
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus 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 China New Consumption Group Limited, you should at once hand this Prospectus together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG” in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CHINA NEW CONSUMPTION GROUP LIMITED

中國新消費集團有限公司

(Formerly known as “STATE INNOVATION HOLDINGS LIMITED 國科控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8275)

RIGHTS ISSUE

ON THE BASIS OF THREE (3) RIGHTS SHARES

FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

The Rights Issue is on a non-underwritten basis. Pursuant to the Company’s constitutional documents, the applicable laws in Hong Kong and the Cayman Islands and the GEM Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed “LETTER FROM THE BOARD – Conditions of the Rights Issue” in this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be Tuesday, 1 August 2023). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 13 July 2023 to Thursday, 20 July 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 13 July 2023 to Thursday, 20 July 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The latest time for acceptance of and payment for the Rights Shares and for application is 4:00 p.m. on Tuesday, 25 July 2023. The procedure for acceptance and payment or transfer is set out on pages 16 to 17 of this Prospectus.

11 July 2023

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	1
DEFINITIONS	4
LETTER FROM THE BOARD	10
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

Expected Timetable	Date 2023
Effective date of the change in board lot size from 10,000 Shares to 20,000 Shares	Thursday, 13 July
First day of dealing in nil-paid Rights Shares (in the board lot size of 20,000 Shares)	Thursday, 13 July
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares	9:00 a.m. on Thursday, 13 July
Latest time for splitting of the PAL	4:30 p.m. on Monday, 17 July
Last day of dealing in nil-paid Rights Shares (in the board lot size of 20,000 Shares)	Thursday, 20 July
Latest Time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangement	4:00 p.m. on Tuesday, 25 July
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 25 July
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	Wednesday, 26 July
Commencement of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	Thursday, 27 July
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 31 July
Latest Time for Termination	Tuesday, 1 August

EXPECTED TIMETABLE

Expected Timetable

**Date
2023**

Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and NQS Unsold Rights Share under the Compensatory Arrangements).....	Wednesday, 2 August
Despatch of refund cheques, if any, if the Rights Issue is terminated, on or before	Thursday, 3 August
Despatch of share certificates of fully-paid Rights Shares	Thursday, 3 August
Expected first day of dealings in fully-paid Rights Shares	Friday, 4 August
Payment of Net Gain to relevant No Action Shareholders (if any).....	Friday, 18 August
Designated broker ceases to stand in the market to provide matching services for odd lots of the Shares.....	4:00 p.m. on Friday, 18 August

All time and dates in this Prospectus are references to Hong Kong local time and dates.

Dates or deadlines stated in this Prospectus for events in the timetable are indicative only and may be extended or varied. Any further changes to the expected timetable for the Rights Issue will be announced by the Company as and when appropriate.

EXPECTED TIMETABLE

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

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 25 July 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 25 July 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 25 July 2023, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“2022 CB Placing”	the placing of convertible bonds under specific mandate previously conducted by the Company as announced on 23 May 2022 and approved on 23 September 2022
“2022 Rights Issue”	the rights issue previously conducted by the Company as announced on 14 January 2022 and completed in April 2022
“AI”	artificial intelligent
“Announcement”	the announcement of the Company dated 17 February 2023 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the Board of Directors
“Bondholder(s)”	the placee(s) of the 2022 CB Placing and/or any person who is for the time being the registered holder of the Convertible Bond(s)
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CB Placing Agent”	Astrum Capital Management Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company for the 2022 CB Placing
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Circular”	the circular of the Company dated 23 March 2023 in relation to, among other things, the Rights Issue
“Company”	China New Consumption Group Limited (formerly known as State Innovation Holdings Limited), a company incorporated in the Cayman Islands with limited liability whose issued share are listed on the Stock Exchange (stock code: 8275)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this Prospectus
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Bond(s)”	the 2.5% unsecured redeemable convertible bonds in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company regarding the 2022 CB Placing
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened and held on 12 April 2023 for the purpose of considering and, if thought fit, approving, among other things, the Rights Issue and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)
“Last Trading Day”	17 February 2023 being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Practicable Date”	5 July 2023, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 25 July 2023 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	Tuesday, 1 August 2023 or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
“McKinsey Survey”	the survey named The State of AI in 2020, dated 17 November 2020, by McKinsey Global Survey
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements
“Net Proceeds”	the net proceeds of the Rights Issue
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Non-Qualifying Shareholders (if any)

DEFINITIONS

“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 Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Excalibur Global Financial Group Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, being the placing agent appointed by the Company for the Placing
“Placing Agreement”	the placing agreement dated 17 February 2023 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares

DEFINITIONS

“Placing Period”	a period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Thursday, 27 July 2023, and ending at the 4:00 p.m. on Monday, 31 July 2023
“Placing Shares”	all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“PRC”	the People’s Republic of China, and for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus dated 11 July 2023 despatched by the Company to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and PAL
“Prospectus Posting Date”	the date of despatch of the Prospectus Documents
“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)
“Record Date”	Tuesday, 25 April 2023 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 240,002,067 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders or subscription pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date

DEFINITIONS

“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.50 each as at Latest Practicable Date and further reduced to HK\$0.01 each on 6 July 2023 in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.147 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

LETTER FROM THE BOARD

CHINA NEW CONSUMPTION GROUP LIMITED

中國新消費集團有限公司

(Formerly known as “STATE INNOVATION HOLDINGS LIMITED 國科控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8275)

Executive Director:

Mr. Tang Kwai Leung Stanley

Independent non-executive Directors:

Mr. He Dingding

Ms. Chan Tsz Hei Sammi

Ms. Liu Ching Man

Registered office:

Windward 3, Regatta Office Park

PO Box 1350, Grand Cayman

KY1-1108

Cayman Islands

Principal place of business in Hong Kong:

Room 1204, 12/F, Block 2

Golden Industrial Building

16–26 Kwai Tak Street

Kwai Chung, New Territories

Hong Kong

11 July 2023

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE

ON THE BASIS OF THREE (3) RIGHTS SHARES

FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the announcements of the Company dated 17 February, 24 February, 3 March, 10 March, 13 March 2023 and the Circular, in relation to, among other things, the Rights Issue. The Board proposed to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.147 per Rights Share to raise HK\$35.28 million by issuing 240,002,067 Rights Shares to the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any).

At the EGM convened and held on 12 April 2023, the necessary resolution for approving, among other things, the Rights Issue including the Placing Agreement and the transactions contemplated respectively thereunder was duly passed by the Independent Shareholders.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you, among other things, details of the Rights Issue, certain financial information and other general information of the Company as required under the GEM Listing Rules.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.147 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	160,001,378 Shares
Number of Rights Shares	:	Up to 240,002,067 Rights Shares
Aggregate nominal value of the Rights Shares	:	Up to HK\$2,400,020.67
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 400,003,445 Shares

As at Latest Practicable Date, the 2022 CB Placing is not completed. The Company have mutually agreed with the CB Placing Agent that the 2022 CB Placing will not be completed on or before the Record Date, therefore there is no Bondholder on or before the Record Date, and the Bondholder(s) are not entitled to participate in the Rights Issue.

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

240,002,067 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 150% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 60% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

LETTER FROM THE BOARD

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up their entitlement under the Rights Issue nor any undertaking from any Shareholders that they will undertake to subscribe for the Rights Shares.

Despite the Rights Issue is conducted on a non-underwritten basis, any Rights Shares not subscribed by the Qualifying Shareholders (i.e. the Unsubscribed Rights Shares), including the NQS Unsold Rights Shares (if any) will be placed by the Placing Agent on the market to independent places on a best effort basis.

Subscription Price

The Subscription Price is HK\$0.147 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 26.50% to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (ii) a discount of approximately 26.50% to the average of the closing prices of approximately HK\$0.200 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.29% to the average of the closing prices of approximately HK\$0.205 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 34.38% to the average of the closing prices of approximately HK\$0.224 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 12.50% to the theoretical ex-rights price of approximately HK\$0.168 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represent a discount of approximately 16.00%, represented by the theoretical diluted price of approximately HK\$0.168 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.200 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date of approximately HK\$0.200 per Share) of HK\$0.200 per Share;
- (vii) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the 2022 Rights Issue and the 2022 CB Placing represented by a discount of approximately 22.17%, represented by the cumulative theoretical diluted price of approximately HK\$0.932 per Share to the benchmarked price of HK\$0.725 per Share in respect of the 2022 Rights Issue and the 2022 CB Placing (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the benchmarked price of the 2022 Rights Issue, being HK\$0.725 per Share and the benchmarked price of HK\$0.417 of the 2022 CB Placing which was at a premium);
- (viii) a discount of 88.52% to the closing price of HK\$1.280 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (ix) a discount of approximately 67.48% to the audited net asset value per Share of approximately HK\$0.452 (based on the latest published consolidated net asset value of the Group of approximately HK\$72,290,000 as at 31 March 2023 as disclosed in the annual report of the Company for the year ended 31 March 2023 and 160,001,378 Shares in issue as at the Latest Practicable Date).

LETTER FROM THE BOARD

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\$0.140. The estimated Net Proceeds (assuming no change in the number of Shares in issue on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$33.48 million.

The Subscription Price and the subscription rate (i.e. three (3) Rights Shares for every two (2) Shares held on the Record Date) was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this Prospectus.

In determining the Subscription Price, which represents a discount of 26.50% to the closing price of HK\$0.200 per Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Shares traded on the Stock Exchange from 18 November 2022 to the Last Trading Day, representing approximately three months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with closing price ranges between the lowest closing price of HK\$0.199 per Share on 10 February 2023 and the highest closing price of HK\$0.375 per Share on 2 December and 5 December 2022. In general, the daily closing price per Share during the Relevant Period demonstrates a downward trend.

The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group; and (iv) as the daily closing price per Share during the Relevant Period demonstrates a downward trend, the Subscription Price which represents a discount to the closing price on the Latest Trading Day can attract the Qualifying Shareholders to participate in the Rights Issue.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company has sent the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company has sent copies of the Prospectus to them for their information only, but no PAL has been sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company, and not be a Non-Qualifying Shareholder on the Record Date.

LETTER FROM THE BOARD

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

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

Overseas Shareholders

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

According to the register of members of the Company as at the Record Date, there was no Overseas Shareholders with registered addresses situated outside Hong Kong.

The Company reserves the right to treat as invalid any acceptance of or application 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.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every two (2) Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

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

Fractional entitlements to the Rights Shares

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

LETTER FROM THE BOARD

Odd lots matching services

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, the Placing Agent has been appointed as designated broker by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact the Placing Agent at (852) 2844-9876 or by facsimile at (852) 2526-0618 during the period from 9:00 a.m. on Thursday, 13 July 2023 to 4:00 p.m. on Friday, 18 August 2023 (both days inclusive). Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Procedures for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on Tuesday, 25 July 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**TRICOR TRUST (HONG KONG) LIMITED – A/C NO. 34**" and crossed "**ACCOUNT PAYEE ONLY**". It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Tuesday, 25 July 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Monday, 17 July 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 3 August 2023.

No receipt will be issued in respect of any application monies received.

Status of the Rights Shares

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

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on Thursday, 3 August 2023. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Thursday, 3 August 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Stamp duty and other applicable fees

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

LETTER FROM THE BOARD

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

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

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 17 February 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 31 July 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

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

LETTER FROM THE BOARD

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

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

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

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

The nil-paid and fully-paid Rights Shares will be traded in board lots of 20,000 Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to dealing is being or is proposed to be sought on any other stock exchange.

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

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the Rights Issue having been approved by the Independent Shareholders at the EGM;
- (ii) the delivery to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (iv) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the 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;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands; and
- (vi) the Placing Agreement not being terminated.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the above conditions are not fulfilled on or before the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, the above condition (i) is fulfilled and all the other conditions remain unfulfilled.

LETTER FROM THE BOARD

Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date : 17 February 2023 (after trading hours)

Issuer : The Company

Placing Agent : Excalibur Global Financial Group Limited

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

Placing Period : A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Thursday, 27 July 2023, and ending at the 4:00 p.m. on Monday, 31 July 2023.

Commission and expense : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

Placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.

LETTER FROM THE BOARD

Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For the avoidance of doubt, no placee shall become a substantial shareholder of the Company as a result of the Placing. The Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement : The Placing is conditional upon the fulfillment of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Placing Shares;
- (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;

LETTER FROM THE BOARD

- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

In the event that the above condition precedents have not been fulfilled or waived (where applicable) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof). As at Latest Practicable Date, the above condition (ii) is fulfilled and all the other conditions remain unfulfilled.

The terms of the Placing Agreement, including the commission payable, was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to (i) the market comparables including the average placing commission of 2.94% of the recent proposed rights issue announced by the companies listed on GEM of the Stock Exchange within 12 months prior to the Last Trading Day; (ii) the net loss attributable to owners of the Company of approximately HK\$20.5 million recorded by the Group for the nine months ended 31 December 2022; (iii) the gross proceeds of the Rights Issue of HK\$35.28 million; and (iv) the downward trend of the daily closing price of the Shares of the Company during the Relevant Period. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

LETTER FROM THE BOARD

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

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

- (i) the arrangements are in compliance with the requirements under Rule 10.31(1)(b) of the GEM Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company.

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

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is also engaged in leasing of machinery. As stated in the announcement of the Company dated 13 May 2022, in order to enhance the future competitiveness and influence, the Group has a plan to develop new business segments in the field of technological innovation, on the basis of consolidating its existing businesses.

The maximum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$33.48 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.140. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 55.26% (or approximately HK\$18.50 million) will be used for the expansion of the foundation business

LETTER FROM THE BOARD

capacity of the Group; (ii) approximately 22.40% (or approximately HK\$7.50 million) will be used for the development of the AI business, including but not limited to AI translation; and (iii) approximately 22.34% (or approximately HK\$7.48 million) will be used as the general working capital of the Group.

The Construction Business

In order to consolidate Group's foundation business and expand its capacity, the Group plans to acquire sets of pile casing, with cost of HK\$18.50 million. The pile casing is important equipment in the foundation work, it is used to stabilize the drilled shaft excavation and then removed after or during placement of fluid concrete.

Over the years, the Group has periodically leased construction equipment from third-party construction equipment rental services providers to supply its foundation service capacity when its self-owned equipment has been under deployment or unavailable. Occasionally, the third-party construction equipment rental services providers may not be able to provide the construction machinery on time, which may cause the schedule delay in construction projects and increase the construction costs.

According to the 2022–23 Budget announced by the Hong Kong government, the annual capital expenditure on infrastructure will reach approximately HK\$100 billion and approximately 15,200 transitional housing units will be introduced in the next few years. Taking into consideration the long term development of the Hong Kong construction industry in light of the 2022–23 Budget, the Directors consider that there will be an increase in demand for the Group's foundation services. In order to capture the growing demand for foundation services in Hong Kong, it is part of the Group's business strategy to enhance the variety and quantity of its foundation equipment in order to strengthen its service capacity and enhance its market position in Hong Kong.

Based on the aforesaid and in light of the growing demand of construction service in Hong Kong, the Board considers that it is in the interest of the Group to acquire additional sets of pile casing for the provision of foundation services taking into account the followings:

- (i) acquisition of the pile casings can reduce the risk of unavailability of the pile casings from third-party construction equipment rental services providers, thereby facilitating the Group in fulfilling its project schedule; and
- (ii) the Group can lease the pile casings to other foundation services providers to increase revenue of the Group while the pile casing is idle.

LETTER FROM THE BOARD

The AI Business

In order to develop new business segments in the field of technological innovation, the Company intend to use the relevant Net Proceeds to set up the AI business by hiring team for operation of the AI business and developing and/or acquiring the respective AI system. The Company may either hire a team of talents to develop the respective AI system or to acquire the system with further enhancement. The Company expects that the total fund required to develop the AI business is approximately HK\$7.50 million. As at the Latest Practicable Date, the Company had not yet enter into any agreement in relation to the AI business.

The AI translation system customises the process of translation and create a memory of files to provide a customised categorisation, glossary and style for each user. The application of AI system can enhance work efficiency, increase the cost effectiveness and decrease the risk arise from human error.

The AI, coined as a term at the Dartmouth Conference in 1956, has evolved from symbolic AI which tried to teach computers how to reason abstractly to the point today where some people have speculated an era that robots will soon be replacing human jobs. While AI is rapidly developing as an inevitable component of emerging technologies, there is no widely accepted definition of it. AI generally refers to a machine-based system (especially a computer system) that can accomplish tasks requiring skills and abilities associated with human intelligence, such as visual and speech recognition, reasoning, learning and problem solving. In recent years, AI has developed not only as a field of research, but also as a technology that expands across a wide range of applications. It is estimated that AI has the potential to reshape the competitive landscape of companies and jobs, as well as delivering additional HK\$123.1 trillion to the global gross domestic product in 2030.

The “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035*” (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) approved by the National People’s Congress of the PRC set out the plan to develop China into an innovative country and a strong country in science and technology, also expressed clear support for Hong Kong’s development into an international innovation and technology hub.

According to the McKinsey Survey, half of its respondents from a variety of industries have adopted AI to serve at least one function in their company, and it has increased the revenue. Businesses use AI for inventory, sales forecasting, pricing optimization and other purposes, including the translation especially in international trade. AI translation tools are capable to work with the traditional text and even offer instant translation during audio and video calls. Comparing to the traditional translation tools, AI translation has significant advance in the cost and productivity.

* *For identification purpose only*

LETTER FROM THE BOARD

The Company will charge the AI business customers on different terms depending on the needs of the users, including but not limited to (i) monthly subscription with a monthly fee covering a certain amount and type of services provided; or (ii) by each word/page translated. As an international commercial hub, the Directors believe that accurate and efficient translation is widely needed in many different industries in Hong Kong especially finance related businesses.

As at Latest Practicable Date, the Company is in negotiation with potential partners and has identified relevant system and platform to acquire. The Board plans to complete the setup of the AI business segment by the end of 2023 and commence at early 2024.

In the light of the above mentioned, considering (i) the ever-increasing market demand of the AI translation tools for the recovering international business; (ii) high level of academic research of AI technology in Hong Kong; and (iii) PRC has expressed clear support for Hong Kong's development into an international innovation and technology hub, the Board believes that the applied AI industry has a promising prospect, therefore that developing AI business will enable the Group to benefit from diversified revenue streams and will drive the development of the Company's financial business and accelerate its expansion.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the Net Proceeds cannot be ascertained at this moment. In the event that the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the Net Proceeds from the Rights Issue are expected to be utilised with proportional reductions in the same usage scenarios as above. The Company may also consider other fund raising alternatives including but not limited to debt financing, in the event that the Rights Issue is undersubscribed.

The Board has considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. In addition, the Company had preliminarily consulted brokerage companies for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis.

The Board has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. The Company has contacted with certain banks for securing bank loan facilities, upon the discussion, the Board considers that the debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations, as at 30 September 2022, the gearing ratio of the Group, calculated as the total debts divided by the total equity, was approximately 13.9%. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the

LETTER FROM THE BOARD

Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

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

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue (assuming all Shareholders have taken up their entitled Rights Shares); (iii) immediately after completion of the Rights Issue (assuming none of the Shareholders have taken up any entitled Rights Share); (iv) immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming full acceptance) to the full conversion of the Convertible Bonds); and (v) immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of

LETTER FROM THE BOARD

issued Shares from the date of completion of the Rights Issue (assuming no acceptance) to the full conversion of the Convertible Bonds), for illustration purposes only, assuming there are no changes in the share capital of the Company on or before the Record Date:

	(i) As at the Latest Practicable Date	(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders	(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent	(iv) Immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming full acceptance) to the full conversion of the Convertible Bonds)	(v) Immediately upon full conversion of the Convertible Bonds (assuming there will be no change in the total number of issued Shares from the date of completion of the Rights Issue (assuming no acceptance) to the full conversion of the Convertible Bonds)
	Number of issued Shares	Approx. %	Number of issued Shares	Approx. %	Number of issued Shares
Mr. Lam Yu Chor (Note 1)	33,098,750	20.69	82,746,875	20.69	33,098,750
Ms. Wong Fei Heung Terbe (Note 2 and 3)	21,790,000	13.62	54,475,000	13.62	21,790,000
Other public Shareholders	105,112,628	65.69	262,781,570	65.69	105,112,628
Independent Placers	-	-	240,002,067	60.00	240,002,067
Bondholders	-	-	-	-	54,545,454
Total	160,001,378	100.00	400,003,445	100.00	454,548,899

Notes:

- Mr. Lam Yu Chor (“**Mr. Lam**”) legally and beneficially owns the entire issued share capital of Goldstone Wealth Management Limited (“**Goldstone**”), which is the general partner of Goldstone I LPF. Therefore, Mr. Lam is deemed, or taken to be, interest on all Shares held by Goldstone for the purpose of the SFO. Mr. Lam is the director of Goldstone.
- Ms. Wong Fei Heung Terbe (“**Ms. Wong**”) legally and beneficially owns the entire issued share capital of Success Run International Limited (“**Success Run**”). Therefore, Ms. Wong is deemed, or taken to be, interested in all the 18,350,000 Shares held by Success Run for the purpose of the SFO. Ms. Wong is the sole director of Success Run.
- Ms. Wong legally and beneficially owns the entire issued share capital of Lion Spring Enterprises Limited (“**Lion Spring**”). Therefore, Ms. Wong is deemed, or taken to be, interested in all the 3,440,000 Shares held by Lion Spring for the purpose of the SFO. Ms. Wong is the director of Lion Spring.

As illustrated in the above table, if the Shareholders elect not to participate in the Rights Issue, their shareholding interests in the Company will be diluted by approximately 60%.

LETTER FROM THE BOARD

FUND RAISING EXERCISE IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of the Announcement
24 February 2022	Rights issue on the basis of three rights shares for every two shares	HK\$42.6 million	(i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the promissory notes issued by the Company on 13 December 2021 to China New Economy Fund Limited in the principal amount of HK\$3.0 million with an interest of 8% per annum due six months after the date of issue of the promissory notes (i.e. 13 June 2022); (ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost; (iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group's operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income;	All net proceeds have been fully utilised as intended. The net proceeds in the amount of HK\$17.6 million have been utilised as intended. All net proceeds had not been utilised.

LETTER FROM THE BOARD

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of the Announcement
			(iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group's customer base and acquire more projects; and	The net proceeds in the amount of HK\$1.2 million have been utilised as intended.
			(v) the remaining balance of approximately HK\$9.5 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.	All net proceeds have been utilised as intended.
2 September 2022	Placing of Convertible Bonds	HK\$29.4 million	For the financial assistance business	As at Latest Practicable Date, the 2022 CB Placing is not completed.
11 November 2022	Placing of new shares under general mandate	HK\$6.5 million	For the general working capital of the Group	All net proceeds have been utilised as intended.

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 10.29(1) of the GEM Listing Rules and any controlling shareholder and their respective associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As at the date of the EGM, (i) the Company did not have any controlling shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates were interested in any Share, therefore no Shareholders were required to abstain from voting of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue (whether on its own or when aggregated with the 2022 Rights Issue and the 2022 CB Placing) does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

As at Latest Practicable Date, save for the Rights Issue, the Placing, the Company did not have any plan and had not entered into any negotiation, agreement, arrangement or undertaking to conduct any other corporate action or arrangement that may affect the trading of the Company's shares in the next 12 months.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention.

Risk relating to the Group

- (i) the Group determines project price based on the estimated time and costs involved in a project, which may deviate from actual time and costs incurred. Inaccurate estimation may adversely affect its financial results;
- (ii) the Group's foundation works are exposed to the risk of unexpected geological or sub-soil conditions;
- (iii) non-performance, delayed performance, sub-standard performance, non-compliance or unavailability of the Group's subcontractors may adversely affect its operation and profitability;

LETTER FROM THE BOARD

- (iv) the Group's customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment will be paid to us on time and in full, or that retention money is fully released to us upon completion of a project;
- (v) the Group's business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them; and
- (vi) the Group's business operations depends on the Group's suppliers for construction materials and supplies, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and the Group may not be able to identify an alternative source of stable supply with acceptable quality and price.

Risk relating to the Share price

The price and trading volume of the Shares are determined by demand and supply of investors for the Shares on the open market and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in Hong Kong could cause the market price of the Shares to change substantially.

Risk relating to the Rights Issue

Under the Placing Agreement, the Placing Agent shall be entitled by notice in writing to the Company to terminate its obligations upon the occurrence of any of the terminating events as stipulated under the Placing Agreement on or before the Latest Time for Termination.

Moreover, should the Rights Issue proceed as intended, the interest of the existing Shareholders will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

Economic and political risks

The business operations of the Group are primarily based in Hong Kong and the PRC, any significant change in the general economic and political developments in Hong Kong and the PRC may adversely affect the Group's operations and financial position.

Additional risks

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or otherwise deemed immaterial by the Directors as at the Latest Practicable Date, may also adversely affect the business of the Group in a material aspect.

LETTER FROM THE BOARD

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

The Shares have been dealt on an ex-rights basis from Monday, 17 April 2023. Dealings in the nil-paid rights are expected to take place from Thursday, 13 July 2023 to Thursday, 20 July 2023 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed “Conditions of the Rights Issue” in this Prospectus) are not fulfilled, the Rights Issue will not proceed.

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

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person 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 advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this Prospectus. In the event that any inconsistency between English and Chinese version of this Prospectus, the English will prevail.

By Order of the Board
China New Consumption Group Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

1. FINANCIAL SUMMARY OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 March 2021, 2022 and 2023 were disclosed on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.beavergroup.com.hk>). Set out below are links to the relevant financial reports of the Company:

- (i) The annual report of the Company for the year ended 31 March 2023 published on 30 June 2023 (page 88 to 153):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0630/2023063000001.pdf>

- (ii) The annual report of the Company for the year ended 31 March 2022 published on 30 June 2022 (pages 83 to 148):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063000015.pdf>

- (iii) The annual report of the Company for the year ended 31 March 2021 published on 29 June 2021 (pages 79 to 140):

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0629/2021062900572.pdf>

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 May 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the indebtedness of the Group was as follows:

(a) Borrowings

The Group had outstanding borrowings of approximately HK\$1,660,000 from unsecured bank borrowings.

An unsecured bank borrowing of approximately HK\$1,660,000 is guaranteed by the Government of the Hong Kong Special Administrative Region and personal guaranteed by Mr. Tang Kwai Leung, Stanley and Mr. Chui Koon Yau, being the director of Triangular Force Construction Engineering Limited, an indirect wholly-owned subsidiary of the Company. Bank and other borrowings that due for repayment after one year contain repayment on demand clause were classified as current liabilities.

(b) Lease liabilities

The Group had lease liabilities of approximately HK\$5,190,000 in respect of finance leases for certain warehouse and property, plant and equipment. Lease liabilities of approximately HK\$164,000 are guaranteed by the Company and HK\$705,000 guaranteed by Mr. Chui Koon Yau, being the director of Triangular Force Construction Engineering Limited, an indirect wholly-owned subsidiary of the Company.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including the existing cash and bank balances, available facilities and the estimated net proceeds from the Rights Issue and the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Prospectus.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as aforesaid, the Directors confirm there had been no material adverse change in the financial or trading position of the Group since 31 March 2023 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is also engaged in leasing of machinery.

For the year ended 31 March 2023, the Group's revenue amounted to approximately HK\$135.10 million, representing a decrease of approximately 7.9% when compared to the Group's revenue of approximately HK\$146.74 million for last year. The Group has recorded a revenue of approximately HK\$5.59 million from the leasing of machinery during the year ended 31 March 2023, as compared to no revenue recorded for the preceding year.

During the year ended 31 March 2023, the Group's business in the provision of construction services in the construction industry has been confronting challenges under the COVID-19 pandemic in Hong Kong, especially the fifth wave of epidemic in late February 2022. Although revenue generated for the construction contract has slightly increased during the year ended 31 March 2023, the profitability of the construction projects significantly dropped due to cost overrun in the Group's bored piling projects because of delay in work progress.

Despite the underperformance in results and stringent market environment of the construction industry, the Group will continue to deploy our efforts in tendering for contracts, particularly contracts which yield higher margins in price and make concerted efforts in controlling and managing the contract and operating costs, in order to foster improvement in the results of the business.

Looking forward to 2023, even the Hong Kong Government has removed all the COVID-19 pandemic containment measures, the Group still expect that the aftermath of the COVID-19 pandemic will continue to pose a challenge to Hong Kong's economy and construction industry in the foreseeable future. However, the Group is cautiously optimistic about the business prospects of the Group as the Group will give sustained impetus to the growth of the Group from two aspects.

Firstly, the Group will continue to do our best to implement tight cost control measures, improve the efficiency of workflow throughout the construction process, and strengthen the effectiveness of project management so as to improve our operational efficiency and the profitability of our businesses.

Secondly, the Group will put our great effort on talent cultivation. The speciality and quality of employees will have an important impact on the development of the Group.

In addition, the Group is also actively seeking potential business opportunities that can widen its income streams and increase the return of shareholders of the Company. According to the "Development Plan of Housing and Urban-Rural Development Technology for the 14th Five-Year Plan" published by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, technology will become a major driving force in promoting green development of urban-rural construction, achieving the goal and mission of carbon peak, and supporting the transformation and upgrade of the construction industry. According to the Financial Technology Development Plan (2022–2025) published by the People's Bank of China and the Fintech 2025 strategy published by the Hong Kong Monetary Authority, the Directors believe the financial industry of Hong Kong will continue evolving.

Moreover, with the continuous optimisation of China's economic structure, consumption has increasingly become the main engine of domestic economic growth. At the same time, as China's share of the global consumption is also increasing, China is expected to be the world's largest consumer market. The Company believes that the business has bright development prospects and will provide the Group with a diversified source of revenue.

In order to enhance the Group's future competitiveness and influence, the Group has a preliminary plan to develop new business segments in the field of technological innovation, including but not limited to smart construction technology, finance, fintech and new consumption in China, on the basis of consolidating its existing businesses.

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

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 31 of Chapter 7 of the GEM Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 March 2023.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2023, adjusted as described below:

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2023 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2023 <i>HK\$'000</i>
<u>72,622</u>	<u>33,480</u>	<u>106,102</u>

Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue *(Note 3)*

HK\$0.27

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2023 are based on the consolidated net assets in the audited consolidated statement of financial position of the Group as at 31 March 2023.
2. The estimated net proceeds from the Rights Issue are based on 240,002,067 Rights Shares at the Subscription Price of HK\$0.147 per Rights Share, after deduction of the underwriting fees and other share issue related expenses payable by the Company of approximately HK\$1,800,000.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 31 March 2023 immediately after the completion of the Rights Issue as if the Rights Issue of 240,002,067 had been completed on 31 March 2023, but does not take into account on the capital reduction, share premium reduction, sub-division of unissued shares and any shares which have been or may be issued upon the exercise of options granted under the share option scheme subsequent to 31 March 2023.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2023.

B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

T +852 2598 5123

F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123

傳真 +852 2598 7230

www.rsmhk.com

11 July 2023

The Board of Directors
China New Consumption Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Consumption Group Limited (formerly known as “State Innovation Holdings Limited”) (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 March 2023 as set out on pages II-1 to II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Section A of Appendix II to this prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s net tangible assets as at 31 March 2023 as if the transaction had been taken place at 31 March 2023. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 March 2023, 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 13 of Appendix 1B and paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the GEM of The Stock exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 31(7) of Chapter 7 of the GEM Listing 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 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2023 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 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 judgment, 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.

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the Rights Issue and the use of proceeds" set out on pages 24–25 of the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital in the Company (i) as at the Latest Practicable Date; and (ii) immediately following the allotment and issue of the Rights Shares, assuming there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue, will be as follows:

i. As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
	<u>900,000,000</u> Shares of HK\$0.50 each	<u>450,000,000.00</u>
<i>Issued and paid-up share capital:</i>		
	<u>160,001,378</u> Shares of HK\$0.50 each	<u>80,000,689.00</u>

Note: As at Latest Practicable Date, the par value of the Shares was HK\$0.50. The par value of the Shares was reduced to HK\$0.01 on 6 July 2023.

- ii. Immediately following the allotment and issue of the Rights Shares, assuming there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue:

<i>Authorised:</i>	<i>HK\$</i>
<u>45,000,000,000</u> Shares of HK\$0.01 each	<u>450,000,000.00</u>
 <i>Issued and paid-up share capital:</i>	
160,001,378 Shares of HK\$0.01 each	1,600,013.78
240,002,067 Rights Shares to be allotted and issued upon completion of the Rights Issue of HK\$0.01 each	2,400,020.67
<u>400,003,445</u> Shares in issue immediately after completion of the Rights Issue of HK\$0.01 each	<u>4,000,034.45</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company has applied to the GEM Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

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

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives of the Company or their associates had any interests or 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 (i) 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 they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

Long position in the Shares

Name	Nature of interest	Number of Shares held	Approximate percentage or attributable percentage of shareholding
Goldstone 1 LPF	Beneficial owner	33,098,750 (Note 1)	20.69%
Goldstone Wealth Management Limited	Beneficial owner	33,098,750 (Note 1)	20.69%
Mr. Lam Yu Chor Paul	Interest in controlled corporations	33,098,750 (Note 1)	20.69%
Success Run International Limited	Beneficial owner	18,350,000 (Note 2)	11.47%
Ms. Wong Fei Heung Terbe	Interest in controlled corporations	21,790,000 (Note 2)	13.62%
Mr. Tai Pik Yeung Tyler	Beneficial owner	8,834,000	5.52%

Notes:

- (1) Mr. Lam Yu Chor Paul (“**Mr. Lam**”) legally and beneficially owns the entire issued share capital of Goldstone Wealth Management Limited (“**Goldstone**”), which is the general partner of Goldstone 1 LPF. Therefore, Mr. Lam is deemed, or taken to be, interest on all Shares held by Goldstone for the purpose of the SFO. Mr. Lam is the director of Goldstone.

- (2) Ms. Wong Fei Heung Terbe (“**Ms. Wong**”) legally and beneficially owns the entire issued share capital of Success Run International Limited (“**Success Run**”) and Lion Spring Enterprises Limited (“**Lion Spring**”), the latter of which hold 3,440,000 Shares, representing approximately 2.15% of the entire issued share capital of the Company. Therefore, Ms. Wong is deemed, or taken to be, interested in all the 21,790,000 Shares held by Success Run and Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run and the director of Lion Spring.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

4. DIRECTORS’ INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS’ INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules.

6. DIRECTORS’ SERVICE CONTRACTS

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

7. LITIGATION

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

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

- (i) the Placing Agreement;
- (ii) the sale and purchase agreement dated 29 January 2023 entered into among Goldstone Finance Limited (“**Goldstone Finance**”), a wholly-owned subsidiary of the Company, Ashe Capital Holding Limited (“**Ashe Capital**”) and Mr. Wu Mianqing, pursuant to which Ashe Capital agreed to sell and Goldstone Finance agreed to purchase 1,423 ordinary shares in Central Champion Holding Limited (“**Central Champion**”), representing 14.23% of the issued share capital of Central Champion at the consideration of HK\$8,100,000. For further details, please refer to the announcement of the Company dated 29 January 2023;
- (iii) the placing agreement dated 11 November 2022 entered into between the Company and Orient Securities Limited in relation to the placing of up to 25,001,378 Shares on a best efforts basis, at the placing price of HK\$0.270 per placing share. For further details, please refer to the announcement of the Company dated 11 November 2022;
- (iv) the sale and purchase agreement dated 23 May 2022 entered into between Longson Enterprise Development Company Limited (“**Longson**”), a wholly-owned subsidiary of the Company, and Alpha Rich Limited (“**Alpha Rich**”), pursuant to which Alpha Rich agreed to sell and Longson agreed to purchase the properties located at office no. 3, 4 & 5 on 2nd floor Yue Shing Commercial Building, 15–16 Queen Victoria Street & 3–7 Man Yee Lane, Hong Kong at the consideration of HK\$15,500,000. For further details, please refer to the announcement of the Company dated 23 May 2022;
- (v) the placing agreement dated 23 May 2022 entered into between the Company and Astrum Capital Management Limited in relation to the placement of the 2.5% unsecured redeemable convertible bonds in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company. For further details, please refer to the announcement of the Company dated 23 May 2022;
- (vi) the placing agreement dated 14 January 2022 entered into between the Company and Gransing Securities Co., Limited in relation to the placing of shares of the Company for the 2022 Rights Issue. For further details, please refer to the announcement of the Company dated 14 January 2022; and

(vii) the placing agreement dated 1 September 2021 entered into between the Company and Tiger Faith Securities Limited in relation to the placing of up to 45,000,000 Shares on a best efforts basis, at the placing price of HK\$0.175 per placing share. For further details, please refer to the announcement of the Company dated 1 September 2021.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion, letter or advice contained in this Prospectus:

Name	Qualification
RSM Hong Kong	Certified Public Accountant

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this Prospectus 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, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have 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 2023, being the date to which the latest published audited accounts of the Company were made up.

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Board of Directors	<i>Executive Director</i>
	Mr. Tang Kwai Leung Stanley (<i>Chairman</i>)
	<i>Independent Non-Executive Directors</i>
	Mr. He Dingding
	Ms. Chan Tsz Hei Sammi
	Ms. Liu Ching Man
Registered office	Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands

Principal place of business in Hong Kong	Room 1204, 12/F, Block 2 Golden Industrial Building 16–26 Kwai Tak Street Kwai Chung New Territories, Hong Kong
Authorised representatives and compliance officer	Mr. Tang Kwai Leung Stanley Mr. Lee Man Tai (<i>FCCA, FCPA</i>)
Company secretary	Mr. Lee Man Tai (<i>FCCA, FCPA</i>)
Auditors and reporting accountants	RSM Hong Kong <i>Certified Public Accountants</i> 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay, Hong Kong
Legal adviser to the Company as to Hong Kong laws	David Fong & Co. Unit A, 12/F, China Overseas Building 139 Hennessy Road Wanchai, Hong Kong
Placing Agent	Excalibur Global Financial Group Limited Unit 3711, 37/F, West Tower Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Principal bankers	Nanyang Commercial Bank, Limited The Hongkong and Shanghai Banking Corporation Limited DBS Bank (Hong Kong) Limited
Hong Kong share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal share registrar and transfer office in Cayman Islands	Ocorian Trust (Cayman) Limited Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands

Stock Code	8275
Company Website	www.beavergroup.com.hk

11. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and placing all Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.80 million, which are payable by the Company.

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Director

Mr. Tang Kwai Leung Stanley (“Mr. Tang”), aged 54, is the executive Director and chairman of the Board responsible for overseeing the corporate strategy, operational management of the Group, and a co-founder of the Group. Mr. Tang attended secondary school education in Hong Kong. Mr. Tang completed a construction safety supervisor course organised by the Construction Industry Training Authority in 1999. He also obtained a trade test certification card for piling operative (bored pile) issued by the Construction Industry Training Authority in 2002, a certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in November 2008 and a certificate for operation of crawler-mounted mobile crane in May 2014.

Mr. Tang has approximately 25 years of experience in construction and foundation work industry. Before establishing Triangular Force Construction Engineering Limited (“**Triangular Force**”) in 2008, he accumulated approximately 10 years of experience working for China Overseas (Hong Kong) Limited as a foreman for intermittent periods from October 1994 to December 2007, his last position as a general foreman. He also worked for Hsin Chong (Foundations) Limited as a site foreman from August 2000 to May 2001.

Independent non-executive Directors

Mr. He Dingding (“Mr. He”), aged 46, was appointed as the independent non-executive Director on 14 May 2021. He is also the chairman of the audit committee of the Company (the “**Audit Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”) and nomination committee of the Company (the “**Nomination Committee**”).

Mr. He graduated from Nanyang Technological University, Singapore with a bachelor’s degree in civil engineering. Mr. He was awarded the CFA Charter by the CFA

Institute in September 2006. Mr. He has more than 18 years of extensive experiences in capital markets, corporate finance, investment and finance, and corporate management through working in investment banks, advisory firms and listed companies in Singapore and Hong Kong since 2005.

Mr. He was an independent non-executive director and a member of the audit committee of China Kangda Food Company Limited, the issued shares of which are listed on the Main Board of both the Stock Exchange and Singapore Exchange Securities Trading Limited (stock codes: 834 and P74, respectively), between August 2012 and June 2015. Mr. He was a non-executive director and a member of the audit committee of Perfect Group International Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3326), between March 2017 and February 2018 and was subsequently appointed as its deputy chief executive officer between March 2018 and August 2018. Since August 2018, Mr. He has been an independent non-executive director and a member of the audit committee of Sino Harbour Holdings Group Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1663). From May 2021 to September 2021, Mr. He had also been an independent non-executive director and a chairman of the audit committee of Crown International Corporation Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 727). Since March 2023, Mr. He has been an independent non-executive director of Mobile Internet (China) Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1439). Since May 2023, Mr. He has been an executive director of Link Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8237).

Ms. Chan Tsz Hei Sammi (“**Ms. Chan**”), aged 37, was appointed as the independent non-executive Director on 1 June 2021. She is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

Ms. Chan is a practising solicitor admitted in Hong Kong in 2018 and a member of the Law Society of Hong Kong. Ms. Chan has also been a Certified Management Accountant of Australia since 2016 and a lawyer of the Supreme Court of New South Wales since 2014. Ms. Chan has a Postgraduate Certificate in Laws and a Bachelor of Laws degree from the City University of Hong Kong and a Bachelor of Business Administration in Accounting and Finance degree from the University of Hong Kong.

From November 2019 to March 2022, Ms. Chan was the company secretary and authorised representative under Rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange of Bamboos Health Care Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2293). From January 2021 to February 2022, she was the company secretary and authorised representative under Rule 5.24 of the GEM Listing Rules of AV Promotions Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8419).

Ms. Liu Ching Man (“**Ms. Liu**”), aged 33, was appointed as the independent non-executive Director on 1 June 2021. She is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Ms. Liu graduated from the Upper Iowa University with a Bachelor of Psychology degree and obtained a master of business administration degree from The Hong Kong Polytechnic University. She is well experienced in the investor relationship and public relationship industry. She has extensive experience in financial public relations. She participated and prepared many listing ceremonies, roadshows and fund-raising. She also has experience on blockchain development. She previously led development of cryptocurrency exchanges and Web 3.0 blockchain. She is an executive director of Jiading International Group Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8153).

Company secretary

Mr. Lee Man Tai (“**Mr. Lee**”), aged 46, joined the Company in June 2021 and has been acting as the chief financial officer of the Company. He has been appointed as company secretary of the Company since August 2021. He graduated from Lingnan University, Hong Kong in 2000 with a bachelor’s degree in business administration and The Hong Kong Polytechnic University in 2010 with a master’s degree in business administration. He was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 2012. He has been a licensed representative and responsible officer for Type 1 (advising on dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2017 and 2020, respectively.

Mr. Lee has approximately 20 years of working experience in the financial industry. From October 2006 to October 2012, he acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited (中國元邦房地產控股有限公司), a company listed on Mainboard of the Singapore Exchange Limited (stock code: CYBP.SP or BCD.SI). From October 2012 to May 2014, he acted as the chief financial officer and company secretary of China 33 Media Group Limited (中國三三傳媒集團有限公司), a company listed on GEM of the Stock Exchange (stock code: 8087). He acted as the chief financial officer and company secretary of Flying Financial Service Holdings Limited (匯聯金融服務控股有限公司), a company listed on GEM of the Stock Exchange (stock code: 8030), from July 2014 to April 2015 and from August 2014 to April 2015, respectively. He also acted as the financial controller and company secretary of Chanco International Group Limited (卓高國際集團有限公司) (now known as China International Development Corporation Limited (中聯發展控股集團有限公司)), a company listed on Main Board of the Stock Exchange (stock code: 264), from April 2015 to January 2016 and from April 2015 to September 2015, respectively.

Since January 2016, Mr. Lee has been an independent non-executive director of China Energy Development Holdings Limited (中國能源開發控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 228). Since November 2016, he has been an independent non-executive director of Progressive Path Group Holdings Limited (進昇集團控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 1581). Since December 2019, he has been an independent non-executive director of Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a company listed on Main Board of the Stock Exchange (stock code: 6117). Since June 2021, he has been an independent non-executive director of MEIGU Technology Holding Group Limited (美固科技控股集團有限公司)(now known as Yunhong Guixin Group Holdings Limited (運鴻硅鑫集團控股有限公司)), a company listed on GEM of the Stock Exchange (stock code: 8349).

Business address of the Directors

The business address of the Directors is same as the Company's principal place of business in Hong Kong at Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. He Dingding (the chairman of the Audit Committee), Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY” in this appendix. The primary role and function of the Audit Committee are to oversee the relationship of the Group with the external auditors, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “9. EXPERT AND CONSENT” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.beavergroup.com.hk) for the period of 14 days from the date of this Prospectus:

- (i) the annual reports of the Company for the three years ended 31 March 2021, 2022 and 2023 respectively;
- (ii) all material contracts disclosed in the section headed “8. MATERIAL CONTRACTS” above;
- (iii) the letter from the Board, the text of which is set out on pages 10 to 34 of this Prospectus;
- (iv) the accountant’s report on the unaudited pro forma financial information of the Group issued by RSM Hong Kong, the text of which is set out in Appendix II to this Prospectus;
- (v) the written consent referred to in the paragraph headed “9. EXPERT AND CONSENT” in this appendix; and
- (vi) the Prospectus Documents.

16. LANGUAGE

In case of any inconsistency between the English and Chinese versions of this Prospectus and the accompanying PAL, the English version will prevail.

17. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

18. MISCELLANEOUS

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company. Therefore, no financial instrument was made to hedge such exposure.