
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Greatwalle Inc. 長城匯理公司 (the “Company”), you should at once hand this circular together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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GREATWALLE INC.

長城匯理公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08315)

**(I) PROPOSED SHARE CONSOLIDATION;
(II) CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser



Euto Capital Partners Limited

A letter from the board of directors of Greatwalle Inc. 長城匯理公司 (the “Company”) is set out on pages 7 to 37 of this circular. A letter from the Independent Board Committee (as defined herein) is set out on page 38 of this circular. A letter from Euto Capital, the Independent Financial Adviser (as defined herein) to the Independent Board Committee and the Independent Shareholders (as defined herein) of the Company, is set out on pages 39 to 64 of this circular.

A notice convening the EGM (as defined herein) to be held at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 29 July 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM of the Company is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.kingforce.com.hk). Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. not later than Tuesday, 27 July 2021 at 10:00 a.m.). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

In compliance with the Hong Kong Government’s directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of COVID-19 (as defined herein), the Company will implement additional precautionary measures at the EGM including, without limitation:

- compulsory body temperature screening
- wearing of surgical face masks; and
- no distribution of corporate gift or refreshment

The Company strongly advises Shareholders (as defined herein) to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person. Shareholders are advised to read page (i) of this circular for further details and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

All times and dates specified herein refer to Hong Kong local times and dates.

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CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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.

PRECAUTIONARY MEASURES FOR THE EGM

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health ("CHP") on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement precautionary measures at the EGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM which include without limitation:

- (1) Every attendee will be required to wear a surgical face mask throughout the EGM and inside the EGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.
- (2) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature of 37.3 degrees Celsius or above or any person which exhibits any flu-like symptoms may be denied entry to the EGM venue or be required to promptly leave the EGM venue.
- (3) No refreshment will be served, and there will be no corporate gift.
- (4) Anyone attending the EGM is reminded to observe good personal hygiene at all times.
- (5) In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Shareholders, the Company is supportive of the precautionary measures being adopted and reminds Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person.
- (6) Shareholders are advised to monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
- (7) Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the Hong Kong Government on COVID-19 (www.coronavirus.gov.hk).

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meaning:

“associate(s)”	has the meaning as ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“Company”	Greatwalle Inc. (長城匯理公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8315)
“Consolidated Shares”	share(s) of the Company immediately upon the Share Consolidation becoming effective
“Completion”	Completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	means the third Business Day following the day on which on which all the conditions precedent as set out in the Subscription Agreement have been satisfied or such other date as the Company and the Subscriber may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Novation”	the deed of novation entered into on 6 July 2021 between Greatwalle Holding, the Subscriber and the Company before or upon Completion, pursuant to which, (i) Greatwalle Holding’s right to demand repayment from the Company and entitlement to the aggregate outstanding loan amount of HK\$68.5 million under the Loan Agreements, shall be assigned and novated to the Subscriber; and (ii) Greatwalle Holding shall be released and discharged from all obligations and claims, howsoever arising under or with respect to the Loan Agreements
“Directors”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Share Consolidation and the refreshment of the Scheme Mandate Limit; and (ii) for the Independent Shareholders to consider, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate
“Existing Share(s)”	share(s) of the Company before the Share Consolidation becomes effective
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Greatwalle Holding”	Greatwalle Holding Limited, a limited liability company incorporated in Hong Kong on 29 December 2017 and is ultimately controlled by Mr. Song
“Group”, “we” or “our”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been formed in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting at the EGM for the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares
“Latest Practicable Date”	6 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Loan Agreements”	the four loan agreements dated 27 November 2020, 10 December 2020, 28 December 2020 and 23 February 2021, respectively, entered into between Greatwalle Holding as the lender and the Company as the borrower which together constitute the aggregate loan amount of HK\$68.5 million
“Mr. Song”	Mr. Song Xiaoming (宋曉明), the executive Director, chairman of the Board and the Controlling Shareholder of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Revolving Loan Facility”	the revolving loan facility of a principal amount up to HK\$80 million in aggregate (or such equivalent amount in RMB) granted by the Company’s Controlling Shareholder, Greatwalle Holding to the Company and/or its designated subsidiary(ies) on 27 November 2020 and its end date will be the date when the aggregate amount of the said HK\$80 million is fully utilized
“Rights Issue”	the issue by way of rights of one (1) Rights Share for every three (3) Existing Shares in issue on 18 August 2020 at the subscription price of HK\$0.05 per Rights Share under the Rights Issue
“Rights Share(s)”	the 415,439,174 Existing Shares allotted and issued under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Mandate Limit”	the limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options granted or to be granted under the Share Option Scheme, being 10% of the total number of the Company’s issued shares as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company which upon the Share Consolidation becoming effective will include the Existing Share(s) and/or Consolidated Share(s), as the case may be

DEFINITIONS

“Share Consolidation”	the proposed share consolidation on the basis that every five (5) issued and unissued Shares be consolidated into one (1) Consolidated Share prior to the completion of the Subscription and to round down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise therefrom
“Shareholder Loan”	the shareholder’s loan provided by Greatwalle Holding as lender to the Company as borrower from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share Options”	share option(s) granted or proposed to be granted by the Company to the grantees under the Share Option Scheme to subscribe for Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 31 July 2014
“Specific Mandate”	the specific mandate to be obtained from the Independent Shareholders at the EGM to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Walle Holding Limited, a limited liability company incorporated in British Virgin Islands and is wholly-owned by Mr. Song
“Subscription”	the subscription by the Subscriber for, and the allotment and issue by the Company of, the Subscription Shares under the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 18 March 2021 in relation to the Subscription and as amended and supplemented by a supplemental agreement entered into on 6 July 2021 to extend the date of fulfilment of the conditions precedent of the Subscription Agreement until 30 September 2021
“Subscription Price”	HK\$0.275 per Subscription Share
“Subscription Share(s)”	249,090,909 new Consolidated Shares
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is as follows:

Event(s)	Time and Date
Expected date of dispatch of the Circular with notice of the EGM	Friday, 9 July 2021
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:30 p.m. on Friday, 23 July 2021
Closure of register of members for the entitlement to attend and vote at the EGM	Monday, 26 July 2021 to Thursday, 29 July 2021 (both days inclusive)
Latest date and time for lodging forms of proxy for the EGM	10:00 a.m. on Tuesday, 27 July 2021
Record date for attending the EGM	Thursday, 29 July 2021
Expected date and time of the EGM	10:00 a.m. on Thursday, 29 July 2021
Announcement of poll results of the EGM	Thursday, 29 July 2021
The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation	
Effective date of the Share Consolidation	Monday, 2 August 2021
First day for free exchange of existing share certificates for new share certificates of the Consolidated Shares	Monday, 2 August 2021
Dealings in the Consolidated Shares commences	9:00 a.m. on Monday, 2 August 2021
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing shares certificates) temporarily closes	9:00 a.m. on Monday, 2 August 2021
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 2 August 2021
Original counter for trading in the Consolidated Shares in new board lots of 10,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Monday, 16 August 2021

EXPECTED TIMETABLE

Event(s)	Time and Date
Parallel trading in the Consolidated Shares (in form of new share certificates for the Consolidated Shares and existing share certificates) commence.	9:00 a.m. on Monday, 16 August 2021
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m. on Monday, 16 August 2021
Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares	4:00 p.m. on Friday, 3 September 2021
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 3 September 2021
Parallel trading in Consolidated Shares (in form of new share certificates for the Consolidated Shares and existing share certificates) ends	4:10 p.m. on Friday, 3 September 2021
Last date and time for free exchange of existing share certificates for the new share certificates of the Consolidated Shares	4:30 p.m. on Tuesday, 7 September 2021

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

LETTER FROM THE BOARD

GREATWALLE INC.

長城匯理公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08315)

Executive Directors:

Mr. Song Xiaoming (*Chairman*)
Ms. Song Shiqing (*Chief Executive Officer*)
Mr. Hon Hoi Chuen
Ms. Lin Shuxian

Registered office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108, Cayman Islands

Non-executive Directors:

Mr. Chung Man Lai

*Headquarters and principal place of
business in Hong Kong:*

Room 2008, 20/F.
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Independent Non-executive Directors:

Mr. Li Zhongfei
Mr. Zhao Jinsong
Ms. Guan Yan

9 July 2021

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 18 March 2021 in relation to, among other things, the proposed Share Consolidation, the proposed Subscription, and the proposed refreshment of the Scheme Mandate Limit.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on (a) the Share Consolidation; (b) the Subscription Agreement and the transactions contemplated thereunder, and (c) the refreshment of the Scheme Mandate Limit; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser in relation to the Subscription Agreement and the transactions contemplated thereunder; (iv) a notice to convene the EGM; and (v) other information as required under the GEM Listing Rules.

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share prior to the Completion and to round down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise therefrom.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

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

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is currently expected to be on Monday, 2 August 2021, being the second Business Day immediately after the date of the EGM.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$40,000,000 divided into 4,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 1,661,756,697 Shares have been allotted and issued and are fully paid or credited as fully paid. Assuming that no further Existing Shares are issued or repurchased from the date hereof until the date of the EGM, immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company shall become HK\$40,000,000 divided into 800,000,000 Consolidated Shares of par value of HK\$0.05 each, of which 332,351,339 Consolidated Shares shall be in issue and fully paid or credited as fully paid. As at the Latest Practicable Date, the Company does not have any intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation.

LETTER FROM THE BOARD

The outstanding Share Options

As at the Latest Practicable Date, there were outstanding Share Options granted under the Share Option Scheme entitling the holders thereto to subscribe for a total of 138,218,179 Existing Shares. The Directors will determine, according to the rules of the Share Option Scheme, the adjustments (if any) required to be made in respect of the outstanding Share Options as a result of the Share Consolidation. The adjustments to the outstanding Share Options are subject to the Share Consolidation taking effect and the written confirmation by the auditors of the Company or the independent financial advisers appointed by the Company. Such adjustments is expected to take place one business day after the Share Consolidation comes into effect. The Company will make further announcement(s) on such adjustments as and when appropriate. The Company will make further announcements regarding the adjustments in accordance with the GEM Listing Rules in due course.

Save for the aforesaid, 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, any Existing Shares or Consolidated Shares as at the Latest Practicable Date.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other in accordance with the Company's articles of association.

Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares (if any) to which Shareholders would otherwise be entitled. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

Listing application

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

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

LETTER FROM THE BOARD

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

Fractional entitlement to Consolidated Shares

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

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

Arrangement on odd lots trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Emperor Securities Limited to provide matching service, on a best-efforts basis during business hours, on or after 9:00 a.m. on Monday, 16 August 2021 and until 4:00 p.m. on Friday, 3 September 2021 (both days inclusive), to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Such interested Shareholders should contact Emperor Securities Limited at 23-24/F, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong or via telephone at (852) 2919 2919.

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

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be on Monday, 2 August 2021, being the second Business Day immediately after the date of the EGM, the Shareholders may during the business hours, on or after 9:00 a.m. on Monday, 2 August 2021 and until 4:30 p.m. on Tuesday, 7 September 2021 (both days inclusive) submit share certificates for the Existing Shares in the color of blue to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange for new share certificates in the colour of red for the Consolidated Shares at the expense of the Company.

LETTER FROM THE BOARD

Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates cancelled/issued is higher.

Subject to the Share Consolidation becoming effective, after 4:10 p.m. on Friday, 3 September 2021, trading will only be in Consolidated Shares and the share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for share certificates for Consolidated Shares at any time but will not be accepted for delivery, trading, settlement and registration purposes.

REASONS FOR AND BENEFITS OF THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities where the market price of the securities of the issuer approaches the extremities of HK\$0.01, which the Stock Exchange considers to be any trading price less than HK\$0.10, according to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020.

In view of the prevailing closing market price of the Shares, the share price of the Company has been trading at below HK\$0.10. As such, the Board proposed to implement the Share Consolidation which would also bring about a corresponding upward adjustment in the trading price of the Shares and will make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors in order to optimize the Shareholder base. Furthermore, the Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders. In view of the above reasons, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

NO CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain the same and will be traded in board lots of 10,000 Consolidated Shares.

Based on the closing price of HK\$0.059 per Existing Share (equivalent to the theoretical closing price of HK\$0.295 per Consolidated Share) as at the Latest Practicable Date, (i) the market value of each board lot of the Existing Shares is HK\$590; and (ii) the market value of each board lot of 10,000 Consolidated Shares would be HK\$2,950 assuming the Share Consolidation had been effective.

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

(II) THE SUBSCRIPTION

On 18 March 2021, the Company entered into the Subscription Agreement with the Subscriber, which has amended and supplemented by a supplemental agreement dated 6 July 2021, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares. Set out below is a summary of the principal terms of the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date:

18 March 2021

Parties:

- (i) the Company (as the issuer); and
- (ii) Walle Holding Limited (as the Subscriber).

As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Song, who is an executive Director, the chairman of the Company and a Controlling Shareholder interested in 922,325,231 Existing Shares, representing approximately 55.50% of the issued share capital of the Company. Therefore, the Subscriber is an associate of Mr. Song and is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.275 per Subscription Share.

Upon the Share Consolidation becoming effective, the Company has a total of 332,351,339 issued Consolidated Shares. The Subscription Shares, being 249,090,909 new Consolidated Shares, represent (i) approximately 74.95% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 42.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company from the Share Consolidation becoming effective and up to the Completion).

The Subscription Price

The Subscription Price is HK\$0.275 per Subscription Share, representing:

- (i) a premium of approximately 5.77% to the theoretical closing price of HK\$0.2600 per Consolidated Share (after taking into the account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 6.78% to the theoretical closing price of HK\$0.2950 per Consolidated Share (after taking into the account the effect of the Share Consolidation) based on the closing price of HK\$0.0590 per Existing Share as quoted on Stock Exchange on 18 March 2021, being the date of the Subscription Agreement;
- (iii) a discount of approximately 5.50% to the average theoretical closing price of approximately HK\$0.2910 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0582 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Subscription Agreement;
- (iv) a discount of approximately 10.28% to the average theoretical closing price of approximately HK\$0.3065 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0613 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of the Subscription Agreement; and
- (v) a premium of approximately HK\$0.2850 to the net liabilities of the Company of approximately HK\$0.0100 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the audited net liabilities attributable to owners of the Company of approximately HK\$3,338,000 as at 31 March 2021 and 332,351,339 Consolidated Shares assuming the Share Consolidation has become effective.

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The theoretical dilution effect of the Subscription and the Subscription when aggregated with the Rights Issue is 2.90% and 6.84%, respectively. The Subscription Price was determined at after arm's length negotiations between the Company and the Subscriber after taking into account (i) the prevailing market price of the Shares which is determined by the average closing prices of the Shares for the 12 months prior to the date of the Subscription Agreement; and (ii) the low trading volume and liquidity of the Shares. The Company has also taken into account (a) the aggregate outstanding amount of the Shareholder Loan provided to the Company by Greatwalle Holding (i.e. HK\$70 million); and (b) the maximum number of Subscription Shares that could be allotted and issued to the Subscriber which will not result in the Company's non-compliance with the minimum public float requirement under Rule 11.23 of the GEM Listing Rules (i.e. 259,193,833 Consolidated Shares). In order to ensure that the said public float requirement in the GEM Listing Rules could be satisfied, the Subscription Price was determined at HK\$0.275, which represents the Subscription Shares of 249,090,909 Consolidated Shares being allotted and issued resulting in the potential shareholding dilution of public shareholders from approximately 44.5% to approximately 25.43% following the Completion.

To the best knowledge, information and belief of the Directors after making all reasonable enquires, the Subscriber and its associates, Greatwalle Holding and Mr. Song, who are the Controlling Shareholders of the Company, shall be required to abstain from voting in respect of the resolutions that would be proposed to approve the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate at the EGM. Having considered the aforementioned factors and the advice from the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Ranking

The Subscription Shares, when issued and fully paid up, shall rank pari passu in all respects among themselves and with other Shares in issue as at the date of allotment and issue of the Subscription Shares in accordance with the Company's articles of association.

Conditions precedent of the Subscription Agreement

The Completion is conditional upon the fulfillment of the following conditions:

- (i) the approval of the Subscription Agreement and the transactions contemplated thereunder by the Board;
- (ii) the approval of the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate, by the Independent Shareholders at the EGM;
- (iii) Greatwalle Holding, the Subscriber and the Company have entered into the Deed of Novation;

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- (iv) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares;
- (v) upon the Share Consolidation becoming effective and dealings in the Consolidated Shares have commenced;
- (vi) all other necessary consents, approvals, permits or licenses required to be obtained from the relevant governmental authorities or regulatory bodies on the part of the Company and/or the Subscriber, if any, for the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect.

In the event that any of the above conditions precedent of the Subscription is not fulfilled on or before 30 September 2021 (or such other time and date as may be agreed by both parties), the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

As at the Latest Practicable Date, the Board approved the Subscription Agreement and the transactions contemplated thereunder. Shareholders are reminded that the Completion is conditional upon the fulfilment of the remaining conditions precedent set out in (ii) to (vi) above.

Completion

The Completion shall take place on the Completion Date in accordance with the terms of the Subscription Agreement.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders in the EGM.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

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EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective, assuming that no further Existing Shares are issued or repurchased between the date of this circular and the date of the EGM; and (iii) immediately after the Share Consolidation becoming effective and the Completion, assuming that, save for the Share Consolidation and the Subscription Shares, there is no other change in the issued share capital of the Company from the date of this circular and up to the Completion).

Substantial Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective, assuming that no further Existing Shares are issued or repurchased between the date of this circular and the date of the EGM		Immediately after the Share Consolidation becoming effective and the Completion (assuming that, save for the Share Consolidation and the Subscription Shares, there is no other change in the issued share capital of the Company from the date of this circular and up to the Completion)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Greatwalle Holding (<i>Note</i>)	922,325,231	55.50	184,465,046	55.50	184,465,046	31.73
The Subscriber	–	–	–	–	249,090,909	42.84
Public Shareholders	739,431,466	44.50	147,886,293	44.50	147,886,293	25.43
Total	1,661,756,697	100.00	332,351,339	100.00	581,442,248	100.00

Note:

According to information available to the Company and as of the date of this circular, 922,325,231 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner. Greatwalle Holding Limited is wholly-owned by Guangzhou Nansha Huiming Investment Business Company Limited*(廣州南沙區匯銘投資業務有限公司) (“Nansha Huiming”). Nansha Huiming is held as to approximately 91.9992% by Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership* (深圳匯理九號投資諮詢企業(有限合夥)) (“Huili Jiu Hao Investment”), and as to approximately 0.0008% by Mr. Song. Huili Jiu Hao Investment is held as to 99.00% by Shenzhen Great Walle Investment Corp., Ltd.* (深圳長城匯理投資股份有限公司) (“Great Walle Investment”). Great Walle Investment is ultimately controlled by Mr. Song. As such, each of Nansha Huiming, Huili Jiu Hao Investment and Great Walle Investment is deemed to be interested in 922,325,231 Shares held by Greatwalle Holding Limited under the SFO.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY AND THE SUBSCRIBER

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on GEM of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the provision of security guarding services and (ii) the provision of business advisory and asset management services.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding. As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Song, who is an executive Director, the chairman of the Board and a Controlling Shareholder of the Company.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

In order to further expand the business scale of the Group's principal businesses, the Company's management has been committed to exploring business and investment opportunities and developing its security guarding business in the PRC and its asset management business. In light of the rapid business developments of the Company, the Company has expanded new business opportunities in Shandong Province in the PRC for its security guarding services and identified potential merger and acquisition targets for its asset management business in the latter half year of 2020 (the "**Business Expansion Plan**"). The Business Expansion Plan includes the following business opportunities and potential merger and acquisition targets:

1. On November 2020, the chairman of the Board and the Company's deputy investment director encountered an investment opportunity to cooperate with an education and vocational training company in the PRC to establish a vocational education center in Shandong Province to train and develop (i) security guard professionals to be sent and stationed at airports, high-speed railways, subways, high-end international conferences and large-scale international games; and (ii) flight attendants and ground crew for the aviation industry. Upon completion of the construction work for the vocational education center, the education and vocational training company shall form its own professional teaching team and implement teaching courses whilst the Group shall provide consultation advice on their security guarding courses. The education and vocational training company has been operating vocational education institutes in the PRC for approximately 20 years. It has formed and maintained close connections with airports and the Civil Aviation Administration of China by sending and stationing security guard professionals at airports, railway stations and large-scale exhibitions every year. By entering into this investment opportunity, the Company intends to broaden the revenue streams of its security guarding business and enhance its competitiveness. The total investment amount for the vocational education center is expected to be no less than RMB212 million, the construction of which will take two years. The construction mainly includes the main campus, students accommodation and installation of teaching equipment and office appliances. As of the Latest Practicable Date, the Company and the education and vocational training company has established a cooperation plan for the Education Centre Plan and the education and vocational training company is currently seeking shareholder approval to proceed. In addition, the Company has reached a preliminary consensus with the local Government of Shandong province regarding matters of land use on where the vocational education center is to be built. Following the Completion, the Company will enter into a strategic cooperation framework agreement to commence the construction and development of the vocational education center;

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2. On November 2020, the chairman of the Board and the Company's deputy investment director encountered a business opportunity for the provision of comprehensive and integrated property management services for a marine industrial park in Shandong province. By entering into this business opportunity, the Company intends to broaden its business channels into the comprehensive and integrated property management market. The Company's subsidiary, Shandong Guanhui Foundation Business Management Co., Ltd.* (山東冠輝基業商業管理有限公司) ("**Shandong Guanhui**") shall enter into a comprehensive and integrated property management services agreement with the marine industrial park. In entering into this investment opportunity for the Security Guarding and Property Management Services Plan, the Company will provide property management services for the marine industrial park, which includes providing security and protection services by sending and stationing security guards at the park to protect the park's property. As such, the Company considers that such investment opportunity is in line with the Company's core principal businesses of security guarding and property management. The total investment amount for this business opportunity is expected to be approximately RMB30.1 million per year. As at the Latest Practicable Date, the Company is seeking approval from the competent authorities as the marine industrial park in question is a state-owned asset and is operated by a state-owned enterprise in the PRC.
3. On September 2020, the chairman of the Board and the Company's deputy investment director encountered an investment opportunity for setting up and managing an investment fund as fund manager to engage in the debt restructuring process of a Hong Kong listed company by acquiring its debt securities. Upon completion of the debt restructuring process, the investment fund shall hold no less than 51% of the shareholding interests of the Hong Kong listed company. As such, the Company considers that such investment opportunity is in line with one of the Company's core principal businesses of asset management. The total investment amount for this business opportunity is expected to be approximately HK\$870 million. As at the Latest Practicable Date, the state-owned financial institution in the PRC is seeking internal approval for the debt restructuring plan as part of its internal control procedures as a state-owned enterprises.
4. On November 2020, the chairman of the Board and the Company's deputy investment director encountered an investment opportunity for setting up and managing an investment fund as fund manager to acquire the shares of an A Share listed company which is in line with one of the Company's core principal businesses of asset management. Upon completion of the acquisition of the shares of the A Share listed company, the investment fund shall hold no less than 29% of the shareholding interests of the A Share listed company. The total investment amount for this business opportunity is expected to be approximately RMB764 million. As at the Latest Practicable Date, the business and financial due diligence of the A Share listed company is in process and the Company has conducted several rounds of negotiation with the controlling shareholder of the A Share listed company, the financial institution for handling the controlling shareholder's securities pledging transactions and the third largest shareholder of the A Share listed company. It is expected that the acquisition will commence after the investment fund is established.

The Business Expansion Plan was not in the Company's initial business development plan when conducting the Rights Issue. The Directors estimate that the total amount of investment for the Business Expansion Plan to be approximately HK\$68.5 million. As at the Latest Practicable Date, the unutilized net proceeds allocated to its security guarding and asset management business from the Rights Issue were approximately HK\$3.9 million and HK\$1.5 million, respectively which are insufficient to support the funding requirements of the Business Expansion Plan.

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In order to meet the funding requirements of the Business Expansion Plan and satisfy the repayment obligation of the Shareholder Loan, the Board has approached securities firms and banks and considered other financing alternatives.

(i) Debt financing method

Given (i) the Group's consecutive loss-making performance for the past four years commencing from the year ended 31 March 2018; (ii) the Group's net current liabilities position as at 31 March 2021 which may cast a significant doubt on the Company to continue under a going concern basis; (iii) the significant gearing position of the Group of approximately 2,320.5% as at 31 March 2021, the Board found it difficult to obtain additional debt financing under the existing financing environment.

Further, the Board has approached financial institutions for new borrowings who either turned down our request or require us and/or the Controlling Shareholder to make guarantees and/or pledge assets of the Group. In the event financial institutions decide to grant us pledge-free loan facilities, they would alternatively charge the Company a high financing cost. The capital structure of the Company may also need to be altered substantially to meet the gearing criteria, including but not limited to, limitations on debt level and leverage, minimum requirements on equity level and interest coverage.

Moreover, given the Company's current debt level, the Board considers that any further financing aid from external parties would: (i) demand an interest rate that shall rise steeply as the Company's financial need grows; (ii) impose further financial burden on the Company's cash flows; (iii) continue to raise the Company's gearing ratio, which might hinder the Company's other financing and/or operating plans as the Company would need to rely more on debt to support its continuing operations; and (iv) impose covenants by which the Company's debt financing ability would be limited. As such, the Directors consider that borrowings from financial institutions are of limited accessibility and the elimination of such financing method for the Business Expansion Plan and the repayment obligation of the Shareholder Loan is justifiable.

(ii) Other equity financing method

The Board has also approached securities firms and bank for other possible equity fund-raising methods, such as placing of new Shares to raise funds from independent third party(ies) of the Company, rights issue or open offer. The Company had previously approached two investment bankers to discuss the feasibility of rights issue and open offer and have agreed that pre-emptive equity fund raising, such as rights issue and open offer, would be very difficult as the market demand for the Shares are minimal due to (i) the small capitalization of the Company; (ii) the low trading volume and relatively illiquidity of the Shares; (iii) the consecutive loss making position of the Group since 31 March 2018; and (iv) the cautious investors' sentiment under the recent volatile market environment.

LETTER FROM THE BOARD

Moreover, equity-fund raising activities rights issue or open offer would require more documentation and be more costly and time-consuming than the Subscription as the Company would incur significant underwriting or placing commissions from underwriters. Further, the Board considers that it is difficult to engage underwriters for potential rights issue or open offer taking into account (i) the trading volume of the Shares; (ii) the liquidity of the Shares; (iii) the financial position and performance of the Group; (iv) uncertainties as to how many shareholders would participate in a rights issue or an open offer; and (v) the proposed size of the financing activities required by the Company (i.e. HK\$68.5 million). In light of this, the Directors concur that equity financing by way of rights issue or open offer to settle the Shareholder Loan is not feasible as compared to the Subscription.

Taking into consideration of the above, the Directors are of the view that the Subscription will (i) alleviate the repayment pressure of the Group of its loans and interests when they fall due and avoid unnecessary extra interest costs from debt financing; (ii) resolve the going concern issues of the Group by reducing the Company's net current liabilities; (iii) be able to satisfy the Group's funding needs for the Business Expansion Plan and repayment of the Shareholder Loan; (iv) incur less costs or commission in the process and less difficulties without needing to engage underwriters; and (v) be less time-consuming as compared to the placement of new shares and other means of equity financing. As such, the Board is of the view that the capitalization and partial settlement of the Shareholder Loan in the sum of HK\$68.5 million via the Subscription to be the most feasible and appropriate means to raise funding for the Business Expansion Plan and satisfy the repayment obligation of the Shareholder Loan.

As at the Latest Practicable Date, the Group was indebted to Greatwalle Holding in the aggregate sum of approximately HK\$70 million. Pursuant to the Subscription Agreement, the Subscription Price will be settled by way of capitalization and partial settlement of the Shareholder Loan in the sum of HK\$68.5 million. The gross proceeds and net proceeds (after deducting professional fees and other related expenses) from the Subscription shall be approximately HK\$68.5 million and HK\$67.5 million, respectively. The Directors believe that the capitalization and partial settlement of the Shareholder Loan to be in the interests of the Company as it can alleviate the repayment pressure of the Group and avoid unnecessary cash outflows from the Group in the future. Upon Completion, the total amount of the Shareholder Loan will be reduced to HK\$1.5 million.

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Whilst the Board note that the Subscription does not provide a mechanism for the public shareholders to subscribe for the Shares, the Board considers that following the Completion, the Subscription will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group. According to the annual report of the Company for the year ended 31 March 2021, the Group recorded negative values of gearing ratio as at 31 March 2020 and 31 March 2021, due to the net liabilities position of approximately HK\$6,268,000 as at 31 March 2020 and HK\$4,221,000 as at 31 March 2021 respectively. Gearing ratio is calculated based on total debt divided by the total equity during the relevant period. Assuming all figures remain unchanged upon Completion, the Group's total debt will be substantially reduced by the partial settlement of the Shareholder Loan and the Shareholders' equity will be enlarged by the allotment and issue of the Subscription Shares; accordingly, the gearing ratio of the Group will be substantially improved.

The detailed calculation basis of the aforesaid gearing ratio is as follows:

	As at 31 March 2020 HK\$'000 (audited)	As at 31 March 2021 HK\$'000 (unaudited)
Debts:		
– Loan from related parties	6,976	70,727
– Amount due to related parties	1,879	758
– Borrowings	–	6,313
– Promissory note payable	22,550	20,150
	<hr/>	<hr/>
Total Debts	31,405	97,948
Total equity	(6,268)	(4,221)
Gearing Ratio	(501.0%)	(2,320.5%)

It is also expected that the Subscription will not have any material adverse impact on the operation and financial position of the Group.

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The Board considers that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the Subscription Agreement and that the conditions and terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

As at 31 March 2021, the Group had total current liabilities of approximately HK\$119.6 million, which mainly comprised of trade payables of approximately HK\$5.1 million, accrued expenses and other payables of approximately HK\$15.7 million, lease liabilities of approximately HK\$0.8 million, loans from related parties of approximately HK\$70.7 million, including parts of the Shareholder Loan in the amount of HK\$68.5 million and loans from one of the other Controlling Shareholders of the Company in the amount of approximately HK\$2.2 million, being all short-term one year loans bearing an interest rate of 1% with 深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*) as the lender and 深圳冠輝基業物業管理有限公司 (Shenzhen Guanhui Jiye Property Management Limited*), one of our subsidiaries as the borrower and an outstanding interest-bearing borrowings and promissory note payable of approximately HK\$6.3 million and HK\$20.2 million, respectively and both of which were due within one year. In addition, as of 31 March 2021, the net current liabilities of the Group were approximately HK\$18.9 million. Based on this financial position, the Directors found that it was difficult to bargain and negotiate with certain investors on the terms of any potential business investment and/or cooperation.

In order to have a preliminary understanding on the counterparties, the potential business partners would normally conduct a preliminary due diligence to obtain certain information about the Company by reviewing its published announcement(s) on the website of the Stock Exchange. Such information includes but is not limited to the latest consolidated financial statements of the Company and disclosures of any material business updates. However, after certain rounds of discussions, the Directors found that the major concerns of the potential business partners were the Group's capacity to meet certain financial requirements of the Business Expansion Plan, given as at 30 September 2020 (i) the Group's recorded a net current liabilities position which indicated a significant doubt on the Company to continue under a going concern basis; (ii) the significant gearing position of the Group; (iii) the consecutive loss making financial position and (iv) the limited cash resources. In order to address these major concerns, the Directors indicated to the potential business partners that on 27 November 2020, the Company entered into the Revolving Loan Facility for a principal amount of up to HK\$80 million in aggregate granted by Greatwalle Holding and the Loan Agreements so that it would have sufficient financial flexibility to carry out the development and operations of the Business Expansion Plan. After reviewing certain information proof, the aforesaid concerns were addressed, and the parties continue on certain negotiations and discussions about the progress of the Business Expansion Plan.

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Pursuant to the Revolving Loan Facility, Greatwalle Holding, as the lender may borrow, by multiple applications, a principal aggregate loan amount up to HK\$80 million (or such equivalent amount in RMB) (excluding such amount which has been repaid) to the Company or its subsidiary(ies) and its end date will be the date when the aggregate amount of the said HK\$80 million is fully utilized. The Loan Agreements granted under the Revolving Loan Facility shall be interest-free and need not be secured by the Group's assets and the term of each loan shall be one year, commencing from the date of drawdown and the Company or its subsidiary (ies) is entitled to repay part or all of such outstanding loan amounts in advance. Under the Revolving Loan Facility, Greatwalle Holding and the Company entered into the Loan Agreements, pursuant to which Greatwalle Holding as the lender has agreed to lend to the Company as the borrower, term loans in the aggregate principal amount of HK\$68.5 million, repayable in one year commencing from the date of drawdown of the term loans. As at the Latest Practicable Date, Greatwalle Holding has granted a Shareholder Loan of an aggregate sum of HK\$70 million to the Company and the Company has drawn down HK\$70 million and has yet to repay any amount of the Shareholder Loan to Greatwalle Holding.

Details of the Loan Agreements are set out below:-

Date of the Loan agreement	Loan amounts	Drawdown date	Repayment date	Allocation of the proposed use of the net proceeds from the Loan Agreement	Date for utilising the net proceeds from the Loan Agreement
27 November 2020	HK\$65 million	27 November 2020	On or before 26 November 2021	To increase the total assets of the Groups as leverage and financial support to solicit business opportunities from potential business partners	As at the Latest Practicable Date, the net proceeds in the amount of HK\$65 million have not been utilized as it is expected to be utilized for the Projects and the Investment Funds
10 December 2020	HK\$1.4 million	10 December 2020	On or before 9 December 2021	To pay for the Group's general working capital	The net proceeds were utilized on 12 December 2020
28 December 2020	HK\$1.1 million	28 December 2020	On or before 27 December 2021	To pay for the Group's general working capital	The net proceeds were utilized on 28 December 2020
23 February 2021	HK\$1 million	23 February 2021	On or before 22 February 2022	To pay for the Group's general working capital	The net proceeds were utilized on 23 February 2021

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Before or upon Completion, Greatwalle Holding, the Subscriber and the Company shall enter into the Deed of Novation, pursuant to which, among others, (i) Greatwalle Holding's right to demand repayment from the Company and entitlement to the aggregate outstanding loan amount of HK\$68.5 million under the Loan Agreements shall be assigned and novated to the Subscriber; and (ii) Greatwalle Holding shall be released and discharged from all obligations and claims, howsoever arising under or with respect to the Loan Agreements. As at the Latest Practicable Date, each of the Subscriber and Greatwalle Holding are ultimately and beneficially owned by Mr. Song.

The Board considers that the Shareholder Loan allows the Group to (i) strengthen its financial position without any interest burden; (ii) enhance the bargaining power for soliciting and negotiating terms of new business(es)/project(s) when it arises; and (iii) also provide financial flexibility necessary for the Group's business operation and development.

As the Company sought the Shareholder Loan as financial backing to support its efforts in soliciting potential business opportunities, it was uncertain for the Company if such business opportunities would materialize at that moment. Thus, the terms of the Shareholder Loan was meant to be short-term, flexible and without much burden to the Company. Pursuant to the Loan Agreements, (i) the Shareholder Loan is unsecured, interest free and is repayable within a year commencing from the date of drawdown of the Shareholder Loan; (ii) the Company shall make full repayment of the principal amount within 5 business days after their respective repayment date and is entitled to repay part or all of the Shareholder Loan under the Loan Agreements in advance; and (iii) in the event the Company fails to make timely full repayment of the principal amount of the Shareholder Loan, the Company is liable to a penalty calculated at 0.005% per day of the unpaid amount of the Shareholder Loan.

Set out below is the intended use of proceeds from the Revolving Loan Facility, of which the sum of HK\$68.5 million with respect to of the Shareholder Loan has been drawn down as at the Latest Practicable Date:

LETTER FROM THE BOARD

Proposed use of net proceeds from the Shareholder Loan	Tentative allocation in proportion to total expected net cash proceeds arising from the Shareholder Loan	Allocation of the proposed use of net proceeds from the Shareholder Loan	Expected timeline for utilising the net proceeds from the Shareholder Loan
<p>(1) (a) Business plan for providing comprehensive and integrated property management services for a marine industrial park in Shandong province. (the “Security Guarding and Property Management Services Plan”); or</p> <p>(b) construction development plan with an education and vocational training company for the construction of a vocational education center in Shandong Province to train and develop professionals (the “Education Centre Plan”). (collectively, the Security Guarding and Property Management Services Plan and the Education Centre Plan as the “Projects”)</p>	<p>Approximately 44% (or approximately HK\$30.1 million)</p>	<p>(a) The Group expects to utilize part of its net cash proceeds for the Security Guarding and Property Management Services Plan:</p> <p>(i) Approximately 25% (or approximately HK\$17.1 million) will be applied towards the payment of the Security Guarding and Property Management Services Plan initial start-up, labor, rental, energy consumption, insurance, marketing and other management costs and expenses;</p> <p>(ii) Approximately 7% (or approximately HK\$4.8 million) will be applied towards capital expenditures which involve the purchase, maintenance and replacement of security and property management related equipment and facilities;</p> <p>(iii) Approximately 6% (or approximately HK\$4.1 million) will be applied towards employee salaries and staff training costs for our security and property management staff; and</p> <p>(iv) Approximately 6% (or approximately HK\$4.1 million) will be applied towards the general working capital of the Security Guarding and Property Management Services Plan;</p> <p>(b) The Group expects to utilize part of its net cash proceeds for the Education Centre Plan:</p> <p>100% (or approximately HK\$30.1 million) will be applied towards part of the payment for the construction of the main campus of the vocational education center</p>	<p>(i) on or before September 2021</p> <p>(ii) on or before December 2021</p> <p>(iii) on or before December 2021</p> <p>(iv) on or before December 2021</p> <p>(b) on or before December 2021</p>

LETTER FROM THE BOARD

Proposed use of net proceeds from the Shareholder Loan	Tentative allocation in proportion to total expected net cash proceeds arising from the Shareholder Loan	Allocation of the proposed use of net proceeds from the Shareholder Loan	Expected timeline for utilising the net proceeds from the Shareholder Loan
<p>(2) The Group intends to establish two new investment funds for (i) engaging in the debt restructuring process of a Hong Kong listed company by acquiring its debt securities (the “Debt Asset Investment Fund”); and (ii) the acquisition of certain shares of an A share listed company (the “A Share Listed Company Investment Fund”)</p>	<p>Approximately 56% (or approximately HK\$38.4 million)</p>	<p>The Group expects to utilize part of its net cash proceeds by establishing the Investment Funds:</p> <p>(i) Approximately 53% (or approximately HK\$36.4 million) will be contributed as funding to the Investment Funds; and</p> <p>(ii) Approximately 3% (or approximately HK\$2 million) will be applied towards the employee salaries and staff training costs for setting up and maintaining the investment research team for the Investment Funds.</p>	<p>(i) on or before September 2021</p> <p>(ii) on or before September 2021</p>

In the event the Company requires more funding for the Projects and the Investment Funds, the Company would continue to draw down from the Revolving Loan Facility.

The Company may enter into certain service and business agreements for the Projects and partnership agreements for the Investment Funds which may constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Company agrees to comply with the relevant requirements under the GEM Listing Rules should the need arise.

In the event, the Company does not proceed with any of the Projects or the Investment Funds, the Company would instead explore other business opportunities and identify other potential merger and acquisition targets for the alternative use of proceeds from the Shareholder Loan. Where there are a change of proceeds of the Shareholder Loan, the Company will comply with the relevant GEM Listing Rules and make further announcement(s) on its details as and when appropriate.

INFORMATION ON THE PROJECTS

Upon completion of the Subscription, the Company shall decide whether to proceed with the Security Guarding and Property Management Services Plan or the Education Centre Plan. The counterparty for the Security Guarding and Property Management Services Plan is a state-owned company principally engaged in the provision of cold storage service for aquatic products. The counterparty for the Education Centre Plan is an education and vocational training company incorporated in the PRC which is principally engaged in the operation and management of vocational education institutions offering a range of vocational training courses covering topics on customer services for the aviation industry, security guarding knowledge and skills for guard crew and security checking knowledge and skills on high-speed railways and urban rail transportation and management.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the counterparties and its ultimate beneficial owner(s) for the Security Guarding and Property Management Services Plan and the Education Centre Plan are third parties independent of and not connected with the Company and its connected persons. The Company will provide the background and details of the counterparties of the Projects and the Investment Funds once any of the business and investment opportunities in the Business Expansion Plan materializes.

The total investment amount for the Security Guarding and Property Management Services Plan is expected to be RMB30.1 million per year which is determined with reference to the basic annual operating costs, number of employees for the provision of security guarding and property management services in the marine industrial park and the start-up, labor, rental and other general working capital and expenses. As at the Latest Practicable Date, the Company is seeking approval from the competent authorities as the marine industrial park in question is a state-owned asset and is operated by a state-owned enterprise in the PRC.

In entering into this investment opportunity for the Education Centre Plan, the Company has considered the (i) background and recognition of the education and vocational training company in the education industry since the Directors lack such relevant experience; (ii) the long-term business relationships of the education and vocational training company with airports, high-speed railways, subways, high-end international conferences and large-scale international competitions and their expertise in training and developing security guard professionals to be sent and stationed at such organisations; (iii) the business model of the Education Centre Plan which involves generating revenue from the collection of tuition fees from students and service fees by the aforementioned organizations for sending and stationing our students there and (iv) that the vocational education center will develop security guarding talents that could serve customers with high standard demands for the security guarding business and thereby enhance the competitiveness among security guarding professionals. The Company sees the Education Centre Plan as a business opportunity to extend the Company's security guarding business from security guarding providers to providing security guarding training to students, and develop its security guarding business to serve customers with higher standard demands. This investment opportunity would also broaden the revenue streams of its security guarding business and enhance its competitiveness.

As at 18 March 2021, the Company was still negotiating with the relevant parties and the land use for the vocational education center has yet to be confirmed. Accordingly, the Education Centre Plan was not disclosed as a proposed use of proceeds in the Company's announcement on the same date. However as of the Latest Practicable Date, the Company and the education and vocational training company has confirmed a cooperation plan for the Education Centre Plan and the education and vocational training company is currently seeking shareholders' approval to proceed. In addition, the Company has reached a preliminary consensus with the local Government of Shandong province on matters of land use for the vocational education center. In light of these developments, the Company decided to disclose the Education Centre Plan in this circular. For the aforementioned reasons and the factors considered by the Company in entering into this business opportunity, the Directors consider that the Education Centre Plan is fair and reasonable and in the interest of the Company and its shareholders as a whole.

The total investment amount for the Education Center Plan is expected to be no less than RMB212 million which will be paid in instalments and the investment payback period will be approximately 7 years. The total investment amount is determined with reference to the land transfer fees for the land where the vocational education center is based, the construction costs for the main campus and other building facilities of the vocational education center, the costs for the installation teaching equipment and offices appliances and the general working capital for the operation and management of the vocational education center. Part of the net proceeds from the Shareholder Loan in the amount of approximately RMB30.1 million will be the initial payment for the construction of the main campus of the vocational education center.

LETTER FROM THE BOARD

INFORMATION OF THE INVESTMENT FUNDS

The Group intends to establish two new investment funds for (i) the Debt Asset Investment Fund; and (ii) the A Share Listed Company Investment Fund.

Since asset management business is one of the core businesses of the Group, the investment strategy of the Investments Funds will be to acquire shares and obtain control in companies which temporarily are in financial difficulty but have long-term development value and are leaders in their particular industry sectors. The details and principal terms of each of the Investment Funds are as follows:-

	Debt Asset Investment Fund	A Share Listed Company Investment Fund
Parties	<ul style="list-style-type: none"> (i) The Company's subsidiary, Shenzhen Huili Investment Limited* (深圳匯理投資有限公司) ("Shenzhen Huili"), as fund manager and/or general partner; and (ii) the other investors of the Debt Asset Investment Fund as limited partners. 	<ul style="list-style-type: none"> (i) Shenzhen Huili as fund manager and/or general partner; and (ii) the other investor of the A Share Listed Company Investment Fund as limited partner.
Investment targets	A Hong Kong listed company engaged in the auto parts manufacturing industry	An A share listed company engaged in the chemical and photovoltaic energy industry
Investors and their capital commitments	<ul style="list-style-type: none"> (i) an amount of approximately HK\$20 million contributed by the Company or Shenzhen Huili or the Company's designated subsidiary (ii) an amount of HK\$200 million contributed by a listed company on the Shenzhen Stock Exchange (iii) an amount of HK\$200 million contributed by a state-owned group companies (iv) an amount of HK\$50 million contributed by civilian-run enterprises in the PRC 	<ul style="list-style-type: none"> (i) an amount of approximately HK\$16.4 million contributed by the Company or Shenzhen Huili or the Company's designated subsidiary (ii) an amount of RMB750 million contributed by a state-owned investment platform

LETTER FROM THE BOARD

	Debt Asset Investment Fund	A Share Listed Company Investment Fund
	(v) an amount of HK\$400 million contributed by other financial institutions	
Term	2 years and renewed automatically for another year on expiration.	
Management fee	The Investment Funds will pay an annual management fee to Shenzhen Huili as fund manager during the investment period based on 1% to 2% of the total capital commitment of the Investment Funds.	
Negotiation progress as at the Latest Practicable Date	As at the Latest Practicable Date, the state-owned financial institution in the PRC is seeking internal approval for the debt restructuring plan as part of its internal control procedure as a state-owned enterprise.	As at the Latest Practicable Date, the business and financial due diligence of the A Share listed company is in process, and the Company has conducted several rounds of negotiation with the controlling shareholder of the A Share listed company, the financial institution for handling the controlling shareholder's securities pledging transactions and the third largest shareholder of the A Share listed company.

As at the Latest Practicable Date, the Company's subsidiary, Shenzhen Huili, is registered with Asset Management Association of China and is qualified to conduct private equity fund management business in the PRC. The fund manager shall abide by the provisions of the partnership agreement and hire a qualified fund custodian to set up a separate custody account for each Investment Fund under its management. Fund custodians are commercial banks or financial institutions that have been established in accordance with the law and have obtained the necessary fund custodial qualifications. The Company agrees to comply with the relevant requirements under Chapter 14A of the Listing Rules should the need arise.

As at the Latest Practicable Date, no agreement has been entered to by the Company in relation to the Projects and the Investment Funds.

As at the Latest Practicable Date, the Company anticipates that the net proceeds from the Subscription may not satisfy its financial needs for the next twelve months. However, the actual funding needs of the Company in the next twelve months will be subject to the actual development progress and budget requests of the Projects and the Investment Funds from time to time. If the demand for funding is huge and the existing funding of the Group is insufficient, further fund raising and/or borrowings from the Revolving Loan Facility may be required in the next 12 months.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Set out below is the summary of equity fund raising activity of the Company during the past twelve months immediately preceding the date of this circular:

Date of announcement	Fund raising activity	Net proceeds	Intended use of net proceeds	Unutilized net proceeds as at the Latest Practicable Date	Proposed application of the unutilized net proceeds as at the Latest Practicable Date
5 August 2020, 19 August 2020 and 9 September 2020	Rights issue on the basis of one (1) rights share for every three (3) shares held on the record date, with a total of 415,439,174 rights shares been accepted	Approximately HK\$19.8 million	<ul style="list-style-type: none"> i) approximately HK\$6.9 million for the general working capital of the Group for the ten months after completion of the Rights Issue; ii) approximately HK\$6.0 million for repaying the indebtedness and liabilities of the Group; iii) approximately 20% or HK\$3.9 million for expanding the Group's security guarding business in the PRC by the first quarter of 2021; iv) approximately 15% or HK\$3.0 million for developing and strengthening the Group's asset management business in the PRC and Hong Kong by the end of 2020 	<ul style="list-style-type: none"> approximately HK\$3.3 million HK\$0.1 million approximately HK\$3.9 million approximately HK\$1.5 million 	<ul style="list-style-type: none"> Approximately HK\$3.3 million will be applied for general working capital of the Group in the next 4 months Approximately HK\$0.1 million will be applied to repay the indebtedness and liabilities of the Group in the next 1 month Approximately HK\$3.9 million will be applied towards the Projects Approximately HK\$1.5 million will be applied towards the Investment Funds

LETTER FROM THE BOARD

The Rights Issue was completed on 11 September 2020. Subsequent to the completion of the Rights Issue, the Company has identified the business opportunities and potential merger and acquisition targets in the Business Expansion Plan since September 2020. Having considered the benefits of entering into the business and investment opportunities under the Business Expansion Plan, the Directors consider to utilize the remaining unutilized net proceeds of approximately HK\$3.9 million on the Projects and approximately HK\$1.4 million on the Investment Funds.

Save for the abovementioned, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this circular.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Song, who is an executive Director, the chairman of the Board and a Controlling Shareholder interested in 922,325,231 Existing Shares, representing approximately 55.50% of the issued share capital of the Company. Therefore, the Subscriber is an associate of Mr. Song and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements under the GEM Listing Rules.

The Company has established the Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Subscription as required under the GEM Listing Rules.

The Completion is subject to the fulfilment of the conditions precedent under the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

(III) REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

The Board proposes to seek the approval by the Shareholders on the refreshment of Scheme Mandate Limit. If the refreshment of the Scheme Mandate Limit is approved, on the basis of 332,351,339 Consolidated Shares in issue upon the Share Consolidation becoming effective, the Board will be able to grant options to subscribe for up to a total of 33,235,133 Consolidated Shares, representing approximately 10% of the total issued Consolidated Shares as at date of the EGM. After obtaining Shareholders' approval for the refreshment of the Scheme Mandate Limit, the Company intends to grant a number of Share Options to eligible persons which include employees (full-time and part-time), directors, consultants, advisers, any substantial shareholder of the Group, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group (the "**Eligible Person(s)**"). The Board may in its absolute discretion determine the Eligible Persons. In exercising such discretion, the Board takes into account the purposes of the Share Option Scheme and the following factors which are applicable to all Eligible Persons, and such other factors as they may consider appropriate:

LETTER FROM THE BOARD

- (1) whether such person has any relationship (whether business or otherwise) with the Group and the nature and duration of such relationship;
- (2) any contributions which have been made, or may be made, by such persons to the Group (or benefits received by the Group from such persons or persons associated with them) and the nature of any such contributions or benefits; and
- (3) the views of the independent non-executive Directors as to whether any connected person (as defined in the Listing Rules) of the Company (not being a Group Director or employee) should be approved as an Eligible Person. The Company will make further announcement(s) on the details of the grant as and when appropriate.

The Company adopted the Share Option Scheme on 31 July 2014. Apart from the Share Option Scheme, the Company has no other share option scheme in effect as at the Latest Practicable Date.

The Scheme Mandate Limit was set at 10% of the Shares in issue as at the date of approval and adoption of the Share Option Scheme in compliance with the GEM Listing Rules. Subject to Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the date of the said Shareholders' approval. At the annual general meeting of the Company held on 6 August 2019, the Scheme Mandate Limit was refreshed pursuant to which the Company was authorised to grant Share Options to subscribe for a maximum of 124,366,265 Shares, representing approximately 10% of the total number of Shares in issue then.

As at the Latest Practicable Date, the Company had granted Share Options to subscribe for a total of 150,029,233 Shares (including the upward adjustment of the outstanding Share Options granted by 2,559,595 upon completion of the rights issue on 9 September 2020), details as set out in the announcement of the Company dated 9 September 2020, of which 2,654,868 were exercised, and 9,156,186 shares was cancelled or lapsed.

As at the Latest Practicable Date, there are only 48,217,979 Share Options available under the current scheme limit that may be granted to eligible participants under the Share Option Scheme.

LETTER FROM THE BOARD

The details of the Share Option Scheme and the movements of the Share Options under the Share Option Scheme up to the Latest Practicable Date are set out as follows:

Name or category of grantees	Exercise price before adjustment (HK\$)	Exercise price after adjustment (HK\$)	Date of grant	Number of Share Options granted	Number of Share Options Exercised	Number of Share Options Cancelled	Adjusted on 9 September 2020	Balance as at Latest Practicable Date
Directors								
Mr. Hon Hoi Chuen	0.2380	0.2340	14 December 2018	9,156,186	-	-	172,758	9,328,944
	0.0904	0.0890	18 April 2019	3,280,440	-	-	61,895	3,342,335
Ms. Lin Shuxian	0.2380	0.2340	14 December 2018	9,156,186	-	-	172,758	9,328,944
	0.0904	0.0890	18 April 2019	3,280,440	-	-	61,895	3,342,335
Ms. Song Shiqing	0.2380	0.2340	14 December 2018	9,156,186	-	(9,156,186)	-	-
Mr. Li Zhongfei	0.2380	0.2340	14 December 2018	915,618	-	-	17,276	932,894
	0.0904	0.0890	18 April 2019	84,382	-	-	1,592	85,974
Mr. Zhao Jinsong	0.2380	0.2340	14 December 2018	915,618	-	-	17,276	932,894
	0.0904	0.0890	18 April 2019	84,382	-	-	1,592	85,974
Ms. Guan Yan	0.2380	0.2340	14 December 2018	915,618	-	-	17,276	932,894
	0.0904	0.0890	18 April 2019	84,382	-	-	1,592	85,974
Former Directors								
Ms. Pang Xiaoli	-	-	18 April 2019	4,227,632	(2,212,390)	-	38,023	2,053,265
Mr. Li Mingming	-	-	14 December 2018	9,156,186	-	-	172,758	9,328,944
Other employees of the Group								
In aggregate	0.2380	0.2340	14 December 2018	9,156,186	-	-	172,758	9,328,944
	0.0904	0.0890	18 April 2019	14,311,505	(442,478)	-	261,681	14,130,708
	0.1470	0.1440	5 September 2019	73,588,691	-	-	1,388,465	74,977,156
Total				<u>147,469,638</u>	<u>(2,654,868)</u>	<u>(9,156,186)</u>	<u>2,559,595</u>	<u>138,218,179</u>

Since the adoption of the Share Option Scheme and up to the Latest Practicable Date, there are 138,218,179 Share Options outstanding, representing approximately 8.32% of the total number of Shares in issue.

According to the announcement of the Company dated 14 December 2018 in relation to the Company's grant of Share Options, the former Directors of the Company, namely Ms. Pang Xiaoli and Mr. Li Mingming are eligible for and entitled to exercise their Share Options until 13 December 2028.

LETTER FROM THE BOARD

Directors (including both current and former Directors) are eligible to exercise their Share Options under the Share Option Scheme and are not subject to the condition where Share Options granted to the employees of the Group shall lapse on the expiry of 3 months after the date of cessation of such employment under the Share Option Scheme. The Company determines that its Directors should not be regarded as ordinary employees (and be placed in the same category with employees) under the Share Option Scheme considering that Directors are required to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law pursuant to GEM Listing Rule 3.08 in addition to their day-to-day work responsibilities.

After the rights issue completed on 9 September 2020, the issued share capital increased from HK\$12,436,626.55 to HK\$16,617,566.97. Upon the Share Consolidation becoming effective, the Company will have 332,351,339 Shares in issue. Immediately after the Share Consolidation becoming effective and assuming that none of the outstanding Share Options as at the Latest Practicable Date are exercised within the remaining exercise period, no further Shares are issued and/or repurchased by the Company and no further Options are granted and exercised between the Latest Practicable Date and the date of the EGM, the maximum number of Shares which may be issued upon the exercise of all the Share Options to be granted under the refreshed Scheme Mandate Limit will be 33,235,133 Shares, representing approximately 10% of the total number of issued Shares as at the date of approval of the refreshed Scheme Mandate Limit by the Shareholders at the EGM.

The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will be within the 30% limit of the total number of Shares in issue from time to time as required under the GEM Listing Rules. The Board undertakes that no Options shall be granted under the Share Option Scheme or any other scheme(s) of the Company if this will result in the 30% limit being exceeded.

Conditions of the Refreshment of the Scheme Limit

The proposed refreshment of the Scheme Mandate Limit is conditional upon:

- (1) the passing of the ordinary resolution by the Shareholders at the EGM to approve the proposed refreshment of the Scheme Mandate Limit;
- (2) upon the Share Consolidation becoming effective and dealings in the Consolidated Shares have commenced; and
- (3) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the new Consolidated Shares to be allotted and issued upon exercise of any Share Options that may be granted under the refreshed limit of the Share Option Scheme, up to 10% of the issued Consolidated Shares as at the date of passing the relevant ordinary resolution of the EGM.

LETTER FROM THE BOARD

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the new Consolidated Shares which may fall to be allotted and issued upon exercise of any Share Options that may be granted under the refreshed limit of the Share Option Scheme.

Reasons for the refreshment of the Scheme Mandate Limit

The Board considers that the Share Option Scheme has always been a key incentive measure for boosting the growth of the Group's various businesses and enhancement of Shareholders' value as it provides incentive to the participants to promote the interest of the Group. The refreshment of the Scheme Mandate Limit is in line with the purpose of the Share Option Scheme and is in the interests of the Group and the Shareholders as a whole because it enables the Company to grant more options, which is a way of providing more rewards and motivation to its employees and other eligible persons under the Share Options Scheme for their contribution and continuing efforts to promote the interest of the Company and enhance the value of the Shares. Upon obtaining the approval by the Shareholders on the refreshment of the Scheme Mandate Limit, the Company intends to grant Share Options to eligible persons which include employees (full-time and part-time), directors, consultants, advisers, any substantial shareholder of the Group, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group. The basis of eligibility of the aforementioned participants to the grant of any Share Option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable, (ii) whether the Subscription, together with the proposed issue and allotment of Subscription Shares under Specific Mandate are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM. Euto Capital, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

THE EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Share Consolidation; (ii) the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate; and (iii) the refreshment of the Scheme Mandate Limit. The EGM will be held at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 29 July 2021 at 10:00 a.m. The notice of the EGM is set out on pages EGM-1 and EGM-4 of this circular.

To the best knowledge, information and belief of the Directors after making all reasonable enquires, the Subscriber and its associates, Greatwalle Holding and Mr. Song, as at the date of the EGM, are collectively interested in 922,325,231 Existing Shares, representing approximately 55.50% of the existing issued share capital of the Company, shall be required to abstain from voting in respect of the resolutions that would be proposed to approve the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate at the EGM. To the best knowledge, information and belief of the Directors, no other Director nor Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

To the best knowledge, information and belief of the Directors after making all reasonable enquires, there is (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting rights at the EGM.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 27 July 2021 at 10:00 a.m). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish. The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person.

VOTING BY WAY OF POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM. An announcement of the results of the poll will be published by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 July 2021 to Thursday, 29 July 2021, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than Friday, 23 July 2021 at 4:30 p.m.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 38 of this circular which contains its recommendation to the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder; and (ii) the letter of advice from Euto Capital as set out on pages 39 to 64 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription together with the principal factors and reasons considered by it in concluding its advice.

The Independent Board Committee, having taken into account the advice of Euto Capital, considers that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) considers that the terms of the Subscription Agreements are fair and reasonable, and that the Subscriptions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Directors also consider that the proposed Share Consolidation and the proposed refreshment of the Scheme Mandate Limit to be in the interests of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favor of the resolution approving the Share Consolidation, the Subscription and the refreshment of the Scheme Mandate Limit at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice of EGM.

Yours faithfully,
For and on behalf of the Board
GREATWALLE INC.
Song Xiaoming
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

GREATWALLE INC.

長城匯理公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08315)

9 July 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 9 July 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable; (ii) whether the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 37 of the Circular, the letter of advice from Euto Capital as set out on pages 39 to 64 of the Circular and additional information in the appendix as set out in the Circular. Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder and the factors and reasons considered by Euto Capital and its opinion as stated in its letter of advice, we are of the opinion that although the Subscription is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate, are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder and (ii) the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of

Independent Board Committee

Mr. Li Zhongfei

Mr. Zhao Jinsong

Ms. Guan Yan

*Independent
non-executive Director*

*Independent
non-executive Director*

*Independent
non-executive Director*

LETTER FROM EUTO CAPITAL



9 July 2021

*To the Independent Board Committee and
the Independent Shareholders of
Greatwalle Inc.*

Dear Sirs and Madams,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to make recommendations to the independent board committee and the independent shareholders of Greatwalle Inc. (the “**Company**”) in respect of the Subscription Agreement, which has amended and supplemented by a supplemental agreement dated 6 July 2021, and the transactions contemplated thereunder (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 9 July 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

The Subscription

Background of the Subscription

Reference is made to the announcement of the Company dated 19 March 2021.

On 18 March 2021, the Company entered into the Subscription Agreement, which has amended and supplemented by a supplemental agreement dated 6 July 2021, with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.275 per Subscription Share.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders in the EGM.

Implications under the GEM Listing Rules

As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Song, who is an executive Director, the chairman of the Company and a Controlling Shareholder interested in 922,325,231 Existing Shares, representing approximately 55.50% of the issued share capital of the Company.

LETTER FROM EUTO CAPITAL

Therefore, the Subscriber is an associate of Mr. Song and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements under the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Zhongfei, Mr. Zhao Jinsong and Ms. Guan Yan, has been established to make a recommendation to the Independent Shareholders as to (i) whether the terms of the Transaction are fair and reasonable; (ii) whether the Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Transaction is in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote on the Transaction. None of the members of the Independent Board Committee has any material interests in the Transaction.

In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to make recommendation to the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Transaction are fair and reasonable; (ii) the Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) the Transaction is in the interests of the Company and its Shareholders as a whole; and (iv) the Independent Shareholders should vote in favour of or against the Transaction.

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity, and participated in and completed various independent financial advisory transactions since 2015. Ms. Regina Wong ("**Ms. Wong**") and Mr. Felix Huen ("**Mr. Huen**") are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Ms. Wong has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2017, while Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2019. Each of Ms. Wong and Mr. Huen was participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Euto Capital's independence as set out under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

LETTER FROM EUTO CAPITAL

We are not associated with and have no significant connection, financial or otherwise, with the Subscriber and parties acting in connect with it, the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence. Euto Capital has not acted as an independent financial adviser to the Company's other transactions in the last two years.

Accordingly, we consider that we have performed all reasonable steps as required under Rule 17.92 of the GEM Listing Rules and are eligible to give independent advice on the terms of the Subscription Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

LETTER FROM EUTO CAPITAL

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Subscription Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

On 18 March 2021, the Company entered into the Subscription Agreement, which has amended and supplemented by a supplemental agreement dated 6 July 2021, with the Subscriber.

1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the GEM. The Company is an investment holding company and the holding company of the Group.

1.2 Principal business of the Group

The Group is principally engaged in (i) the provision of security guarding services, and (ii) the provision of asset management and business advisory services.

1.3 Financial position of the Group

Set out below is a summary of the Group's audited consolidated financial position as at 31 March 2020 and 31 March 2021 as extracted from the annual report of the Company for the year ended 31 March 2021 (the "**2020/21 Annual Report**").

LETTER FROM EUTO CAPITAL

Table 1:

Condensed statement of financial position of the Group as at 31 March 2020 and 31 March 2021

	As at 31 March 2020 HK\$'000 (audited)	As at 31 March 2021 HK\$'000 (audited)
Non-current assets	15,037	15,008
Current assets		
– Trade receivables	23,166	12,093
– Prepayments, deposits and other receivables	3,379	3,223
– Amount due from related parties	–	345
– Cash at banks and in hand	16,420	85,010
	<u>42,965</u>	<u>100,671</u>
Total assets	58,002	115,679
Current liabilities		
– Trade payables	14,828	5,114
– Accrued expenses and other payables	15,234	15,712
– Loans from related parties	6,976	70,727
– Amounts due to related parties	1,879	758
– Amount due to an associate	349	–
– Lease liabilities	421	789
– Borrowings	–	6,313
– Promissory note payable	22,550	20,150
	<u>62,237</u>	<u>119,563</u>
Net current liabilities	(19,272)	(18,892)
Total assets less current liabilities	(4,235)	(3,884)
Non-current liabilities	2,033	337
Net liabilities	(6,268)	(4,221)
Gearing ratio (Note)	(501.0%)	(2,320.5%)

Note: The gearing ratio is calculated based on the total debt at the end of the relevant period divided by the total equity at the end of the relevant period. Total debt includes the promissory note, loans from related parties, amounts due to related parties and borrowings.

LETTER FROM EUTO CAPITAL

As set out in the table above, the Group recorded audited consolidated total assets of approximately HK\$115,679,000 as at 31 March 2021, representing an increase of approximately HK\$57,677,000 or 99.44% from an audited consolidated total assets of approximately HK\$58,002,000 as at 31 March 2020. As advised by the Management, such increase was mainly attributable to an increase of cash and bank balances as a result of the drawdown of Shareholder Loan of an aggregate amount of HK\$68,500,000, comprising the drawdown of term loans of (i) HK\$65,000,000 on 27 November 2020, (ii) HK\$1,400,000 on 10 December 2020, (iii) HK\$1,100,000 on 28 December 2020, and (iv) HK\$1,000,000 on 23 February 2021. Pursuant to the Loan Agreements, the Shareholder Loan are interest-free and repayable in one (1) year commencing from the date of drawdown of the term loans from the Revolving Loan Facility granted by Greatwalle Holding. For details of the Loan Agreements relating to the Shareholder Loan, please refer to the Letter.

Apart from the assets position, the Group recorded audited consolidated total liabilities of approximately HK\$119,900,000 as at 31 March 2021, representing an increase of approximately HK\$55,630,000 or 85.56% from the audited consolidated total liabilities of approximately HK\$64,270,000 as at 30 March 2020. The total liabilities of the Group as at 31 March 2021 were mainly contributed by (i) the abovementioned Shareholder Loan of approximately HK\$68,500,000; and (ii) the loans from other related parties of approximately HK\$2,227,000, outstanding borrowings of approximately HK\$6,313,000, and promissory note payable of approximately HK\$20,150,000 respectively and all of which will be due within one year.

As enquired with the Management, the Directors noted that (i) the Group recorded a loss position for the past four years starting from the year ended 31 March 2018; (ii) the Group was in a net current liabilities position which indicated a significant doubt on the Group to continue under a going concern basis; and (iii) the gearing level of the Group reached a significant high level of 2,320.5% as at 31 March 2021, the Directors concluded that, based on this financial position, it was difficult for the Company to bargain and negotiate with certain investor(s) on the terms of any potential business investment and/or cooperation.

As at the Latest Practicable Date, Greatwalle Holding has granted a Shareholders' Loan of an aggregate sum of approximately HK\$70 million to the Company and all of which remains outstanding.

Despite the drawdown of the Shareholder Loan from the Revolving Loan Facility, the Group was still in a net current liabilities position as at 31 March 2021 (i.e. approximately HK\$18,892,000), which indicated a significant doubt on the Group's ability to continue under a going concern basis. Based on this, we concur with the Directors that the Subscription allows the Group to relieve the Company's obligation to repay the outstanding Shareholder Loan without additional cash outlay so as to improve the overall financial position.

1.4 Information of the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding.

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As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Song, who is an executive Director, the chairman of the Company and a Controlling Shareholder interested in 922,325,231 Existing Shares, representing approximately 55.50% of the issued share capital of the Company. Therefore, the Subscriber is an associate of Mr. Song and is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, save as disclosed above, the Subscriber and parties acting in concert with it do not hold, control or have interest over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities in the Company.

2. Reasons for and benefits of the Subscription and the intended use of proceeds

Before arriving at our view on the reasons and benefits of the Subscription, we have considered the following factors.

2.1 The funding requirements of the Group

As set out in the Letter, in order to further expand the business scale of the Group's principal businesses, the Company's management has been committed to exploring business and investment opportunities and developing its security guarding business in the PRC and its asset management business.

In light of the rapid business developments of the Company, the Company has expanded new business opportunities in Shandong Province in the PRC for its security guarding services and identified potential merger and acquisition targets for its asset management business in the latter half year of 2020 (the "**Business Expansion Plan**"). Such Business Expansion Plan was not in the Company's initial business development plan when conducting the Rights Issue. The Directors estimate that the total amount of investment for the Business Expansion Plan to be approximately HK\$68.5 million.

As at the Latest Practicable Date, the unutilized net proceeds allocated to its security guarding and asset management business from the Rights Issue were approximately HK\$3.9 million and HK\$1.4 million, respectively, which are insufficient to support the funding requirements of the Business Expansion Plan.

2.2 Background of the Transaction

As mentioned above, after review of the financial position of the Group, the Directors found that it was difficult to bargain and negotiate with certain investors on the terms of any potential business investment and/or cooperation. Therefore, on 27 November 2020, the Company entered into the Revolving Loan Facility. Pursuant to the Revolving Loan Facility, Greatwalle Holdings, as the lender, was to make available to the Company or its subsidiary(ies), as the borrower, the Shareholder Loan with an aggregate principal amount up to HK\$80 million (or such equivalent amount in RMB). According to the terms of the Revolving Loan Facility, the Shareholder Loan shall be interest-free, unsecured and repayable upon one (1) year commencing from the date of drawdown of the Shareholder Loan on which the Company or its subsidiary(ies) shall be entitled to repay in full or part of such principal in advance.

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Subsequent to entering into of the Revolving Loan Facility, Greatwalle Holding and the Company entered into the Loan Agreements, pursuant to which Greatwalle Holding as the lender has agreed to lend to the Company the Shareholder Loan. At that moment, the Board considered that the Shareholder Loan allows the Group to (i) strengthen its financial position without any interest burden; (ii) enhance the bargaining power for soliciting and negotiating terms of new business(es)/project(s) when it arises; and (iii) also provide financial flexibility necessary for the Group's business operation and development. For details of the intended use of proceeds from the aforesaid Shareholder Loan, please refer to the Letter.

As the Company sought the Shareholder Loan as financial backing to support its efforts in soliciting potential business opportunities, it was uncertain for the Company if such business opportunities would materialize at that moment. Thus, the terms of the Shareholder Loan was meant to be short-term, flexible and without much burden to the Company. Pursuant to the terms of the Shareholder Loan, the Shareholder Loan is unsecured, interest free and is repayable within a year commencing from the date of drawdown of the Shareholder Loan.

As one of the conditions of the Subscription, Greatwalle Holding, the Subscriber and the Company shall enter into the Deed of Novation, pursuant to which, among others, the rights, titles, benefits, interests and obligations of Greatwalle Holding with respect to the Company under the Loan Agreements, including but not limited to the rights to demand for repayment by Greatwalle Holding, shall be assigned and novated to the Subscriber. As at the Latest Practicable Date, each of the Subscriber and Greatwalle Holding are ultimately and beneficially owned by Mr. Song.

As at the Latest Practicable Date, Greatwalle Holding has granted a Shareholder Loan of an aggregate sum of approximately HK\$70 million to the Company which remains outstanding.

2.3 Reasons for entering into the Subscription Agreement

It is advised by the Directors that at the beginning of 2021, the Directors reviewed the cash position of the Group and the potential capital needs for the potential business extension. It was recognized that assuming all the proceeds would be fully utilized on the Business Expansion Plan, the Group's existing financial resources are not able to repay the Shareholder Loan unless new funds could be obtained from equity and/or debt financing, therefore, having considered (i) the payback period of the Business Expansion Plan may not able to match with the Shareholder Loan's repayment schedule; (ii) the fund raising ability of the Company under a continuous loss making position since 2018, (iii) the cost of finance and repayment ability of the Company; and (iv) the economics and financial impact of the Company, (such as the Share issuance price, liquidity of the Shares, cost of the fund raising exercise and dilution effect) through an equity fund raising, it was finally agreed between the Company and the Subscriber that the Subscription could (i) relieve the Company's obligation to repay the outstanding Shareholder Loan without incurring cash outlay and additional interest burden on the Group; and (ii) allow the Subscriber to convert the whole outstanding Loan amount into Shares based on the prevailing Share market price.

LETTER FROM EUTO CAPITAL

Based on our understanding on the Business Expansion Plan, we hereby summarise the details, including brief description of each project, investment size, stage of progress and the planned steps to be taken by the Group, as below:

No.	Time when the project was originated	Details of the projects	Potential total investment amount by the Group	Stage of progress as at the Latest Practicable Date	Planned steps to be taken by the Group
i)	September 2020	Set up investment fund with investment objectives to invest in certain debt and equity securities of a distressed Hong Kong listed company which is currently under restructuring stage	HK\$20 million	Seeking necessary approval, consent and/or permission for the restructuring plan	Establish investment fund and contribute capital to the fund
ii)	November 2020	Set up investment fund with investment objectives to invest in securities of a company listed in the PRC	HK\$16.4 million	In the course of conducting business and financial due diligence on the potential target.	Establish investment fund and contribute capital to the fund
iii)	November 2020	Establish vocational education centre in Shandong Province with the scope to train and develop security guard professionals (the “ Education Centre Plan ”)	Approximately RMB30.1 million	In the course of conducting business and financial diligence on the potential cooperation party, site survey and conducted several rounds of negotiation with relevant government authorities regarding matters concerning certain details of the project.	Subject to the finalisation of the terms and conditions, the Company intends to enter into a formal agreement to commence the construction and development of vocational education centre
iv)	November 2020	Invest in a property management project to provide comprehensive and integrated property management services to a marine industrial park	Approximately RMB30.1 million	Seeking necessary approval, consent and/or permission	Subject to the finalisation of the terms and conditions, the Company intends to enter into a formal agreement

For detailed description of the above Business Expansion Plan, please refer to the Letter.

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As noted above, being one of the above Business Expansion Plan, the Company plans to establish and operate the Education Centre Plan. Based on this, we have enquired the Management about the details of the plan and are given to understand that the Education Centre Plan shall be a centre well equipped with advance teaching and practical training facilities with an aim to provide comprehensive security guard training services to meet various institutional and/or occasional focus and demands. It is anticipated that the implementation of the Education Centre Plan will generate revenue from collection of tuition fees from students and service fees from institutional customers after providing the aforesaid services.

We understand that the Company is now in the process of negotiating with relevant parties/ authorities for details of the plan implementation and the site for the centre is yet to be confirmed.

Despite that the business model of the Education Centre Plan may not be the same as that of the Group's existing security guarding business, we concur with the Directors that by leveraging on the Group's rich experience on the security guarding industry, the Education Centre Plan would (i) diversify and strengthen the Group's service offerings to its existing and potential customers; and (ii) also helps to expand the workforce by way of attracting and retaining talent security guard professional and improve their skills and productivity. Having said that (i) there is a drive on the market growth of security guarding services in the PRC as explained below; (ii) the Education Centre Plan helps to optimize the Group's customer network; and (iii) the potential return which helps to improve the Group's financial performance, we are of the view that the use of proceeds on such plan, if materialised, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

With reference to the 2020/21 Annual Report, we note that the Group is in the course of (i) identifying security guarding markets in well-known industrial parks, large developers, property owners, government departments, etc., in order to rapidly expand the scale of the security guarding business; and (ii) expanding its asset management business into the Hong Kong market with a foothold in the PRC market. The Group plans to devote additional resources into the aforesaid two operating segments and consolidate the effort of the project team in order to facilitate the Business Expansion Plan and will use its best endeavours to implement the potential projects in 2021.

In light of the above business objectives, we understand that the Directors are optimistic on the overall market conditions of each of the security guarding business and asset management business.

As regards to the security guarding business, we concur with the Board's view that the increasing willingness of Chinese to pay for better living standards plus the sheer scale of safety awareness and demand are strong drivers for security guarding sector. Besides, having considered (i) the huge population in China and its industrialization and urbanization processes create room for development; and (ii) the substantial increase in supply of residential and office properties and all possible privately or publicly owned places, we agree that the future development for the security guarding market in the PRC is huge. Accordingly, the proceeds from the Shareholder Loan to finance the security guarding projects as mentioned above will, in due course, generate potential returns for the Company and benefits the Shareholders as a whole.

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Further, as regards to the asset management business, the Board is of the view that the continuing development and opening up of the PRC financial market, particularly the Greater Bay Areas, provides the asset management and fund related investment industries with significant opportunities.

According to the latest Asset and Wealth Management Activities Survey 2019 (Source: https://www.sfc.hk/web/files/ER/Reports/AWMAS_2019_EN.pdf) issued by the SFC in August 2020, Hong Kong's asset management business thrived in 2019, with a 20% year-on-year increase in AUM (asset under management) to HK\$28,769 billion and assets from Mainland China investors accounts for 10% or amounted to approximately HK\$2,752 billion of the asset and wealth management business. Net fund inflows of HK\$1,668 billion were recorded for the asset and wealth management business during 2019 (2018: HK\$783 billion). It is further supported by a report entitled "Hong Kong Asset Management Outlook: Key Trends for 2021" published by KPMG in February 2021, (Source: <https://home.kpmg/cn/en/home/insights/2021/02/hong-kong-as-set-management-outlook-2021.html>), the industry will continue to be supported by policymakers that remain committed to encouraging growth and reaffirming Hong Kong's status as a premier international financial centre and asset and wealth management hub. Based on this, we concur with the Directors that the business opportunities for the asset management services in the coming years would be huge, and the proceeds from the Shareholder Loan to expand the asset management business as mentioned above will improve the financial performance of the Company.

Upon our request, we obtained the framework of each of the potential security guarding project(s) and investment fund(s) with details on the investment objectives, potential investment targets, capital commitments and the planned stage of progress. We have also obtained a list from the Company showing the calculation of the estimated financial performance of the potential security guarding projects (the "Estimation"). The Estimation, which had been approved by the Management, had taken into account factors including, but not limited to, (i) revenue to be generated from the projects based on assumptions including but not limited to, the preliminary commercial terms and the anticipated growth of market demand for the services in the PRC; (ii) the ordinary expenses to be incurred from the operating activities of the projects; and (iii) the projection of the cost of capital of the projects. Pursuant to the Estimation, the Management is of the view that despite the payback period of each of the security guarding project is estimated to be more than one year, which does not match with the term of the Shareholder Loan, the Group could achieve positive financial results after implementation of the projects.

Thus far, the Group intends to finance the Business Expansion Plan with the Group's internal resources (including the remaining proceeds from the Rights Issue) but remains active and open to other fund-raising and partnership activities to further develop the Group's portfolio and development. Based on the communication with the Management, we note that the Group is in a difficult position to obtain financing for developing the Business Expansion Plan in light of (i) the current uncertain economic environment in the global market; (ii) the consecutive loss making financial position; and (iii) the significant gearing position of the Group.

LETTER FROM EUTO CAPITAL

As set out in the Letter, in the event that the Company does not proceed with any of the Business Expansion Plan, the Company would explore other business for an alternative use of proceeds from the Shareholder Loan. Where there are a change of proceeds of the Shareholder Loan, the Company will comply with the relevant GEM Listing Rules and make further announcement(s) on its details as and when appropriate. Regarding the use of proceeds from the Shareholder Loan, we further understand from the Management that as at the Latest Practicable Date, the Company has not identified other investment opportunities for an alternative use of proceeds.

Based on the above information available as at the Latest Practicable Date, we concur with the view of the Board that the proceeds from the Shareholder Loan, together with the existing available internal resources of the Group, will enable the Group to financially support the development of the Business Expansion Plan for implementation, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the terms of the Subscription, the gross proceeds and net proceeds (after deducting professional fees and other related expenses) from the Subscription shall be approximately HK\$68.5 million and HK\$67.5 million, respectively. The total amount payable by the Subscriber to the Company under the Subscription Agreement will be satisfied by the capitalization and partial settlement of the Shareholder Loan in the sum of HK\$68.5 million.

Upon Completion, the total amount of the Shareholder Loan will be reduced to approximately HK\$1.5 million.

As at the Latest Practicable Date, the Company anticipates that the net proceeds from the Subscription may not satisfy its financial needs for the next twelve months. However, the actual funding needs of the Company in the next twelve months will be subject to the actual development progress of the Project and the Investment Funds and budget requests of the Project from time to time. If the demand for funding is huge and the existing funding of the Group is insufficient, further fund raising and/or draw down from the Revolving Loan Facility and/or the Loan Agreements may be required in the next 12 months.

2.4 Alternative methods of financing

Apart from the Group's liquidity and financial position, we have discussed with the Board about its consideration of any alternative financing methods to meet the funding requirements of the Business Expansion Plan and the repayment obligation of the Shareholder Loan.

(i) Debt financing method

According to our discussion with the Management, we are given to understand that the Board has considered other alternative settlement methods such as the issuance of other types of debt securities. However, given (i) the Group's consecutive loss-making performance for the past four years commencing from the year ended 31 March 2018; (ii) the Group's net current liabilities position as at 31 March 2021 which may cast a significant doubt on the Company to continue under a going concern basis; (iii) the significant gearing position of the Group of approximately 2,320.5% as at 31 March 2021, the Board found it difficult to obtain additional debt financing under the existing financing environment.

Further, the Board considers that the issuance of other debt securities shall involve financial institutions which (a) may require the Group to make guarantees and/or pledge assets of the Group; and (b) will charge a financing cost if such pledge-free loan facilities are to be provided by such financial institutions. The capital structure of the Company may also need to be altered substantially to meet the gearing criteria, including but not limited to, limitations on debt level and leverage, minimum requirements on equity level and interest coverage etc..

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Moreover, given the Company's current debt level, it is considered that any further financing aid from external parties would: (i) demand an interest rate that shall rise steeply as the Company's financial need grows; (ii) impose further financial burden of interest expenditure on the Company's cash flows; (iii) continue to raise the Company's gearing ratio, which might hinder the Company's other financing and/or operating plans; and (iv) impose covenants by which the Company's debt financing ability would be limited. As such, we are of the view that borrowings from financial institutions are of limited accessibility and the elimination of such settlement method is justifiable.

(ii) Other equity financing method

Notwithstanding the above, the Board has also approached securities firms and bank for other possible equity fund-raising methods, such as placing of new Shares to raise funds from independent third party(ies) of the Company, rights issue or open offer.

With regard to viability of a rights issue or an open offer, we agreed that (i) less documentation is typically required for the Subscription than rights issue or open offer; and (ii) the Subscription is less costly than a rights issue or open offer, either under fully under-written or non-underwritten basis, given that no underwriting or placing commission would be incurred. Further, we are given to understand that it would be difficult for the Company to engage underwriters for potential rights issue or open offer after considering (i) the trading volume of the Shares; (ii) the liquidity of the Shares; (iii) the financial position and performing of the Group; (iv) uncertainties as to how many shareholders would participate in a rights issue or an open offer; and (v) the proposed size of the fund raising activities required by the Company (i.e. HK\$68.5 million). In light of this, we concur that fund raising by way of rights issue or open offer to settle the Shareholder Loan is not likely to be feasible as compared to the Subscription. Further, we understand that the Company had previously approached two investment bankers to discuss the feasibility of rights issue and open offer. Based on such communications, the Directors agreed with the investment bankers that pre-emptive equity fund raising, such as rights issue and open offer, would be very difficult as the market demand for the Shares are minimal due to (i) the small capitalization of the Company; (ii) the low trading volume and relatively illiquidity of the Shares; (iii) the consecutive loss making position of the Group since 31 March 2018; and (iv) the cautious investors' sentiment under the recent volatile market environment. Based on this, we have conducted a review on (i) the prevailing market price of the Shares as described in the sub-section headed "4.2.1 Review on the historical performance of Share prices"; (ii) the trading volume and liquidity of the Shares as described in the sub-section headed "4.2.2 Review on trading volume and liquidity of the Shares"; (iii) the historical financial statements of the Group; and (iv) the size of the Subscription for settlement of the Shareholder Loan, we concur with the afore-mentioned factors and given the size of the Subscription is substantial, there is no certainty in finding underwriter for such pre-emptive equity fund raising exercises on terms acceptable to the Group, or at all. However, in order to ensure adequate funds could be raised to meet the repayment obligation of the Group, such pre-emptive fund raising exercises have to be underwritten. Therefore, we agreed that fund raising by way of rights issue or open offer to settle the Shareholder Loan is not likely to be feasible as compared to the Subscription.

LETTER FROM EUTO CAPITAL

With regard to placement of new Shares to raise funds from independent third party(ies) of the Company, we have considered (i) the comparatively thin trading volume of the Shares and its low liquidity; (ii) the costly placing commission which is generally 1%–3% to the placing amount; (iii) difficulty in securing placing agent in light of the sizeable amount of securities; and (iv) that the price of the Share has not been trending strongly, we consider that a discount to attract potential investors would be required by the placing agent and the outcome would remain substantially uncertain. In that case, it is highly probable that the Company might not be able to achieve its financing goal. As such, we concur with the Board's view that a placement is of high uncertainty and such funding method may not be in the interests of the Company and its Independent Shareholders as a whole.

Taking into consideration of the above, we are of the view that the Subscription will (i) alleviate the repayment pressure of the Group and avoid unnecessary extra interest costs from debt financing; (ii) resolve the going concern issues of the Group; (iii) be able to satisfy the Group's funding needs for the Business Expansion Plan and repayment of the Shareholder Loan; (iv) incur less costs or commission in the process as compared to the placement of new shares and other means of equity financing.

As such, we concur with the Board's view that the capitalisation and partial settlement of the Shareholder Loan of approximately HK\$68.5 million via Subscription to be a feasible and appropriate way to raise funding for the Business Expansion Plan; and therefore, we consider that the terms of the Subscription and the transactions contemplated thereunder is fair and reasonable and in the interests of the Independent Shareholders.

Conclusion

Having considered the results of the above, we are of the view that the Subscription and the transactions contemplated thereunder represent a way to enhance the Group's financial performance without committing unnecessary cash outflows from the Group, therefore, we are of the view that the Subscription and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LETTER FROM EUTO CAPITAL

3. Principal terms of the Subscription Agreement

The table below summarise the principal terms of the Subscription Agreement, which has amended and supplemented by a supplemental agreement dated 6 July 2021:

Date:	18 March 2021
Parties:	(i) the Company; and (ii) the Subscriber

Number of Subscription Shares: The Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for, an aggregate of 249,090,909 new Consolidated Shares (the “**Subscription Shares**”).

Upon the Share Consolidation becoming effective, the Company has a total of 332,351,339 issued Consolidated Shares. Assuming that other than the issue of the Subscription Shares, there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the 249,090,909 Subscription Shares represent (i) approximately 74.95% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and approximately 42.84% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price:	HK\$0.275 per Subscription Share
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LETTER FROM EUTO CAPITAL

4. Evaluation of the Subscription Price

4.1 *The Subscription Price*

As set out in the Letter, the Subscription Shares will be allotted and issued at the Subscription Price (i.e HK\$0.275), which represents:

- (i) represents a premium of approximately 5.77% to the theoretical closing price of HK\$0.2600 per Consolidated Share (after taking into the account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) represents a discount of approximately 6.78% to the theoretical closing price of HK\$0.2950 per Consolidated Share (after taking into the account the effect of the Share Consolidation) based on the closing price of HK\$0.0590 per Existing Share as quoted on Stock Exchange on 18 March 2021, being the date of the Subscription Agreement;
- (iii) represents a discount of approximately 5.50% to the average theoretical closing price of approximately HK\$0.2910 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0582 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Subscription Agreement;
- (iv) represents a discount of approximately 10.28% to the average theoretical closing price of approximately HK\$0.3065 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0613 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of the Subscription Agreement; and
- (v) represents a premium of approximately HK\$0.2850 to the net liabilities of the Company of approximately HK\$0.0100 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the audited net liabilities attributable to owners of the Company of approximately HK\$3,338,000 as at 31 March 2021 and 332,351,339 Consolidated Shares assuming the Share Consolidation has become effective.

The Subscription Price was determined at after arm's length negotiations between the Company and the Subscriber with reference to, among other matters, the prevailing market prices and the liquidity of the Shares.

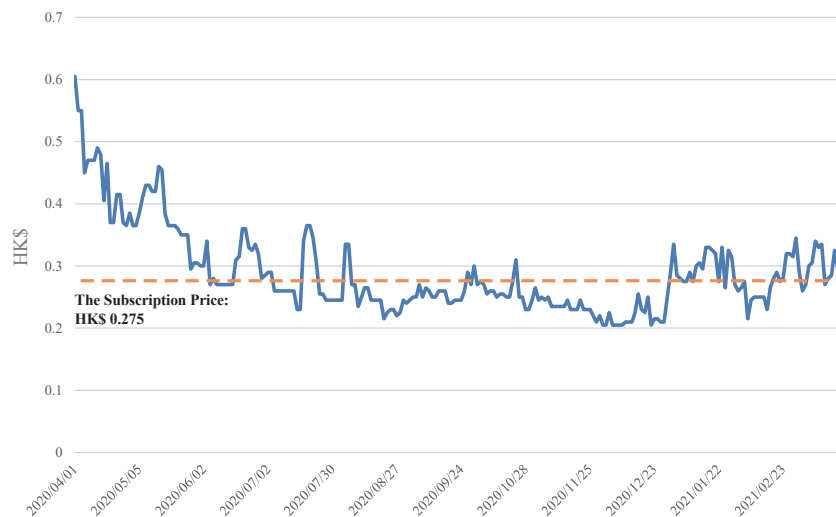
LETTER FROM EUTO CAPITAL

4.2 Evaluation on the Subscription Price

In assessing the fairness and reasonableness of the basis of the Subscription Price, we have compared the Subscription Price with reference to (i) the historical performance of the Share price; (ii) trading volume and liquidity of the Shares; and (iii) the market comparables in respect of the recent issuance of subscription shares.

4.2.1 Review on the historical performance of Share prices

Set out below is a chart illustrating the movement of the theoretical closing price of the Existing Shares (after taking into account the effect of the Share Consolidation) (the “**Adjusted Closing Price**”) during the period commencing from 19 March 2020 to 18 March 2021, being approximately 12 months prior to the date of the Subscription Agreement up to and including the date of the Subscription Agreement (the “**Review Period**”). We consider that a sampling period of approximately 12 months prior to the date of the Subscription Agreement is adequate as it provides a general overview of the recent price performance of the Shares before the date of the Subscription Agreement for our analysis on the historical closing prices of the Shares and the Subscription Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the Adjusted Closing Price ranged from the lowest of HK\$0.205 per Share to the highest of HK\$0.605 per Share, with an average Adjusted Closing Price of approximately HK\$0.289 per Share. The Subscription Price of HK\$0.275 are therefore within the said historical price range of Shares during the Review Period.

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Further, after reviewing the trend of the daily Adjusted Closing Price per Share during the Review Period, we noted that the Adjusted Closing Price had fallen sharply from since March 2020 after publication of the Company's third quarterly report for the nine months ended 31 December 2019 on 17 March 2020. During the period from 1 April 2020 to 19 June 2020, being the date prior to the publication of the Company's annual results announcement for the year ended 31 March 2020, the daily Adjusted Closing Price was on a descending trend with an average Adjusted Closing Price of HK\$0.379 per Share.

It is noted that, after publication of the Company's annual results announcement for the year ended 31 March 2020 on 21 June 2020, the daily Adjusted Closing Price was decreased from HK\$0.33 per Share on 22 June 2020 to HK\$0.245 per Share on 4 August 2020.

On 5 August 2020, the Company published an announcement in relation to the Rights Issue. However, after publication of such announcement, the daily Adjusted Closing Price kept the descending trend and reached a minimum Adjusted Closing Price of HK\$0.205 on 22 December 2020.

After the publication of the Company's third quarter results announcement Company for the nine months ended 30 September 2020 on 10 February 2021, the Adjusted Closing Price maintained at a level between HK\$0.23 per Share and HK\$0.345 per Share during the period from 10 February 2021 to the date of the Subscription Agreement (i.e. 18 March 2021).

After review of the historical Share price, we are of the view that the change in Adjusted Closing Price during the Review Period reflects the change in the fundamentals of the Company and therefore, the Adjusted Closing Price during such period serves a fair and meaningful indicator for assessing the Subscription Price.

In order to assess the fairness and reasonableness of the Subscription Price as compared to the recent closing price of the Shares (being the closing price prior to the date of agreement and the last 5 days prior to the date of the Subscription Agreement), we have further, based on the information available from the Stock Exchange's website, identified the Comparables (as defined below) for further analysis. Please refer to the sub-section headed "4.2.3 Comparison with recent transactions" for details of the analysis. For our view on the dilution effect to minority shareholders upon issue of the Subscription Shares, please refer to the section headed "5. Effects on the Company's shareholding structure".

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4.2.2 Review on trading volume and liquidity of the Shares

Set out below is the table showing (i) monthly total trading volume of the Existing Shares; (ii) the number of trading dates of each month; (iii) the average daily trading volume of the Existing Shares; and (iv) the percentage of the average daily trading volume of the Existing Shares to the total issued Shares at the end of each month during the Review Period:

Month	Monthly trading volume of Existing Shares (A) <i>(Existing Shares)</i>	Number of trading days in the month (B) <i>(Days)</i>	Average daily trading volume of the Existing Shares (C) = (A)/(B) <i>(Existing Shares)</i>	Total issued Existing Shares at the end of each Month (D) <i>(Existing Shares)</i>	Percentage of the average daily trading volume of the Existing Shares to the total issued Shares at the end of each month (C)/(D) <i>Approx. %</i>
2020					
April	5,597,940	19	294,628	1,246,317,523	0.024
May	1,412,850	20	70,643	1,246,317,523	0.006
June	4,755,400	21	226,448	1,246,317,523	0.018
July	6,523,330	22	296,515	1,246,317,523	0.024
August	37,730,060	21	1,796,670	1,246,317,523	0.144
1 September to 9 September	23,560,000	7	3,365,714	1,246,317,523	0.270
10 September to 30 September	7,593,000	15	506,200	1,661,756,697 <i>(Note 2)</i>	0.030
October	7,365,000	18	409,167	1,661,756,697	0.025
November	3,745,000	21	178,333	1,661,756,697	0.011
December	19,333,700	22	878,805	1,661,756,697	0.053
2021					
January	25,141,000	20	1,257,050	1,661,756,697	0.076
February	36,964,220	18	2,053,568	1,661,756,697	0.124
1 March to 18 March	9,555,080	14	682,506	1,661,756,697	0.041

Source: The website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. The calculation is based on the average daily trading volume of the Existing Shares divided by the total issued Existing Shares at the end of each month/period or as at the Latest Practicable Date as applicable.
2. On 10 September 2020, a total of 415,439,174 Shares have been allotted and issued pursuant to the Rights Issue.

As illustrated in the above table, the average daily trading volume of the Existing Shares during the Review Period has not been consistent, ranging from the lowest of 70,643 Shares (i.e. May 2020) to the highest of 3,365,714 Shares (i.e. 10 September to 30 September 2020), representing approximately 0.006% and 0.270% of the total issued Shares at the end of the relevant month respectively.

It is noted that the number of Shares traded daily decreased significantly after publication of the Company's third quarterly report for the nine months ended 31 December 2019 on 17 March 2020. Besides, we also noted that the number of Shares traded daily increased significantly after publication of the Rights Issue announcement on 5 August 2020. During the period from 1 September 2020 to 9 September 2020, being the date prior to the publication of results of the Rights Issue, the total trading volume of the Shares reached 23,560,000 Shares with an average daily trading volume of 3,365,714 Shares, representing approximately 0.270% of the total issued Shares.

Further, after publication of the Company's third quarter results announcement Company for the nine months ended 30 September 2020 on 10 February 2021, in February, the monthly trading volume of the Shares reached 36,964,220 Shares, with an average daily trading volume of 2,053,568, representing approximately 0.124% of the total issued Shares.

Save for the aforementioned, we are not aware of any reasons for such fluctuations during the Review Period and believed that it was the result of the market response to the relevant published announcements of the Company. Hence, we consider the trading of Shares did not appear to be active during the Review Period. Given the low liquidity of the Shares during the Review Period, we consider that it may be difficult for the Group to obtain favorable terms on other ways of equity financing such as placement of new Shares to settle the outstanding Shareholder Loan.

4.2.3 Comparison with recent transactions

In assessing the fairness and reasonableness of the basis of the Subscription Price, we have conducted a comparison of the Subscription Price against the comparable transactions by comparing (i) the premium/(discount) of the issue price over/to the closing price of the last trading day prior to the date of the relevant agreement; and (ii) the premium/(discount) of the issue price over/to the closing price of the last 5 trading days prior to the date of the relevant agreement.

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In order to carry out the above analysis, we have based on the information available from the Stock Exchange's website, identified an exhaustive list of 5 transactions announced by 5 companies listed on the Stock Exchange during 19 October 2019 to and including the date of the Subscription Agreement (i.e. 18 March 2020), being the last 18 months preceding the date of announcement of the Subscription (the "**Comparables**"). We consider that a 18 months comparison could provide the most recent information and hence a reasonable and meaningful comparison could be reached. For the purpose of our selection of the Comparables, the basis of our selection of the Comparables is as follows:

- (i) companies listed on the Stock Exchange;
- (ii) companies that had published announcements in relation to issuance of shares for loan capitalisation, placing and/or subscription of new shares and/or securities convertible into shares under specific mandate with proceeds used for settlement of indebtedness during the Review Period; and
- (iii) the above relevant transaction constituted a connected transaction.

Based on above criteria, we considered that the Comparables provide a relevant benchmark for the purpose of assessing the Subscription Price. We consider the Comparables an exhaustive list of relevant comparable companies based on the said criteria above and the selection of comparable companies within an approximate 18-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the Subscription Shares were determined. Therefore, we concluded that our selection of the Comparables is fair and representative.

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Set out below is the list of transaction involved issue of subscription shares as announced by the Comparables during the last twelve months prior to and including the date of the Subscription Agreement.

No.	Date of announcement	Stock code	Company name	Premium/ (discount) of the issue price over/to the closing price of the last trading day prior to the date of the relevant agreement <i>Approx.%</i>	Premium/ (discount) of the issue price over/to the closing price of the last 5 trading days prior to the date of the relevant agreement <i>Approx.%</i>
1.	19 November 2019	686	Panda Green Energy Group Limited	7.76	9.17
2.	6 February 2020	875	China Finance Investment Holdings Limited	(31.60)	(35.00)
3.	3 July 2020	817	China Jinmao Holdings Group Limited	(6.56)	(0.56)
4.	11 September 2020	33	Amber Hill Financial Holdings Limited	(23.66)	(27.55)
5.	24 November 2020	185	Zensun Enterprises Limited	(4.17)	(0.86)
			Maximum	7.76	9.17
			Minimum	(31.60)	(35.00)
			Average	(11.65)	(10.96)
			The Subscription:	(6.78)	(5.498)

Source: The website of the Stock Exchange (www.hkex.com.hk)

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We noted that the of the Comparables as shown in the above table is only five in total, however, considering (i) the Comparables represent an exhaustive list which provide the most recent information as published in the Stock Exchange; (ii) the selection of the Comparables has taken into account the placement of or subscription of new Shares and proceeds used for settlement of indebtedness which represent as fair and reasonable sample size; and (iii) there is no specific reasons to eliminate any of the transactions criteria from the selection of Comparables for a fair comparison, we consider that the Comparables is representatives and the above analysis provides a meaningful analysis for the fairness and reasonableness of the Subscription Price.

As shown in the above table of the Comparables, the issue prices of the Comparables to the relevant closing price on the date of the agreement ranged from a premium of approximately 7.76% to a discount of approximately 31.60%, with an average discount of approximately 11.65%. We noted that the Subscription Price of HK\$0.275 represents a discount of approximately 6.78% to the theoretical closing price of HK\$0.295 per Consolidated Share (after taking into the account the effect of the Share Consolidation) based on the closing price of HK\$0.059 per Existing Share as quoted on Stock Exchange on 18 March 2021, being the date of the Subscription Agreement, and such discount lies between the abovementioned range of the Comparables.

Further, the issue prices of all of the Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the issue price ranged from a premium of approximately 9.17% to a discount of approximately 35.00%, with an average discount of approximately 10.96%. The Subscription Price of HK\$0.275 represents a discount of approximately 5.50% to the average theoretical closing price of approximately HK\$0.291 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.058 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Subscription Agreement, and such discount lies between the relevant range of the Comparables.

4.2.4 Results of the evaluation of the basis of the Subscription Price

Given that (i) the thin liquidity of the Shares during the Review Period; (ii) the determination of the Subscription Price is within the range of that of the Comparables when compared to the prevailing share price; and (iii) as mentioned in the section headed “3. Reasons and benefits of entering into the Subscription Agreement” of this letter, the Subscription is in the interests of the Company and the Shareholder as a whole, we consider that the determination of the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

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5. Effects on the Company's shareholding structure

As at the Latest Practicable Date, there were outstanding Share Options granted under the Share Option Scheme entitling the holders thereto to subscribe for a total of 138,218,179 Existing Shares (equivalent to 27,643,636 Consolidated Shares).

As at the Latest Practicable Date, the Company has 1,661,756,697 Existing Shares in issue. Assuming that no further Existing Shares are issued or repurchased between the Latest Practicable Date and the date of the EGM, immediately upon the Share Consolidation becoming effective, 332,351,339 Consolidated Shares shall be in issue and fully paid or credited as fully paid.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the date the Share Consolidation becoming effective; (iii) immediately upon the allotment and issue of the Subscription Shares, assuming the Share Consolidation becoming effective and, save as the Subscription Shares, there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion; (iv) immediately upon the allotment and issue of the Subscription Shares and exercise of all outstanding Share Options, assuming the Share Consolidation becoming effective and, save as the Subscription Shares and the Shares allotted and issued after exercise of the Share Options, there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the date the Share Consolidation becoming effective		Immediately upon the allotment and issue of the Subscription Shares, assuming the Share Consolidation becoming effective and, save as the Subscription Shares, there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion		Immediately upon the allotment and issue of the Subscription Shares and exercise of all outstanding Share Options, assuming the Share Consolidation becoming effective and, save as the Subscription Shares and the Shares allotted and issued after exercise of the Share Options, there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Greatwalle Holding (Note)	922,325,231	55.50	184,465,046	55.50	184,465,046	31.73	184,465,046	30.29
The Subscriber	-	-	-	-	249,090,909	42.84	249,090,909	40.89
Public Shareholders	739,431,466	44.50	147,886,293	44.50	147,886,293	25.43	175,529,928	28.82
Total	1,661,756,697	100.00	332,351,339	100.00	581,442,248	100.00	609,085,883	100.00

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Note:

According to information available to the Company and as of the date of this announcement, 922,325,231 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner. Greatwalle Holding Limited is wholly-owned by Guangzhou Nansha Huiming Investment Business Company Limited* (廣州南沙區匯銘投資業務有限公司) (“**Nansha Huiming**”). Nansha Huiming is held as to approximately 91.9992% by Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership* (深圳匯理九號投資諮詢企業(有限合夥)) (“**Huili Jiu Hao Investment**”), and as to approximately 0.0008% by Mr. Song. Huili Jiu Hao Investment is held as to 99.00% by Shenzhen Great Walle Investment Corp., Ltd.* (深圳長城匯理投資股份有限公司) (“**Great Walle Investment**”). Great Walle Investment is ultimately controlled by Mr. Song. As such, each of Nansha Huiming, Huili Jiu Hao Investment and Great Walle Investment is deemed to be interested in 922,325,231 Shares held by Greatwalle Holding Limited under the SFO.

The Subscription allows the Company to reduce the cash consideration required for the settlement of the Shareholder Loan. Assuming the Subscription Shares would be issued and delivered to Subscriber in full and there was no further issue of Shares between the Latest Practicable Date and the date of Subscription Completion, Independent Shareholders’ holdings upon Completion would be diluted from approximately 45.50% to approximately 25.43% of total shareholdings, that is a approximately 20.07% reduction.

Assuming all outstanding options are to be exercised by the relevant option holders, the Independent Shareholders’ holdings upon Completion would be diluted to approximately 28.82%. Despite the Subscription will incur dilution effect on the shareholding of the existing Shareholders, taking into account that (i) the Subscription Price, reflecting the prevailing market Share price; (ii) the determination of the Subscription Price is above the range of the Comparables when compared with the prevailing share price which is fair and reasonable; (iii) the Company can release from pressure to satisfy the Loan and retain the cash resources to the meet other outstanding liabilities obligations as and when they fall due; (iv) the Subscription Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company; and (v) the Subscription allows the Group to retain working capital for its daily operation and future business development which helps to resolve the going concern issue of the Group, we consider that the possible combined dilution effects (including the effect of the Subscription and the exercise of all outstanding Options) on the shareholding interests of the public Shareholders to be acceptable.

6. Financial effects of the Subscription

6.1 *Effect on total liabilities and net assets*

According to the 2020/21 Annual Report, the audited net liabilities of the Group as at 31 March 2021 amounted to approximately HK\$4.22 million.

Upon completion of the Subscription, the Group’s total liabilities will be decreased by the amount of the Shareholder Loan of approximately HK\$68.50 million assuming that there will be no other settlements of the Group’s liabilities or new borrowings.

In light of the decrease of total liabilities, the net asset position of the Group will be increased by the amount of the Shareholder Loan of approximately HK\$68.50 million.

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6.2 Effect on gearing ratio

According to the 2020/21 Annual Report, the Group recorded negative values of gearing ratio as at 31 March 2020 and 31 March 2021, due to the net liabilities position of approximately HK\$6,268,000 as at 31 March 2020 and HK\$4,221,000 as at 31 March 2021 respectively. Assuming all figures remain unchanged upon Completion, the Group's total debt will be substantially reduced by the settlement of the Shareholder Loan and the Shareholders' equity will be enlarged by the allotment and issue of the Subscription Shares; accordingly, the gearing ratio of the Group will be substantially improved.

Details of the calculation of the gearing ratios are illustrated below:

	As at 31 March 2020 HK\$'000 (audited)	As at 31 March 2021 HK\$'000 (audited)
Debts:		
– Loan from related parties	6,976	70,727
– Amount due to related parties	1,879	758
– Borrowings	–	6,313
– Promissory note payable	22,550	20,150
	<hr/>	<hr/>
Total Debts	31,405	97,948
Total equity	(6,268)	(4,221)
Gearing ratio	N/A	N/A

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that although the Transaction is not conducted in the ordinary and usual course of business of the Group, we considered that (i) the terms of the Transaction are fair and reasonable; (ii) the Transaction is on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Felix Huen
Director

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Regina Wong
Director

* For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company 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 were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the required standard of dealings by the Directors as referred to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

(i) *Interests in the Shares*

Name of Director	Capacity in which interests are held	Number of Shares held	Number of underlying shares held/interested pursuant to share options	Approximate percentage of the total number of issued shares Company (%)
Mr. Song	Interest in a controlled corporation	922,325,231 ^(Note 1)		55.50%
Hon Hoi Chuen	Beneficial owner		12,671,279(L) ^(Note 2)	0.76%
Lin Shuxian ("Ms. Lin")	Beneficial owner		12,671,279(L) ^(Note 2)	0.76%
Li Zhongfei	Beneficial owner		1,018,868(L) ^(Note 2)	0.06%
Zhao Jinsong	Beneficial owner		1,018,868(L) ^(Note 2)	0.06%
Guan Yan	Beneficial owner		1,018,868(L) ^(Note 2)	0.06%

Notes:

- to information available to the Company and as at the Latest Practicable Date, Greatwalle Holding Limited is wholly-owned by 廣州南沙區匯銘投資業務有限公司 (“Nansha Huiming”). Nansha Huiming is held as to approximately 91.9992% by 深圳匯理九號投資諮詢企業(有限合夥) (“Huili Jiu Hao Investment”), and as to 0.0008% by Mr. Song. Huili Jiu Hao Investment is held as to 99.0000% by Great Walle Investment. Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 68.9039% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, 深圳弘德商務服務有限公司). As such, Mr. Song is deemed to be interested in the above companies under the interests in Shares and the underlying Shares of the Company of the SFO.
- These long positions represent the share options granted by the Company under the Share Option Scheme on 31 July 2014.

(ii) Interests in ordinary shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares, underlying shares held/ interested	Approximate percentage of the total number of issued shares of the associated corporations (%)
Mr. Song	Greatwalle Holding Limited	Interest in a controlled corporation	1,000,000	100.0000%
	廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)	Beneficial owner	1,000	0.0008%
		Interest in a controlled corporation	110,000,000	91.9992%
	深圳匯理九號投資諮詢企業(有限合夥) (Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Interest in a controlled corporation	990,000 ^(Note)	99.0000%

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares, underlying shares held/interested	Approximate percentage of the total number of issued shares of the associated corporations (%)
	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	3,828,902	68.9039%
		Interest in a controlled corporation	1,222,486	21.9995%
Ms. Lin	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	1,111	0.0200%

Notes:

The associated corporation is a limited partnership with no share description or shares. The total number of shares represented the amount of capital contributed.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (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 were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the required standard of dealings by the Directors as referred to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Substantial shareholders' and other persons' interests

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, has had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions

Name of Shareholder	Capacity and nature of interest	Number of Shares held/interested (Note 1)	Percentage of shareholding
Greatwalle Holding Limited	Beneficial owner	922,325,231 (L)	55.50%
廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)	Interest of corporation controlled by the controlling shareholder (Note)	922,325,231 (L)	55.50%
深圳匯理九號投資諮詢企業 (有限合夥)(Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Interest of corporation controlled by the controlling shareholder (Note)	922,325,231 (L)	55.50%
深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Interest of corporation controlled by the controlling shareholder (Note)	922,325,231 (L)	55.50%

(L) represents a long position in the Shares

Note: According to information available to the Company, 922,325,231 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner. Greatwalle Holding Limited is wholly-owned by Nansha Huiming. Nansha Huiming is held as to approximately 91.9992% by Huili Jiu Hao Investment, and as to approximately 0.0008% by Mr. Song. Huili Jiu Hao Investment is held as to 99.0000% by Great Walle Investment. Great Walle Investment is ultimately controlled by Mr. Song. As such, each of Nansha Huiming, Huili Jiu Hao Investment and Great Walle Investment is deemed to be interested in 922,325,231 Shares held by Greatwalle Holding Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, as far as is known to the Directors and chief executives of the Company, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

As of the Latest Practicable Date, Great Walle Investment, one of the Controlling Shareholders of the Company is principally engaged in the private equity fund management business in the PRC. Great Walle Investment is deemed to be interested in 922,325,231 Existing Shares of the Company, representing approximately 55.50% of the issued share capital of the Company. Great Walle Investment is held as to 90.90% by Mr. Song who is also the chairman of its board of directors and general manager. Mr. Song confirms that Great Walle Investment has ceased establishing new private equity funds in the PRC after the Company's subsidiary, Shenzhen Huili obtained permission from the Asset Management Association of China to commence the Group's private equity fund management business in the PRC since April 2020.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, Controlling Shareholder or their respective close associates (as defined in the GEM Listing Rules) had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflict of interest which any such person has or may have with the Group which would fall to be disclosed under the GEM Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group including (i) the consideration passing to or from any member of the Group; and (ii) short particulars of all transactions relating to any such assets which have taken place since 31 March 2021, the date of which the latest published audited consolidated financial statements of the Group were made up.

Save as disclosed in the transactions set out in this circular and Mr. Song's position as the director and sole shareholder of the Subscriber, no contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. MATERIAL CONTRACT

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

- (a) the Loan Agreements;
- (b) the Deed of Novation; and
- (c) the Subscription Agreement

7. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions or advices which are contained or referred to in this circular:

Name	Qualification
Euto Capital Partners Limited	a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong),

As at the Latest Practicable Date, Euto Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or reports or letters, as the case may be, and references to its names in the form and context in which they are included.

As at the Latest Practicable Date, Euto Capital did not have any shareholding in any member of the Group or any 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, Euto Capital did not have any interests, either direct or indirect, in any assets which had been or were proposed to be acquired, disposed of by or leased to any member of the Group since 31 March 2021, the date to which the latest published audited financial statements of the Company were made up.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Lam Yuen Ling Eva.
- (b) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands, the headquarters principal place of business of the Company in Hong Kong is situated at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.
- (e) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the headquarters and principal place of business of the Company in Hong Kong at Room 2008, 20/F. West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong during normal business hours on any Business Day for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the Loan Agreements;
- (c) the Deed of Novation;
- (d) the Subscription Agreement;
- (e) the letter from the Independent Board Committee set out in page 38 of this circular;
- (f) the letter from the Independent Financial Advisor set out in pages 39 to 64 of this circular;
and
- (g) the written consent from the Independent Financial Advisor as referred to in the paragraph headed "Expert and Consent" in this appendix.

NOTICE OF EGM

GREATWALLE INC. 長城匯理公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08315)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Greatwalle Inc. (the “**Company**”) will be held at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 29 July 2021, at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company:

ORDINARY RESOLUTION

1. “**THAT** subject to and conditional upon, among others, the granting by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the issued ordinary shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the “**Share Consolidation**”):
 - (a) with effect from the business day immediately following the date on which this resolution is passed, being a day on which shares are traded on The Stock Exchange, every five (5) issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company (the “**Existing Shares**”) be consolidated into one (1) share with a par value of HK\$0.05 each (each a “**Consolidated Share**”). Such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of the Company;
 - (b) all fractional Consolidated Shares will be disregarded and not be issued to the holders of the Existing Shares but will be aggregated and, if possible, sold for the benefit of the Company; and
 - (c) the directors of the Company be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangements for the share consolidation.”

NOTICE OF EGM

2. **“THAT** subject to and conditional upon, among others, the granting by the Stock Exchange of the listing of, and permission to deal in, 249,090,909 new Consolidated Shares to be allotted and issued pursuant to the terms and conditions of the Subscription Agreement (the **“Subscription Shares”**):
- (a) the subscription agreement dated 18 March 2021, and as amended and supplemented by a supplemental agreement dated 6 July 2021, entered into between the Company as issuer and Walle Holding Limited as subscriber in respect of the subscription of 249,090,909 new Consolidated Shares of the Company (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) (the **“Subscription Agreement”**) and the transactions contemplated thereunder (the **“Subscription”**), be and are hereby approved, confirmed and ratified;
 - (b) the directors of the Company (the **“Directors”**) be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (a) above;
 - (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Subscription Shares (as defined in the Subscription Agreement) to be allotted and issued pursuant to the terms and conditions of the Subscription Agreement, the Directors be and are hereby grant a specific mandate (the **“Specific Mandate”**) to allot and issue 249,090,909 new Consolidated Shares, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 18 August 2020 and the general mandate contained in ordinary resolution 18 August 2020 of the annual general meeting; and
 - (d) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (c) above.”

NOTICE OF EGM

3. “**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the additional Shares to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as defined below) of the Share Option Scheme, the refreshment of the general limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved such that:
- (a) the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed hereby shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the “**Refreshed Limit**”);
 - (b) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed, or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the Refreshed Limit;
 - (c) the Directors be and are hereby unconditionally authorized to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the Refreshed Limit and to grant options up to the Refreshed Limit and to exercise all powers of the Company to allot, issue and deal in the Shares upon the exercise of such options; and
 - (d) such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time.”

Yours faithfully,
For and on behalf of the Board
GREATWALLE INC.
Song Xiaoming
Chairman and Executive Director

Hong Kong, 9 July 2021

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more shares (the “**Shares**”) in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the share registrar of the Company, Tricor Investor Services Limited, which is situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (i.e. not later than Tuesday, 27 July 2021 at 10:00 a.m.) (or any adjournment thereof).
4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Monday, 26 July 2021 to Thursday, 29 July 2021 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Friday, 23 July 2021.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.kingforce.com.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
7. All times and dates specified herein refer to Hong Kong local times and date.
8. The Meeting will be conducted in Chinese and no translation will be provided.

As at the Latest Practicable Date, the executive Directors are Mr. Song Xiaoming, Ms. Song Shiqing, Mr. Hon Hoi Chuen and Ms. Lin Shuxian; the non-executive Director is Mr. Chung Man Lai; and the independent non-executive Directors are Mr. Li Zhongfei, Mr. Zhao Jinsong and Ms. Guan Yan.