rate of 2.5% per annum payable annually in arrears from the First Issue Date.	The Convertible Bond (II) bear interest on the outstanding principal amount from and including the First Issue Date at the rate of 2.5% per annum payable annually in arrears from the First Issue Date.

	Convertible Bond (I)	Convertible Bond (II)
Conversion Price	<p>The initial Conversion Price is HK\$0.8 per Conversion Share, subject to the adjustment mechanism set forth below.</p> <p>The Conversion Price was determined after arm's length negotiations between the Vendor I and the Company with reference to the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.</p>	<p>The initial Conversion Price is HK\$0.8 per Conversion Share, subject to the adjustment mechanism set forth below.</p> <p>The Conversion Price was determined after arm's length negotiations between the Placing Agent and the Company with reference to the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.</p>
Adjustment to the Conversion Price	<p>The initial Conversion Price shall from time to time be subject to adjustment in accordance with this section:</p> <ul style="list-style-type: none"> (i) any alteration to the value of the Shares as a result of consolidation or subdivision; (ii) issue of Shares credited as fully paid to the Shareholders by way of (a) capitalisation of profits or (b) a scrip dividend; (iii) the payment or making of any capital distribution to the Shareholders; 	<p>The initial Conversion Price shall from time to time be subject to adjustment in accordance with this section:</p> <ul style="list-style-type: none"> (i) any alteration to the value of the Shares as a result of consolidation or subdivision; (ii) issue of Shares credited as fully paid to the Shareholders by way of (a) capitalisation of profits or (b) a scrip dividend; (iii) the payment or making of any capital distribution to the Shareholders;

Convertible Bond (I)

(iv) the issue of Shares to Shareholders by the Company by way of rights, or issue or grant to Shareholders, by way of rights, options or warrants to subscribe for new Shares, at less than 90% of the Current Market Price per Share;

(v) the issue of any securities (other than Shares or options or warrants to subscribe for new Shares) by the Company to Shareholders by way of rights;

(vi) the issue by the Company wholly for cash of any Shares by the Company of any options or warrants to subscribe for new Shares in each case at a price per Share which is less than 90% of the Current Market Price per Share;

Convertible Bond (II)

(iv) the issue of Shares to Shareholders by the Company by way of rights, or issue or grant to Shareholders, by way of rights, options or warrants to subscribe for new Shares, at less than 90% of the Current Market Price per Share;

(v) the issue of any securities (other than Shares or options or warrants to subscribe for new Shares) by the Company to Shareholders by way of rights;

(vi) the issue by the Company wholly for cash of any Shares by the Company of any options or warrants to subscribe for new Shares in each case at a price per Share which is less than 90% of the Current Market Price per Share;

Convertible Bond (I)

(vii) the issue wholly for cash by the Company of any securities (other than the Convertible Bond (I) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be redesignated as Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price per Share; and

(viii) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as mentioned above (other than the Convertible Bond (I) and any adjustment of the Conversion Price in accordance with the terms applicable to such securities) so that following such modification the consideration per Share is less than 90% of the Current Market Price.

Convertible Bond (II)

(vii) the issue wholly for cash by the Company of any securities (other than the Convertible Bond (II) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be redesignated as Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price per Share; and

(viii) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as mentioned above (other than the Convertible Bond (II) and any adjustment of the Conversion Price in accordance with the terms applicable to such securities) so that following such modification the consideration per Share is less than 90% of the Current Market Price.

	Convertible Bond (I)	Convertible Bond (II)
Conversion Shares	Assuming the Conversion Rights (I) are exercised in full at the initial Conversion Price, the maximum of 12,500,000 Conversion Shares (I) represent (i) approximately 9.26% of the equity interest of the Company as at the date of this announcement; and (ii) approximately 6.76% of the equity interest of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there will be no change in the total number of issued Shares from the date of this announcement up to the full conversion of the Convertible Bonds).	Assuming the Conversion Rights (II) are exercised in full at the initial Conversion Price, the maximum of 37,500,000 Conversion Shares (II) represent (i) approximately 27.78% of the equity interest of the Company as at the date of this announcement; and (ii) approximately 20.27% of the equity interest of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there will be no change in the total number of issued Shares from the date of this announcement up to the full conversion of the Convertible Bonds).
Conversion Period	The period commencing from the First Issue Date and up to 4:00 p.m. on the Maturity Date.	The period commencing from the First Issue Date and up to 4:00 p.m. on the Maturity Date.
Conversion Rights	The bondholder has the right to convert the whole or part of the outstanding principal amount of the Convertible Bond (I) (in the amount of HK\$100,000 or integral multiples thereof) at any time during the Conversion Period, provided that the Convertible Bond (I) may not be converted, to the extent if following such conversion, such bondholder and parities acting in concert, taken together, will become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Upon conversion of the rights attached to the Convertible Bond (I), there are no restrictions imposed on the subsequent sale of the Conversion Shares (I).	The bondholder has the right to convert the whole or part of the outstanding principal amount of the Convertible Bond (II) (in the amount of HK\$100,000 or integral multiples thereof) at any time during the Conversion Period, provided that the Convertible Bond (II) may not be converted, to the extent if following such conversion, such bondholder and parities acting in concert, taken together, will become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Upon conversion of the rights attached to the Convertible Bond (II), there are no restrictions imposed on the subsequent sale of the Conversion Shares (II).

	Convertible Bond (I)	Convertible Bond (II)
Bondholder's right for redemption:	By 12:00 p.m. on the Maturity Date, the bondholder may elect to request the Company to repay all outstanding principal amount and any other outstanding amount due but unpaid on the Convertible Bond (I) (if any) on the Maturity Date. Where no such election is made by the bondholder on the Maturity Date, the Convertible Bond (I) which remains outstanding shall be subject to automatic conversion as set out below.	By 12:00 p.m. on the Maturity Date, the bondholder may elect to request the Company to repay all outstanding principal amount and any other outstanding amount due but unpaid on the Convertible Bond (II) (if any) on the Maturity Date. Where no such election is made by the bondholder on the Maturity Date, the Convertible Bond (II) which remains outstanding shall be subject to automatic conversion as set out below.
Conversion at maturity	<p>Any of the Convertible Bond (I) which remains outstanding by 4:00 p.m. on the Maturity Date shall be automatically converted into Conversion Shares (I) upon the Maturity Date at the then prevailing Conversion Price.</p> <p>For the avoidance of doubt, there shall not be any mandatory conversion of the Convertible Bond (I) on the Maturity Date if such conversion will result in a bondholder and his/her/ its respective parties acting in concert triggering a mandatory general offer and in such event, the balance of the Convertible Bond (I) not converted into Conversion Shares (I) will be redeemed by the Company at a redemption amount equal to the principal amount of the Convertible Bond (I) and such sum shall be payable to the bondholder on the Business Day immediately following the Maturity Date.</p>	<p>Any of the Convertible Bond (II) which remains outstanding by 4:00 p.m. on the Maturity Date shall be automatically converted into Conversion Shares (II) upon the Maturity Date at the then prevailing Conversion Price.</p> <p>For the avoidance of doubt, there shall not be any mandatory conversion of the Convertible Bond (II) on the Maturity Date if such conversion will result in a bondholder and his/her/ its respective parties acting in concert triggering a mandatory general offer and in such event, the balance of the Convertible Bond (II) not converted into Conversion Shares (II) will be redeemed by the Company at a redemption amount equal to the principal amount of the Convertible Bond (II) and such sum shall be payable to the bondholder on the Business Day immediately following the Maturity Date.</p>

	Convertible Bond (I)	Convertible Bond (II)
Redemption prior to maturity	The Company may at any time before the Maturity Date and from time to time by serving at least ten (10) days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond (I) (in whole or in part) at 100% of the principal amount of such Convertible Bond (I) together with payment of interest accrued up to the date of such early redemption.	The Company may at any time before the Maturity Date and from time to time by serving at least ten (10) days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond (II) (in whole or in part) at 100% of the principal amount of such Convertible Bond (II) together with payment of interest accrued up to the date of such early redemption.
Redemption on default	Upon the occurrence of an event of default, the bondholder(s) may, unless such event of default has been waived in writing by them, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bond (I) at the redemption amount which is equivalent to the principal amount of the Convertible Bond (I) and such sums shall become due and payable on the 10th Business Day after the date of such notice.	Upon the occurrence of an event of default, the bondholder(s) may, unless such event of default has been waived in writing by them, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bond (II) at the redemption amount which is equivalent to the principal amount of the Convertible Bond (II) and such sums shall become due and payable on the 10th Business Day after the date of such notice.
Transferability	The Convertible Bond (I) (or any part thereof) shall not be assigned or transferred without the prior written consent of the Company.	The Convertible Bond (II) (or any part thereof) shall not be assigned or transferred without the prior written consent of the Company.
Ranking	The Conversion Shares (I) shall rank pari passu in all respects among themselves and with all other existing Shares in issue at the date of conversion.	The Conversion Shares (II) shall rank pari passu in all respects among themselves and with all other existing Shares in issue at the date of conversion.

	Convertible Bond (I)	Convertible Bond (II)
Application of Listing	No application shall be made to the Stock Exchange for the listing of the Convertible Bond (I). The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (I).	No application shall be made to the Stock Exchange for the listing of the Convertible Bond (II). The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (II).

USE OF PROCEEDS FROM THE PLACING

As at 30 April 2022, the paid-up share capital and liquid capital of the TFSL was HK\$18,000,000 and HK\$8,025,000 respectively; the paid-up share capital and liquid capital of the TFAML was HK\$10,000,000 and HK\$3,992,000 respectively. As disclosed in the Announcement, if a licensed corporation offers credit facilities to its customers who would like to purchase securities on a margin basis, or provides financing for applications of shares in connection with public offerings, it must monitor its liquid capital level continuously in order to satisfy the FRR requirements. If the margin requirement of the licensed corporation increases, it would be required to maintain additional liquid capital. Hence, the increase in liquid capital would allow the Target Group to expand its business scale in the future and enhance the capability of the Target Group in the provision of margin financing such that the Target Group will benefit from interest income generated from such provision and associated commission on trading in securities from its clients.

Pursuant to the FRR, the liquid capital is defined as the amount by which its liquid assets exceeds its ranking liabilities. A licensed corporation which underwrites or sub-underwrites an issue or a sale of securities must include in its ranking liabilities a certain percentage of the net underwriting commitment according to the computation basis prescribed in the FRR. The application of the proceeds from the Placing would also allow the Group to increase the liquid capital of the Target Group and hence facilitate the Target Group to participate in more or larger underwriting exercises, which the Target Group will benefit from the increase in underwriting commission generated.

In the event that there is an undersubscription of the Placing, the use of proceeds raised from the Placing will first be allocated to satisfy the Consideration and the remaining balance will be allocated to increase the paid-up share capital of the Target Group, which would in effect increase its liquid capital. Further details of the use of proceeds will be disclosed by the Company in the announcement of results of the Placing.

Save as disclosed above, all other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 13 June 2022

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

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

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date.