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

If you have sold or transferred all your securities in the Company you should at once hand this circular and the accompanying forms of proxy and reply slips to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

**(1) CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED ISSUE OF SUBSCRIPTION SHARES
UNDER THE SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND CLASS MEETINGS**

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



A letter from the Board is set out on pages 6 to 28 of this circular. A letter from Fortune Financial Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 53 of this circular and a letter from the Independent Board Committee is set out on pages 29 to 30 of this circular. Notices convening the EGM and the Class Meetings to be held at Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the People's Republic of China on Friday, 26 July 2019 at 11:30 a.m. and Friday, 26 July 2019 at 12:15 p.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) respectively, are set out on pages 62 to 71 of this circular.

Shareholders who intend to attend the EGM and the Class Meetings should complete the reply slips and return by hand or by post to the H share registrar of the Company (for holders of H shares of the Company) or to the head office in the PRC of the Company (for holders of domestic shares of the Company) on or before Saturday, 6 July 2019.

Shareholders who are entitled to attend and vote at the Meetings may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder. In order to be valid, the proxy form for the EGM and the Class Meetings must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (and with effect from 11 July 2019 onwards, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) and, for holders of domestic shares of the Company, to the head office in the PRC of the Company not less than 24 hours before the time for holding the meetings (or any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meetings or any adjourned meetings should they so wish.

* For identification purpose only

17 June 2019

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DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this circular shall have the meanings as follows:

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“Class Meeting(s)”	the class meeting of the H Shares Shareholders and the class meeting of the Domestic Shares Shareholders to be held immediately following the EGM to consider and, if thought fit, approve, among other things, the First Proposed Subscription, the increase in registered share capital, and the proposed amendments to the Articles of Association;
“Company”, “we”, “our” or “us”	Guangdong Adway Construction (Group) Holdings Company Limited* (廣東愛得威建設(集團)股份有限公司), a joint stock limited company established in the PRC with limited liability, the H Shares of which are listed on the Main Board (Stock Code: 6189);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration Price”	RMB78,000,000 pursuant to the First Domestic Share Subscription Agreement;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded in any stock exchange;
“EGM”	the 2019 Extraordinary General Meeting of the Company to be held at the Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China at 11:30 a.m. on Friday, 26 July 2019;
“First Announcement”	the announcement of the Company dated 9 May 2019 in relation to the Specific Mandate, the First Proposed Subscription, the proposed increase in registered share capital, and the proposed amendments to the Articles of Association;
“First Completion”	the completion of the issue of First Subscription Shares;

DEFINITIONS

“First Domestic Share Subscription Agreement”	the Domestic Share subscription agreement entered into between Ningbo Yingxiang and the Company on 9 May 2019, pursuant to which, Ningbo Yingxiang has agreed to subscribe for, and the Company has agreed to issue and allot, 12,580,645 Domestic Shares at the subscription price of RMB6.2 (equivalent to approximately HK\$7.19) per Domestic Share;
“First Proposed Subscription”	the subscription for the First Subscription Shares by Ningbo Yingxiang pursuant to the First Domestic Share Subscription Agreement;
“First Subscription Shares”	an aggregate of 12,580,645 new Domestic Shares to be allotted and issued pursuant to the First Proposed Subscription of Domestic Shares;
“General Mandate”	the general mandate granted on 8 June 2018 of which the Directors are authorized to allot, issue and deal with additional Domestic Shares and/or H Shares up to the limited of 20% of each of the existing issued Domestic Shares and H Shares of the Company as at the date of the annual general meeting of the Company held on 8 June 2018;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent board committee established by the Company (comprising Mr. Cheung Wai Yeung Michael, Ms. Zhai Xin, and Mr. Lin Zhiyang) to advise the Independent Shareholders in connection with the First Proposed Subscription;
“Independent Financial Adviser” or “Fortune Financial Capital Limited”	Fortune Financial Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the First Proposed Subscription;
“Independent Shareholders”	Shareholders other than Xingwang Yinghua and its associates who are also Shareholders of the Company;
“Last Trading Day”	8 May 2019, being the last full trading day immediately prior to the date of the First Domestic Share Subscription Agreement;

DEFINITIONS

“Latest Practicable Date”	12 June 2019, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Main Board”	the Main Board of the Stock Exchange;
“Ningbo Yingxiang”	Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) 寧波梅山保稅港區瀛享投資中心(有限合夥);
“PRC”, “China”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Procurement Online Platform”	an internal online supply-chain management platform of the Company, which aims to serve as a centralized procurement online platform for its existing and prospective suppliers, and a logistics centre to facilitate the storage and delivery of raw materials;
“Prospectus”	the prospectus of the Company dated 15 November 2016;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Announcement”	the announcement of the Company dated 22 May 2019 in relation to the Second Proposed Subscription under the General Mandate, the proposed increase in registered share capital, and the proposed amendments to the Articles of Association;
“Second Completion”	the completion of the issue of Second Subscription Shares;
“Second Domestic Share Subscription Agreements”	subscription agreements all dated 22 May 2019 between the Subscribers and the Company;
“Second Proposed Subscription”	the subscription for the Second Subscription Shares by Subscribers pursuant to the Second Domestic Share Subscription Agreements;
“Second Subscription Shares”	an aggregate of 7,300,000 new Domestic Shares to be allotted and issued pursuant to the Second Proposed Subscription of Domestic Shares after entering into the Termination Agreements;

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s) of the Company;
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM and Class Meetings to issue the Subscription Shares in connection with the First Proposed Subscription;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	the subscribers of the Second Domestic Share Subscription Agreements, who are individual investors and are independent from and not connected with the Company and its connected persons;
“Subscription Price”	the Subscription Price is the issue price of the Domestic Shares, being RMB6.2 per Domestic Share;
“Termination Agreements”	two separate termination agreements dated 28 May 2019 between the Company and two of the nine Subscribers under the Second Domestic Share Subscription Agreements;
“Termination Announcement”	the announcement of the Company dated 28 May 2019 in relation to the Termination Agreements;
“Xingwang Yinghua”	Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)); and
“%”	per cent.

In this circular, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1 to HK\$1.15977. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

DEFINITIONS

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Where appropriate, amounts set out in this circular have been rounded to the nearest second decimal place to facilitate easy reading. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

References to the singular number include references to the plural and vice versa and references to one gender include every gender.

** For identification purpose only*



GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

Executive Directors:

Mr. YE Yujing (葉玉敬先生)
Mr. LIU Yilun (劉奕倫先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Niangting (葉娘汀先生)

*Registered office and principal place of
business in the PRC:*

3rd Floor, Pengyi Garden Building 1
Bagua No. 1 Road
Futian District
Shenzhen, PRC

Non-executive Director:

Mr. LI Yuanfei (黎媛菲女士)

Principal place of business in Hong Kong:

Suite 2203, Level 22
Office Tower, Langham Place
8 Argyle Street
Mong Kok, Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. CHEUNG Wai Yeung
Michael (張威揚先生)
Ms. ZHAI Xin (翟昕女士)
Mr. LIN Zhiyang (林志揚先生)

17 June 2019

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED ISSUE OF SUBSCRIPTION SHARES
UNDER THE SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
(3) NOTICES OF EXTRAORDINARY GENERAL MEETING
AND CLASS MEETINGS**

* For identification purpose only

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the First Announcement, Second Announcement and Termination Announcement. On 9 May 2019, the Company entered into the First Domestic Share Subscription Agreement with Ningbo Yingxiang. Pursuant to the First Domestic Share Subscription Agreement, Ningbo Yingxiang will subscribe for 12,580,645 First Subscription Shares to be issued by the Company under Specific Mandate. On 22 May 2019, the Company entered into the Second Domestic Share Subscription Agreements with nine Subscribers. Pursuant to the Second Domestic Share Subscription Agreements, the Subscribers will subscribe for 9,500,000 new Domestic Shares in total to be issued by the Company. On 28 May 2019, the Company entered into Termination Agreements with two of the nine Subscribers of the Second Domestic Share Subscription Agreements in relation to the subscription of an aggregate of 2,200,000 Domestic Shares.

The purpose of this circular is to provide the Shareholders with (i) details of the Specific Mandate, the proposed subscription of the First Subscription Shares, the proposed increase in the share capital of the Company, and the proposed amendments to the Articles of Association; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the First Proposed Subscription; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the First Proposed Subscription and (iv) notices convening the EGM and the Class Meetings.

PROPOSED ISSUE OF FIRST SUBSCRIPTION SHARES

(A) Principal Terms of the First Domestic Share Subscription Agreement

Date:	9 May 2019
Parties:	The Company (as the issuer); and Ningbo Yingxiang (as the subscriber).
Subject matter:	12,580,645 Domestic Shares to be issued by the Company, with a par value of RMB1.00 each and an aggregate nominal value of RMB12,580,645.
Subscription price	RMB6.2 (equivalent to approximately HK\$7.19) per Domestic Share.
Conditions precedent:	The effectiveness of the First Domestic Share Subscription Agreement is conditional upon the fulfilment of the following conditions: (i) the Independent Shareholders approving the issue of the First Subscription Shares at the EGM and the Class Meetings; and

LETTER FROM THE BOARD

- (ii) all relevant governmental and regulatory approvals and consents regarding the issue of the Subscription Shares having been obtained by the Company, such as the filing with the Economic Promotion Bureau of Futian District, Shenzhen Municipality (深圳市福田區經濟促進局).

It is the intention of the parties to return the Consideration Price paid without interests if the conditions precedent are not fulfilled. The Company undertakes to complete the First Proposed Subscription as soon as possible subject to all the aforesaid conditions precedent which are expected to be fulfilled before the end of August 2019.

Completion:

The Company shall issue the First Subscription Shares to Ningbo Yingxiang and register the First Subscription Shares at the share registrar as soon as practicable after all the conditions precedent to the issuer of the Domestic Shares under the First Domestic Share Subscription Agreement are fulfilled.

(B) Basis of the Subscription Price

Pursuant to the First Domestic Share Subscription Agreement, Ningbo Yingxiang will subscribe for 12,580,645 new Domestic Shares to be issued by the Company at the subscription price of RMB6.2 per share, amounting to a total amount of approximately RMB78,000,000 (equivalent to approximately HK\$90,462,000).

The subscription price is determined with reference to the capital market conditions at the time of issue and the valuation of comparable companies, taking into account the interest of shareholders, appetite of investors and risks of issue, and in accordance with international practices and regulatory requirements.

The subscription price represents:

- (1) a discount of approximately 2.17% to the closing price of HK\$7.35 per H Share as quoted on the Stock Exchange on the date of the First Domestic Share Subscription Agreement; and
- (2) a discount of approximately 2.86% to the average closing price of HK\$7.40 per H Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the First Domestic Share Subscription Agreement.

LETTER FROM THE BOARD

Ningbo Yingxiang paid the Consideration Price into the bank account designated by the Company on 15 May 2019. Net proceeds from the issue of First Subscription Shares are intended to be used as per the details set out under the section “H. Use of Proceeds” below. The source of funds for the First Proposed Subscription is from the self-own funds of Ningbo Yingxiang.

(C) First Subscription Shares

The First Subscription Shares to be allotted and issued comprise an aggregate of 12,580,645 new Domestic Shares, representing (i) approximately 7.95% and 5.69%, respectively, of the existing issued Domestic Shares and the existing issued share capital of the Company as at the date of this circular; and (ii) approximately 7.36% and 5.38%, respectively, of the issued Domestic Shares and the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares, assuming no further new Shares will be issued or repurchased by the Company before Completion of the First Proposed Subscription.

The First Subscription Shares are to be allotted and issued under the Specific Mandate.

No application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the First Subscription Shares as the First Subscription Shares will not be listed and traded on the Stock Exchange.

(D) Specific Mandate

The approval of the First Proposed Subscription under the Specific Mandate are to be sought at the EGM and the Class Meetings.

To facilitate that the issuance of the First Subscription Shares and First Proposed Subscription, it is proposed that the Shareholders shall authorize the Board and its authorized persons to handle all matters in relation to the First Proposed Subscription within the validity period of the resolutions at their sole discretion, including but not limited to:

1. signing and submitting applications, related reports and other documents in connection with the issuance of the First Subscription Shares and the First Proposed Subscription to regulatory authorities or institutions within or outside the PRC, and handling the formalities in respect of review and approval, registration, filing, ratification, consent, etc.;
2. finalizing the specific plan for the issuance of the First Subscription Shares and the First Proposed Subscription, including signing, executing, amending and terminating any agreement, contract or other documents in relation to the First Proposed Subscription, as well as adjusting the use of proceeds and other relevant matters;

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3. negotiating with the persons to whom the First Subscription Shares will be issued and signing the First Domestic Share Subscription Agreement, as well as confirming any amendments thereto;
4. handling relevant matters (if any) in obtaining the approvals for the issuance of the First Subscription Shares and the First Proposed Subscription from the Stock Exchange and/or other competent regulatory authorities within and outside the PRC;
5. engaging and appointing lawyers and other relevant intermediary agencies within and outside the PRC, according to actual needs and for the purpose of the issuance of the First Subscription Shares and First Proposed Subscription, as well as signing the engagement or appointment agreements and other related legal documents;
6. making amendments to the plan for the issuance of the First Subscription Shares and the First Proposed Subscription, according to specific situations at the time of the issuance of the First Subscription Shares and the First Proposed Subscription and the relevant approval documents of the competent regulatory authorities;
7. signing, executing, amending and completing all documents and making all desirable or appropriate actions or matters in relation to the issuance of the First Subscription Shares and the First Proposed Subscription; and
8. approving the publication of announcements, circulars and notices in relation to the issuance of the First Subscription Shares and First Proposed Subscription on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other materials to the Stock Exchange.

Also, to facilitate that the issuance of the First Subscription Shares and the First Proposed Subscription, the Board and its authorized persons are authorized to amend the provisions of the Articles of Association according to the actual circumstances of the First Proposed Subscription within the validity period of the resolutions, and to handle the procedures in relation to the registration of foreign-invested enterprises as well as other incidental changes.

(E) Validity Period of the Resolutions

The validity period of the resolutions in relation to the Specific Mandate and the First Proposed Subscription to be sought at the EGM and Class Meetings is three (3) months from the date on which the resolutions are considered and approved at the EGM and Class Meetings.

(F) Ranking of First Subscription Shares to be issued

The Domestic Shares to be issued pursuant to the First Domestic Share Subscription Agreement will rank, upon issue, *pari passu* in all respects with the existing Domestic Shares in issue at the time of issue of such First Subscription Shares.

LETTER FROM THE BOARD

(G) Effect on Shareholding Structure of the Company

The following table illustrates the shareholding structure of the Company as at the date of this circular and immediately after (i) First Completion, (ii) Second Completion, and (iii) First Completion and Second Completion:

Name of Shareholder	Share class	As at the date of this circular		Immediately after the completion of issue of First Subscription Shares		Immediately after the completion of issue of Second Subscription Shares		Immediately after the completion of issue of First Subscription Shares and Second Subscription Shares	
		Percentage		Percentage		Percentage		Percentage	
		No. of shares held	of total issued shares	No. of shares held	of total issued shares	No. of shares held	of total issued shares	No. of shares held	of total issued shares
Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) 寧波梅山保稅港區瀛享投資中心(有限合夥) ^(Note 1)	Domestic Shares	—	—	12,580,645	5.38%	—	—	12,580,645	5.22%
<i>The Subscribers</i> ^(Note 2)									
Subscriber I	Domestic Shares	—	—	—	—	1,800,000	0.79%	1,800,000	0.75%
Subscriber II	Domestic Shares	—	—	—	—	1,000,000	0.44%	1,000,000	0.42%
Subscriber III	Domestic Shares	—	—	—	—	1,000,000	0.44%	1,000,000	0.42%
Subscriber IV	Domestic Shares	—	—	—	—	1,000,000	0.44%	1,000,000	0.42%
Subscriber V	Domestic Shares	—	—	—	—	1,000,000	0.44%	1,000,000	0.42%
Subscriber VI	Domestic Shares	—	—	—	—	1,000,000	0.44%	1,000,000	0.42%
Subscriber VII	Domestic Shares	—	—	—	—	500,000	0.22%	500,000	0.21%
<i>Holder of Domestic Shares</i>									
Ye Yujing (葉玉敬) ^(Note 3)	Domestic Shares	67,694,000	30.62%	67,694,000	28.97%	67,694,000	29.64%	67,694,000	28.10%
Ye Xiujin (葉秀近) ^(Note 4)	Domestic Shares	15,504,000	7.01%	15,504,000	6.64%	15,504,000	6.79%	15,504,000	6.44%
Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) ^(Note 5)	Domestic Shares	6,075,000	2.75%	6,075,000	2.60%	6,075,000	2.66%	6,075,000	2.52%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥)) ^(Note 6)	Domestic Shares	17,000,000	7.69%	17,000,000	7.28%	17,000,000	7.44%	17,000,000	7.06%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺華股權投資中心(有限合夥)) ^(Note 7)	Domestic Shares	10,000,000	4.52%	10,000,000	4.28%	10,000,000	4.38%	10,000,000	4.15%
Other Domestic Shareholders	Domestic Shares	42,014,000	19.01%	42,014,000	17.98%	42,014,000	18.40%	42,014,000	17.44%
Total Domestic Shares		158,287,000	71.61%	170,867,645	73.14%	165,587,000	72.51%	178,167,645	73.95%

LETTER FROM THE BOARD

Name of Shareholder	Share Class	As at the date of this circular		Immediately after the completion of issue of First Subscription Shares		Immediately after the completion of issue of Second Subscription Shares		Immediately after the completion of issue of First Subscription Shares and Second Subscription Shares	
		Percentage		Percentage		Percentage		Percentage	
		No. of shares held	of total issued shares	No. of shares held	of total issued shares	No. of shares held	of total issued shares	No. of shares held	of total issued shares
International South China Investment Fund Limited Partnership ^(Note 8)	H Shares	16,009,000	7.24%	16,009,000	6.85%	16,009,000	7.01%	16,009,000	6.64%
Other H Shareholders	H Shares	46,754,000	21.15%	46,754,000	20.01%	46,754,000	20.47%	46,754,000	19.41%
<i>Total H Shares</i>		<u>62,763,000</u>	<u>28.39%</u>	<u>62,763,000</u>	<u>26.86%</u>	<u>62,763,000</u>	<u>27.49%</u>	<u>62,763,000</u>	<u>26.05%</u>
<i>Total issued Shares</i>		<u>221,050,000</u>	<u>100.00%</u>	<u>233,630,645</u>	<u>100.00%</u>	<u>228,350,000</u>	<u>100.00%</u>	<u>240,930,645</u>	<u>100.00%</u>

Notes:

- Ningbo Yingxiang is a limited partnership incorporated in the PRC on 10 May 2017. As of the Latest Practicable Date, Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management Co., Ltd.
- The seven Subscribers are individual investors and are independent from and not connected with the Company and its connected persons.
- Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
- Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
- Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) (“Shenzhen Gong Xiang Li”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our Executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang LI.
- South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (“South China Sea LP”), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as of the Latest Practicable Date, (i) Shenzhen Co-Win Jinxiu Asset Management Limited (“Shenzhen Co-Win Jinxiu Asset”), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited (“Shenzhen Co-Win Asset”). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited (“Shenzhen Co-Win Venture Capital”), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital,

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3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng as of the Latest Practicable Date, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

7. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd as of the Latest Practicable Date. As of the Latest Practicable Date, Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management Co., Ltd, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center (Limited Partnership), a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management Co., Ltd, Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) and Xiong Mingwang are deemed to be interested in all shares held by Xingwang Yinghua under the SFO.
8. Li Jianping acquired the 100% limited partnership interest in International South China Investment Fund Limited Partnership and 100% interest in International South China Investment Fund Limited by a deed of assignment and assumption of Limited Partnership Interest. International South China Investment Fund Limited is the general partner in the limited partnership of International South China Investment Fund Limited Partnership.

(H) Use of proceeds

The proceeds raised from the First Proposed Subscription, after deducting the related expenses are estimated to be approximately RMB77,796,000 and the net price per Subscription Share is approximately RMB6.18. According to the First Announcement, such proceeds shall be used to replenish the capital of the Company, among which,

- (i) approximately 25% shall be used as working capital of the Company for general use purpose, including payment of security deposits required for business development on tender projects, procurement of project materials (excluding the procurement of raw materials for Procurement Online Platform), labour costs, payment of sales, administrative, tax and other general expenses;
- (ii) approximately 20% shall be used for repayment of the bank facilities of the Company; and

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- (iii) approximately 55% shall be used for business development of the Company, which will be used for sourcing raw materials to be distributed/allocated to the Company's projects through the Procurement Online Platform.

Procurement Online Platform

In the past few years, the Company has input a lot of resources in establishing the Procurement Online Platform for central procurement of raw materials. The Procurement Online Platform allows our project management team to utilize different procurement channels to cater for the actual needs of different projects. Other advantages the platform could offer include facilitating and streamlining the procurement process through a centralized platform.

Based on the disclosure in the Prospectus, the Procurement Online Platform and the logistics centre were expected to be completed in stages in four years' time (the "Old 4-year Plan") and construction of the logistics centre was expected to commence in 2017. Back in 2016, the Company estimated that the establishment of the Procurement Online Platform (including procurement of the raw materials for the platform) would involve a total expenses of approximately HK\$300.0 million, with breakdown as follows:

Breakdown of the Old 4-year Plan (for the period from 2017 to 2020)

	Utilization	Estimated Amount
1	Procurement prepayment	HK\$149.0 million
2	Construction of the Procurement Online Platform and the logistics centre	HK\$130.5 million
3	Development costs	HK\$6.5 million
4	Operating expenses of the online platform	<u>HK\$14.0 million</u>
	Total	<u><u>HK\$300 million</u></u>

As stated in the Prospectus, out of the above HK\$300.0 million, approximately HK\$88.0 million representing 34.8% of the proceeds from the Global Offering, would be used for the establishment of the Procurement Online Platform. The remaining balance was intended to be financed by the Group's internal resources generated from business operations and obtained from external sources such as bank borrowings. As disclosed in the annual report of the Company published on 25 April 2019, as at 31 December 2018, approximately RMB68.78 million (i.e. approximately HK\$79.77 million) was used to establish the Procurement Online Platform as mentioned above. As of the date of this circular, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

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The Company has spent a total of HK\$160 million for the two financial years ended 31 December 2018 pursuant to the Old 4-year Plan, of which approximately:

- HK\$128.3 million was used for Procurement prepayment
- HK\$18.5 million was used for Construction costs of the Procurement Online Platform and logistics centre
- HK\$6.7 million was used for Development costs
- HK\$6.5 million was used for Operating expenses of the online platform

For the financial year ended 31 December 2018, the Group realized revenue of RMB1.83 billion, representing an increase of 9.4% over year 2017 and outperforming the 2018 domestic GDP growth. During 2018, the Group sustained its steady increase in performance and realized the Group's strategic planning set at the beginning of the year. Against this backdrop and driven by the need of stocking up more raw material for the centralized procurement platform, the Company has adjusted the Old 4-year Plan by increasing the amount for the Procurement prepayment from HK\$149.0 million to HK\$268.5 million (the "New 4-year Plan"). Under the New 4-year Plan, the Company estimated that the establishment of the Procurement Online Platform (including procurement of the raw materials for the platform) would involve a total expenses of approximately HK\$419.5 million, with breakdown as follows:

Breakdown of the New 4-year Plan (for the period from 2017 to 2020)

	Utilization	Estimated Amount
1	Procurement prepayment	HK\$268.5 million
2	Upgrading and maintenance of the Procurement Online Platform and construction of the logistics centre	HK\$130.5 million
3	Development costs	HK\$6.5 million
4	Operating expenses of the online platform	<u>HK\$14.0 million</u>
	Total	<u><u>HK\$419.5 million</u></u>

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Under the New 4-year Plan, the Company estimated that the breakdown of the total expenses for the two financial years ending 31 December 2019 and 2020 will be as follows:

Utilization	Estimated Amount for Financial year ending 31 December	
	2019	2020
Procurement prepayment	HK\$75.0 million	HK\$65.0 million
Upgrading and maintenance of the Procurement Online Platform and construction of the logistics centre	HK\$69.5 million	HK\$42.5 million
Development costs	N/A	N/A
Operating expenses of the online platform	<u>HK\$2 million</u>	<u>HK\$5.5 million</u>
Total	<u><u>HK\$146.5 million</u></u>	<u><u>HK\$113 million</u></u>

While the Procurement Online Platform has been successfully established and are in full operation now, the Company plans to upgrade the platform further to enhance the procurement solutions and make it more efficient and user-friendly by allocating over HK\$100 million for this purpose for 2019 and 2020. The Company may utilize its internal source of fund or consider raising fund through other fund raising activities to meet such need.

The Company plans to spend approximately HK\$75 million and HK\$65 million in 2019 and 2020 respectively for the purchase of raw materials for the Procurement Online Platform. Such total spending in the amount of approximately HK\$140 million (i) has been funded by approximately HK\$37.3 million (approximately 55% of the net proceeds) raised through H shares issuance which was completed in November 2018; and (ii) will be funded by approximately HK\$49.6 million (approximately 55% of the net proceeds) through the issuance of the Domestic Shares under the First Domestic Share Subscription Agreement; and (iii) will be funded by approximately HK\$28.8 million (approximately 55% of the net proceeds) through the issuance of the Domestic Shares under the Second Domestic Share Subscription Agreements. The Company plans to fund the remaining amount of the procurement costs of approximately HK\$24.3 million by utilizing its internal source of fund or consider raising fund through other fund raising activities to meet such need.

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(I) Reasons for and Benefit of the issue of First Subscription Shares

As a comprehensive building decoration service provider, the Group has core businesses of building decoration works, electrical and mechanical installation works, curtain wall engineering works and fire safety engineering works, out of which building decoration works have contributed to substantially all of the Group's operating results. One prominent achievement to be underlined: the Group was ranked among the first-tier across PRC in the area of medical decoration works, leveraging the edges in the medical decorations. This has also carried a considerable meaning to the results enhancement.

The net proceeds, after deducting the professional fees and all related expenses which will be borne by the Company, from the issue of First Subscription Shares is estimated to be approximately RMB77,796,000. The First Proposed Subscription would increase the amount of the Domestic Shares held by new investors, thus optimizing and diversifying the shareholder base of the Company and strengthening the financial position of the Company for future investment.

The Directors (including the independent non-executive Directors) are of the view that the terms of the First Domestic Share Subscription Agreement are fair and reasonable and the First Proposed Subscription is in the interests of the Company and its Shareholders as a whole.

(J) Fund Raising Activity of the Company in the Past 12 Months

The Company placed 10,000,000 H Shares under general mandate at the placing price of HK\$7.00 per H Share, which was completed 30 November 2018. The net proceeds of the said placing of H Shares are approximately HK\$67.74 million, of which the utilization breakdown is as follows: (i) HK\$16.94 million was used for supplementing working capital, (ii) HK\$13.55 million was used for repayment of bank loans and (iii) HK\$37.26 million was used for the source of raw materials under the purchasing platform project, in support of development of Company's core business.

The Company has entered into a separate subscription agreement, collectively the Second Domestic Share Subscription Agreements, with each of the nine Subscribers respectively on 22 May 2019, in relation to the subscription of an aggregate of 9,500,000 Domestic Shares at the Subscription Price of RMB6.2 per Domestic Share. For details of the proposed issuance and subscription of the Domestic Shares, please refer to the announcement of 22 May 2019. On 28 May 2019, the Company entered into a Termination Agreement with two respective Subscribers of the Second Domestic Share Subscription Agreements in relation to the subscription of an aggregate of 2,200,000 Domestic Shares. The proposed issuance of Domestic Shares under the Second Domestic Share Subscription Agreements is adjusted to 7,300,000 Domestic Shares accordingly. The net proceeds concerned are estimated to be approximately RMB45,221,377, of which the utilization breakdown is as follows: (i) approximately 25% shall be used for working capital of the Company; (ii) approximately 20% shall be used for repayment of the bank facilities of the Company; and (iii) approximately 55% shall be used for business development of the Company, which will be used for sourcing raw materials to be distributed/allocated to the Company's projects through the Procurement Online Platform for the year 2019 and 2020.

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Save for the aforementioned, the Company has not carried out any equity fund raising activities during the past 12 months immediately preceding the date of this circular.

The Company may use its own funds or have further fund raising to meet the need for the 4-year investment plan for the Procurement Online Platform, depending on the cash flow condition of the Company and costs of various ways of re-financing. At present, the Company is in discussion with other potential investors and may consider further equity fund raising activities. However, the Company has no concrete plan on re-financing as at the Latest Practicable Date.

(K) Information of the Parties

a) The Company

The Company is a China-based company principally engaged in the provision of professional and comprehensive building decoration services for public and private clients (including state-owned enterprises, government departments and institutions, listed companies, foreign-funded enterprises, property developers and property management companies), mainly covering four areas (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works.

b) Ningbo Yingxiang

Ningbo Yingxiang, a limited partnership incorporated in the PRC on 10 May 2017. Ningbo Yingxiang's main business includes investment business, investment management and asset management. Shenzhen Qianhai Xingwang Investment Management Co., Ltd. is the general partner of Ningbo Yingxiang. Shenzhen Qianhai Xingwang Investment Management Co., Ltd is also the general partner of Xingwang Yinghua, and Xingwang Yinghua is currently holding 10,000,000 Domestic Shares, representing 6.32% of the Domestic Shares and 4.52% of the total share capital of the Company at the date of this circular.

(L) Listing Rules Implications

As at the date of this circular, the general partner of Ningbo Yingxiang is Shenzhen Qianhai Xingwang Investment Management Co., Ltd. Ms. Li Yuanfei, a Director, is a partner of and has control over Shenzhen Qianhai Xingwang Investment Management Co., Ltd. Being a controlled entity of Ms. Li Yuanfei, Ningbo Yingxiang is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, pursuant to Chapter 14A of the Listing Rules, Ningbo Yingxiang is a connected person of the Company and as the highest applicable percentage ratio in respect of the First Proposed Subscription exceeds 5%, the First Proposed Subscription constitutes a connected transaction of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements.

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Xingwang Yinghua, whose general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd, is also the general partner of Ningbo Yingxiang, holds 10,000,000 Domestic Shares, representing 4.52% of the total issued capital of the Company, will be required to abstain from voting on the resolution in respect of the First Proposed Subscription at the EGM and the Class Meetings.

It was disclosed in the Company's announcement dated 9 May 2019 that the First Proposed Subscription constituted a discloseable transaction under the Listing Rules. Given the transaction nature, it is hereby clarified that the First Proposed Subscription does not constitute a transaction under Rule 14.04(1) of the Listing Rules.

PROPOSED INCREASE IN REGISTERED SHARE CAPITAL

The registered share capital of the Company was RMB221,050,000, of which 62,763,000 H Shares and 158,287,000 Domestic Shares are in issue. The Board proposes to increase the authorized share capital of the Company to RMB240,930,645 comprising 62,763,000 H Shares and 178,167,645 Domestic Shares, which includes the 19,880,645 Domestic Shares to be issued pursuant to the First Domestic Share Subscription Agreement and Second Domestic Share Subscription Agreements. Among the proposed issue of 19,880,645 Domestic Shares, (i) 12,580,645 Domestic Shares are proposed to be issued pursuant to the First Domestic Share Subscription Agreement of which the details are included at sections (A) to (I) of this letter from the Board; and (ii) 7,300,000 Domestic Shares are proposed to be issued subject to the Second Domestic Share Subscription Agreements of which the details are included at section (J) Fund Raising Activity of the Company in the Past 12 Months of this letter from the Board.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposed to make certain amendments to the Articles of Association, subject to and upon the First Completion and Second Completion, in order to, among other things, reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the First Subscription Shares and Second Subscription Shares.

Pursuant to article 8.23 of the Articles of Association, any proposed amendment to the Articles of Association is required for consideration and approval by the Shareholders at a general meeting under special resolution. As confirmed by the legal advisers, the proposed amendments to the Articles of Association conform with the requirements of the Listing Rules as well as the PRC Company Law and other applicable laws and regulations of the PRC. The Company also confirms that there is nothing unusual about such proposed amendments for a company listed in Hong Kong.

The amendments set out below are based on the assumption that 12,580,645 Domestic Shares have been issued pursuant to the First Domestic Share Subscription Agreement and 7,300,000 Domestic Shares have been issued pursuant to the Second Domestic Share Subscription Agreements.

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Details of the amendments are set out as below:

(1) Article 3.6 of the Articles of Association

Original

The total number of shares issued by the Company shall be 221,050,000 shares, including 62,763,000 overseas listed foreign shares, representing approximately 28.3931% of the total number of ordinary shares of the Company.

Upon completion of initial issuance of overseas listed foreign shares, under the circumstance that the number of overseas listed foreign shares represents about 25% of the total number of issuable ordinary shares of the Company (assuming over-allotment option is not exercised), the share capital structure of the Company shall be as follows:

Number	Shareholder	Number of Shares ('0000)	Percentage of Shareholding
1.	Ye Yujing	6,769.4	32.0749%
2.	South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership)	1,700	8.0550%
3.	Ye Xiujin	1,550.4	7.3461%
4.	Ye Bingquan (Ye Xiaomei is the guardian of Ye Bingquan)	1,033.6	4.8974%
5.	Ye Xian	1,033.6	4.8974%
6.	Shenzhen Gong Xiang Li Investment Entity (Limited Partnership)	807.5	3.8261%
7.	Yu Taomei	637.5	3.0206%
8.	Huang Na	612	2.8998%
9.	Shenzhen Gong Fen Li Investment Entity (Limited Partnership)	384.2	1.8204%
10.	Zhou Hang	255	1.2082%
11.	Luo Biao	229.5	1.0874%
12.	Qiu Jiabao	170	0.8055%
13.	Li Guangbin	127.5	0.6041%
14.	Qiu Wenjin	127.5	0.6041%
15.	Zeng Fang	119	0.5638%
16.	Li Mingzhu	102	0.4833%
17.	Zeng Bo	85	0.4027%
18.	Liu Yi	51	0.2416%
19.	Wen Kaiwen	34	0.1611%
20.	Holder of Overseas Listed Foreign Shares	<u>5,276.3</u>	<u>25.0002%</u>
Total	—	<u><u>21,105</u></u>	<u><u>100%</u></u>

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Upon completion of the transfer of Domestic shares and the first new issuance of overseas listed foreign shares, the overseas listed foreign shares represent approximately 28.3931% of the total number of ordinary shares of the Company. The share capital structure of the Company shall be as follows:

Number	Shareholder	Number of Shares ('0000)	Percentage of Shareholding
1.	Ye Yujing	6,769.4	30.6238%
2.	South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership)	1,700	7.6906%
3.	Ye Xiujin	1,550.4	7.0138%
4.	Ye Bingquan (Ye Xiaomei is the guardian of Ye Bingquan)	1,033.6	4.6759%
5.	Ye Xian	1,033.6	4.6759%
6.	Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (limited partnership)	1,000	4.5239%
7.	Huang Na	612	2.7686%
8.	Shenzhen Gong Xiang Li Investment Entity (Limited Partnership)	607.5	2.7482%
9.	Shenzhen Gong Fen Li Investment Entity (Limited Partnership)	289.7	1.3106%
10.	Zhou Hang	255	1.1536%
11.	Ye Weiqing	170	0.7691%
12.	Ye Weiping	136	0.6152%
13.	Yu Taomei	127.5	0.5768%
14.	Li Guangbin	127.5	0.5768%
15.	Qiu Wenjin	127.5	0.5768%
16.	Zeng Fang	119	0.5383%
17.	Luo Biao	85	0.3845%
18.	Liu Yi	51	0.2307%
19.	Zeng Bo	34	0.1538%
20.	Holder of Overseas Listed Foreign Shares	<u>6,276.3</u>	<u>28.3931%</u>
Total	—	<u><u>22,105</u></u>	<u><u>100%</u></u>

LETTER FROM THE BOARD

Proposed amendment

The total number of shares issued by the Company shall be 240,930,645 shares, including 62,763,000 overseas listed foreign shares, representing approximately 26.0502% of the total number of ordinary shares of the Company.

Upon completion of initial issuance of overseas listed foreign shares, under the circumstance that the number of overseas listed foreign shares represents about 25% of the total number of issuable ordinary shares of the Company (assuming over-allotment option is not exercised), the share capital structure of the Company shall be as follows:

Number	Shareholder	Number of Shares ('0000)	Percentage of Shareholding
1.	Ye Yujing	6,769.4	32.0749%
2.	South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership)	1,700	8.0550%
3.	Ye Xiujin	1,550.4	7.3461%
4.	Ye Bingquan (Ye Xiaomei is the guardian of Ye Bingquan)	1,033.6	4.8974%
5.	Ye Xian	1,033.6	4.8974%
6.	Shenzhen Gong Xiang Li Investment Entity (Limited Partnership)	807.5	3.8261%
7.	Yu Taomei	637.5	3.0206%
8.	Huang Na	612	2.8998%
9.	Shenzhen Gong Fen Li Investment Entity (Limited Partnership)	384.2	1.8204%
10.	Zhou Hang	255	1.2082%
11.	Luo Biao	229.5	1.0874%
12.	Qiu Jiabao	170	0.8055%
13.	Li Guangbin	127.5	0.6041%
14.	Qiu Wenjin	127.5	0.6041%
15.	Zeng Fang	119	0.5638%
16.	Li Mingzhu	102	0.4833%
17.	Zeng Bo	85	0.4027%
18.	Liu Yi	51	0.2416%
19.	Wen Kaiwen	34	0.1611%
20.	Holder of Overseas Listed Foreign Shares	5,276.3	25.0002%
Total	—	21,105	100%

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Upon completion of the transfer of Domestic shares and the first new issuance of overseas listed foreign shares, the overseas listed foreign shares represent approximately 28.3931% of the total number of ordinary shares of the Company. The share capital structure of the Company shall be as follows:

Number	Shareholder	Number of Shares ('0000)	Percentage of Shareholding
1.	Ye Yujing	6,769.4	30.6238%
2.	South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership)	1,700.0	7.6906%
3.	Ye Xiujin	1,550.4	7.0138%
4.	Ye Bingquan (Ye Xiaomei is the guardian of Ye Bingquan)	1,033.6	4.6759%
5.	Ye Xian	1,033.6	4.6759%
6.	Huang Na	612.0	2.7686%
7.	Shenzhen Gong Xiang Li Investment Entity (Limited Partnership)	607.5	2.7482%
8.	Shenzhen Gong Fen Li Investment Entity (Limited Partnership)	289.7	1.3106%
9.	Zhou Hang	255.0	1.1536%
10.	Ye Weiqing	170.0	0.7691%
11.	Ye Weiping	136.0	0.6152%
12.	Yu Taomei	127.5	0.5768%
13.	Li Guangbin	127.5	0.5768%
14.	Qiu Wenjin	127.5	0.5768%
15.	Zeng Fang	119.0	0.5383%
16.	Luo Biao	85.0	0.3845%
17.	Liu Yi	51.0	0.2307%
18.	Zeng Bo	34.0	0.1538%
19.	Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (limited partnership)	1,000.0	4.5239%
20.	Holder of Overseas Listed Foreign Shares	<u>6,276.3</u>	<u>28.3931%</u>
Total	—	<u><u>22,105</u></u>	<u><u>100%</u></u>

LETTER FROM THE BOARD

Upon completion of the first new issuance of Domestic Shares, the overseas listed foreign shares represent approximately 26.0502% of the total number of ordinary shares of the Company. The share capital structure of the company shall be as follows:

Number	Shareholder	Number of Shares ('0000)	Percentage of Shareholding
1.	Ye Yujing	6,769.4000	28.0969%
2.	South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership)	1,700.0000	7.0560%
3.	Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership)	1,258.0645	5.2217%
4.	Ye Xiujin	1,550.4000	6.4350%
5.	Ye Bingquan (Ye Xiaomei is the guardian of Ye Bingquan)	1,033.6000	4.2900%
6.	Ye Xian	1,033.6000	4.2900%
7.	Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (limited partnership)	1,000.0000	4.1506%
8.	Huang Na	612.0000	2.5402%
9.	Shenzhen Gong Xiang Li Investment Entity (Limited Partnership)	607.5000	2.5215%
10.	Shenzhen Gong Fen Li Investment Entity (Limited Partnership)	289.7000	1.2024%
11.	Zhou Hang	255.0000	1.0584%
12.	Zhuang Shiqian	180.0000	0.7471%
13.	Ye Weiqing	170.0000	0.7056%
14.	Ye Weiping	136.0000	0.5645%
15.	Yu Taomei	127.5000	0.5292%
16.	Li Guangbin	127.5000	0.5292%
17.	Qiu Wenjin	127.5000	0.5292%
18.	Zeng Fang	119.0000	0.4939%
19.	Ye Lusen	100.0000	0.4151%
20.	Ye Hancheng	100.0000	0.4151%
21.	Zhang Liangxing	100.0000	0.4151%
22.	Zhuang Ye	100.0000	0.4151%
23.	Qi Xiumin	100.0000	0.4151%
24.	Luo Biao	85.0000	0.3528%
25.	Qiu Jiabao	50.0000	0.2075%
26.	Liu Yi	51.0000	0.2117%
27.	Zeng Bo	34.0000	0.1411%
28.	Holder of Overseas Listed Foreign Shares	<u>6,276.3000</u>	<u>26.0502%</u>
Total	—	<u><u>24,093.0645</u></u>	<u><u>100%</u></u>

LETTER FROM THE BOARD

(2) Article 3.9 of the Articles of Association

Original

“The registered capital of the Company is RMB221,050,000.”

Proposed amendment

“The registered capital of the Company is RMB240,930,645.”

The proposed amendments to the Articles of Association are subject to approval from the Shareholders by way of special resolution at the EGM and the Class Meetings, and the approval of and registration or filing with the relevant PRC government authorities.

Directors’ confirmation

The Directors (including the independent non-executive Directors, after considering the advice of the Independent Financial Adviser) are of the view that the terms of the First Domestic Share Subscription Agreement (including the Subscription Price) are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole. Ms. Li Yuanfei, who has material interest in the First Domestic Share Subscription Agreement, has abstained from voting in respect of the Board resolutions for considering and approving the First Domestic Share Subscription Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and/or the Articles of Association. Save as disclosed, none of the Directors has a material interest in such transaction and is required to abstain from voting at the Board meeting to consider and approve the First Proposed Subscription and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND THE APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the First Proposed Subscription and the transactions contemplated thereunder. The members of the Independent Board Committee are Mr. Cheung Wai Yeung Michael, Ms. Zhai Xin, and Mr. Lin Zhiyang. In this connection, Fortune Financial Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the First Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the First Proposed Subscription is in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting.

LETTER FROM THE BOARD

EGM AND CLASS MEETINGS

The EGM will be held to consider and, if thought fit, pass resolutions to approve (i) the Specific Mandate; (ii) the First Proposed Subscription of the First Subscription Shares; (iii) the proposed increase in the registered share capital of the Company as set out in this circular; and (iv) the proposed amendments to the Articles of Association as set out in this circular. The voting in relation to the proposed issue of First Subscription Shares, the First Proposed Subscription, the proposed increase in registered share capital, and the proposed amendments to the Articles of Association at the EGM and the Class Meetings will be conducted by way of poll. The proposed issue of First Subscription Shares, the First Proposed Subscription, the proposed increase in registered share capital, and the proposed amendments to the Articles of Association will be proposed by way of special resolutions at the EGM and the Class Meetings to be approved by the Independent Shareholders. Xingwang Yinghua (and any other Shareholders who are involved or interested in the First Proposed Subscription) will be required to abstain from voting on the resolution to be proposed for approving the First Proposed Subscription at the EGM and the Class Meetings. As at the Latest Practicable Date, Xingwang Yinghua is entitled to voting rights of 10,000,000 Domestic Shares (representing approximately 6.32% of the total voting rights of the Domestic Shares Shareholders). As at the Latest Practicable Date, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Xingwang Yinghua; and (ii) no obligation or entitlement of Xingwang Yinghua, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

Save as disclosed above, none of the Shareholders have material interest in (i) the Specific Mandate; (ii) the First Proposed Subscription; (iii) the proposed increase in registered share capital; and (iv) the proposed amendments to the Articles of Association, and are required to abstain from voting at the EGM and the Class Meetings.

The notices convening the EGM and the Class Meetings to be held at Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the People's Republic of China on Friday, 26 July 2019 at 11:30 a.m. and Friday, 26 July 2019 at 12:15 p.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) respectively, are set out on pages 62 to 71 of this circular.

LETTER FROM THE BOARD

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from Wednesday, 26 June 2019 to Friday, 26 July 2019, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the registers of members of the Company on Wednesday, 26 June 2019 shall be entitled to attend and vote at the EGM and the Class Meetings. In order for the Shareholders to qualify to attend and vote at the EGM and the Class Meetings, all H Shares transfer documents accompanied by the relevant H Shares certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 June 2019. All Domestic Shares transfer documents accompanied by the relevant Domestic Shares certificates must be delivered to the Company's head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People's Republic of China not later than 4:30 p.m. Tuesday, 25 June 2019.

Whether or not holders of H Shares intend to attend the EGM and the H Shares Shareholders Class Meeting, they are requested to complete the enclosed reply slip for the EGM and return it, by hand or by post, to the Company's H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before Saturday, 6 July 2019.

Whether or not holders of Domestic Shares of the Company intend to attend the EGM and Domestic Shares Shareholders Class Meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company's mailing address of the Company's head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC on or before Saturday, 6 July 2019.

Completion and delivery of the said forms of proxy will not prevent you from attending, and voting in person at, the EGM and the Class Meetings or at any adjourned EGM and Class Meetings if you so wish. Reply slips for the EGM and the Class Meetings are also enclosed. You are reminded to complete and sign the reply slips (if you are entitled to attend the EGM and the Class Meetings) and return the signed slips in accordance with the instructions printed thereon.

RECOMMENDATIONS

Given that the Directors (including the independent non-executive Directors) consider that the terms of the First Domestic Share Subscription Agreement are fair and reasonable, and the First Proposed Subscription is in the interests of the Company and the Shareholders as a whole, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the relevant Class Meeting to approve, among other things, (i) the Specific Mandate; (ii) the First Proposed Subscription; (iii) the proposed increase in registered share capital; and (iv) the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee recommending the Independent Shareholders to vote in favour of the First Proposed Subscription to be proposed at the EGM and the relevant Class Meetings as set out on pages 29 to 30 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 31 to 53 of this circular and the information set out in the appendix of this circular.

ADDITIONAL INFORMATION

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

By Order of the Board
Guangdong Adway Construction (Group) Holdings Company Limited*
Mr. Ye Yujing
Chairman, Executive Director and Chief Executive Officer



GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

17 June 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED ISSUE OF SUBSCRIPTION SHARES
UNDER THE SPECIFIC MANDATE**

We refer to the circular issued by the Company to the Shareholders dated 17 June 2019 (the “**Circular**”) to which this letter forms a part of. Terms defined in this circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the First Proposed Subscription and to advise the Independent Shareholders in respect of the First Proposed Subscription. Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in this circular. Having considered the principal factors and reasons, and the advice of Fortune Financial Capital Limited as set out in their letter of advice, we are of the opinion that (i) the First Proposed Subscription, though not in the ordinary and usual course of business of the Company, is in line with the business strategy of the Group; (ii) the terms of the First Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the First Proposed Subscription is in the

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the special resolutions approving the First Proposed Subscription at the EGM and the Class Meetings.

Yours faithfully,
Independent Board Committee
Mr. Cheung Wai Yeung Michael, Ms. Zhai Xin, and Mr. Lin Zhiyang
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Fortune Financial Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the First Proposed Subscription.



Fortune Financial Capital Limited
43/F, Costco Tower
183 Queen's Road Central
Hong Kong

17 June 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUE OF SUBSCRIPTION SHARES UNDER THE SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the First Domestic Share Subscription Agreement and the transactions contemplated thereunder, details are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 17 June 2019 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Circular unless the context otherwise specifies.

On 9 May 2019, the Company entered into the First Domestic Share Subscription Agreement with the Ningbo Yingxiang. According to the terms of the First Domestic Share Subscription Agreement, Ningbo Yingxiang has agreed to subscribe for, and the Company has agreed to issue and allot, 12,580,645 First Subscription Shares at the subscription price of RMB6.2 (equivalent to approximately HK\$7.19) per First Subscription Share, amounting to a total of RMB78,000,000 (equivalent to approximately HK\$90,462,000) of Domestic Shares. The First Subscription Shares will be allotted and issued under the Specific Mandate.

As at the date of this announcement, the general partner of Ningbo Yingxiang is Shenzhen Qianhai Xingwang Investment Management Co., Ltd. Ms. Li Yuanfei, a Director, is a partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd. Accordingly, pursuant to Chapter 14A of the Listing Rules, Ningbo Yingxiang is a connected person of the Company and as the highest applicable percentage ratio in respect of the First Proposed Subscription exceeds 5%, the First Proposed Subscription constitutes a connected transaction of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Wai Yeung Michael, Ms. Zhai Xin, and Mr. Lin Zhiyang, has been established to advise the Independent Shareholders as to whether (i) the terms of the First Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the First Proposed Subscription is in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting. We, Fortune Financial Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

Fortune Financial Capital Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). Fortune Financial Capital Limited and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts.

As at the Latest Practicable Date we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Advisor, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Company, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company and Target Group and their respective subsidiaries or associates nor have we carried out any

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent verification of the information supplied. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Agreement and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, 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 formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the First Proposed Subscription, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for entering into of the First Domestic Share Subscription Agreement

1.1 Information of the Company

As stated in the Letter from the Board, the Company is a China-based company principally engaged in the provision of professional and comprehensive building decoration services for public and private clients (including state-owned enterprises, government departments and institutions, listed companies, foreign-funded enterprises, property developers and property management companies), mainly covering four areas (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works.

The table below sets forth a summary of the financial highlights of the Group for the two years ended 31 December 2018 as extracted from the 2018 Annual Report.

	For the year ended 31 December	
	2017	2018
	(RMB'000)	(RMB'000)
	(Audited)	(Audited)
Revenue	1,672,758	1,830,783
Gross profit	224,169	253,054
Finance expenses	30,759	40,194
Profit for the year	115,839	130,713

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December	
	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)
Cash and cash equivalents	281,750	180,059
Total borrowings	721,000	496,021
Total assets	2,118,384	2,611,443
Net assets	900,223	1,084,730
Gearing ratio*	57.5%	58.5%

* Gearing ratio = total liabilities/total assets

The Group's revenue amounted to approximately RMB1,830.8 million for the year ended 31 December 2018, representing an increase of approximately 9.4% as compared with the revenue for the year ended 31 December 2017. As disclosed in the 2018 Annual Report, such increase was primarily due to the increase of the number of higher-valued projects (each with a contract value of more than RMB10 million) carried out by the Group, from 94 for 2017 to 107 for 2018.

The Group's finance expenses amounted to approximately RMB40.2 million for the year ended 31 December 2018, representing an increase of approximately 30.7% as compared with the finance expenses for the year ended 31 December 2017. As disclosed in the 2018 Annual Report, such increase was mainly due to an increase in the average loan balance to meet the capital requirements of the Group for development in business during the year.

The profit for the year of the Group for the year ended 31 December 2017 and 31 December 2018 accounted approximately RMB115.8 million and RMB130.7 million respectively, representing an increase of approximately 12.8%. As disclosed in the 2018 Annual Report, the increase in profit for the year of the Company for the year ended 31 December 2018 was mainly due to the increase in gross profit and was partially offset by the increase in selling and marketing expense, and administrative expense.

As disclosed in the 2018 Annual Report, the cash and cash equivalents of the Group as at 31 December 2018 was approximately RMB180.1 million, representing a decrease of approximately 36.1% as compared to that as at 31 December 2017 which was a combination result of the repayments of bank borrowings and the net proceeds raised by placing of new H shares during the year ended 31 December 2018.

The total borrowings of the Group as at 31 December 2018 was approximately RMB496.0 million, representing a decrease of approximately 31.2% as compared to that as at 31 December 2017 which was a combination result of increase in both loan borrowing and repayment.

The Group's total assets as at 31 December 2018 was RMB2,611.4 million, representing an increase of 23.3% as compared to that as at 31 December 2017. The increase was mainly due to increase in contract assets/amounts due from customers for contract work and trade receivables, and was partially offset by the decrease in the cash and cash equivalent. Meanwhile, the net assets of the Group as at 31 December 2018 was approximately RMB1,084.7 million, representing an increase of approximately 20.5% as compared to that as at 31 December 2017. The Group's gearing ratio kept stable for the two years ended 31 December 2018.

1.2 Information of Ningbo Yingxiang

As stated in the Letter from the Board, Ningbo Yingxiang, a limited partnership incorporated in the PRC on 10 May 2017. Ningbo Yingxiang's main business includes investment business, investment management and asset management. Shenzhen Qianhai Xingwang Investment Management Co., Ltd. is the general partner of Ningbo Yingxiang. Shenzhen Qianhai Xingwang Investment Management Co., Ltd is also the general partner of Xingwang Yinghua, and Xingwang Yinghua is currently holding 10,000,000 Domestic Shares, representing 6.32% of the Domestic Shares and 4.52% of the total share capital of the Company at the Latest Practicable Date.

1.3 Background of and Reasons for the issue of First Subscription Shares

According to the Letter from Board, the First Subscription Shares are to be allotted and issued under the Specific Mandate, and the First Proposed Subscription under the Specific Mandate to be sought at the EGM and the Class Meetings.

1.3.1 Use of proceeds

As stated in the Letter from the Board, The proceeds raised from the First Proposed Subscription, after deducting the related expenses are estimated to be approximately RMB77,796,000 and the net price per First Subscription Share is approximately RMB6.18. It is the intention of the Company to use the proceeds from the First Proposed Subscription for the following purposes:

- (i) approximately 25% shall be used for working capital of the Company for general use purpose, including payment of security deposits required for business development on tender projects, procurement of project materials (excluding the procurement of raw materials for Procurement Online Platform), labour costs, payment of sales, administrative, tax and other general expenses;
- (ii) approximately 20% shall be used for repayment of the bank facilities of the Company; and

- (iii) approximately 55% shall be used for business development of the Company, which will mainly be used for sourcing raw materials to be distributed/allocated to the Company's projects through the Procurement Online Platform for the year 2019 and 2020.

1.3.2 Reasons for and benefits of the issue of First Subscription Shares

According to the Letter from the Board, the First Proposed Subscription would increase the number of Domestic Shares held by new investors that optimize the shareholder base of the Company and strengthen the financial position of the Company for future investment. The net proceeds, after deducting the professional fees and all related expenses which will be borne by the Company, from the issue of First Subscription Shares is estimated to be approximately RMB77,796,000.

According to the Letter from the Board, approximately 55% of the net proceeds of the First Proposed Subscription shall be used for business development of the Company, which will be used for the sourcing raw materials to be distributed/allocated to the Company's projects through the Procurement Online Platform for the year 2019 and 2020. In the past few years, the Company has input a lot of resources in establishing the Procurement Online Platform for central procurement of raw materials. The Procurement Online Platform allows project management team to utilize different procurement channels to cater for the actual needs of different projects. Other advantages the platform could offer include facilitating and streamlining the procurement process through a centralized platform. The Procurement Online Platform has been successfully established and is in full operation now. The Company plans to spend approximately HK\$75 million and HK\$65 million in 2019 and 2020 respectively for the purchase of raw materials for the Procurement Online Platform. We have taken the following steps to validate such schedule of sourcing raw materials:

- a) according to the discussion with the Directors, the Procurement Online Platform and the logistics centre were expected to be completed in stages in four years' time and construction of the logistics centre was expected to commence in 2017. Back in 2016, the Company estimated that the establishment of the Procurement Online Platform would involve a total expense of approximately HK\$300.0 million, out of which approximately HK\$149.0 million, HK\$130.5 million, HK\$6.5 million and HK\$14.0 million would be utilised as procurement prepayment of raw materials, construction costs of the logistics centre, development costs and operating expenses of the online platform, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Directors, the Company has spent a total of HK\$160 million for the two financial years ended 31 December 2018 pursuant to the Old 4-year Plan, of which approximately HK\$128.3 million was used for Procurement prepayment, HK\$18.5 million was used for Construction costs of the Procurement Online Platform and logistics centre, HK\$6.7 million was used for Development costs and HK\$6.5 million was used for Operating expenses of the online platform. We have reviewed the breakdown of the Old 4-year Plan and noted that such expenditure is consistent with the Old 4-year Plan.

For the financial year ended 31 December 2018, the Group realized revenue of RMB1.83 billion, representing an increase of 9.4% over year 2017 and outperforming the 2018 domestic GDP growth. During 2018, the Group sustained its steady increase in performance and realized the Group's strategic planning set at the beginning of the year. Against this backdrop and driven by the need of stocking up more raw material for the centralized procurement platform, the Company has adjusted the Old 4-year Plan by increasing the total amount from HK\$300.0 million to HK\$419.5 million. We have reviewed the New 4-year Plan and noted that the amounts used to source raw materials through the platform has increased to HK\$75.0 million and HK\$65.0 million for 2019 and 2020 respectively.

- b) according to the Company's prospectus issued at 15 November 2016, a HK\$88 million from net proceeds from the Global Offering will be used for the establishment of the Procurement Online Platform. The remaining balance was intended to be financed by the Group's internal resources generated from business operations and obtained from external sources such as bank borrowings. According to the Company's 2018 Annual Report, RMB68.8 million (approximately HK\$79.8 million) out of the HK\$88 million has been used as planned, and the Company does not anticipate any change to the use of proceeds plan of Global Offering;
- c) according to the Directors, 55% of the net proceeds amounted approximately HK\$37.3 million from the placing of new H shares completed at 30 November 2018 was used in the purchase raw materials through the Procurement Online Platform;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- d) according to the Directors, 55% of the net proceeds amounted approximately HK\$28.8 million through the issuance of the Domestic Shares under the Second Domestic Share Subscription Agreements will be used to source raw materials through the Procurement Online Platform;
- e) according to the Directors, the Company may utilize its internal source of fund or consider raising fund through other fund raising activities to meet the need for sourcing of remaining amount of the procurement costs of approximately HK\$24.3 million Procurement Online Platform in 2019 and 2020;
- f) according to the Company's Annual Report of 2017 and 2018, the gross profit margin of the Company is increasing from 2016 to 2018, which are 11.85%, 13.40% and 13.82% for the three years ended 31 December 2018 respectively. While the cost of raw materials and consumables used decreased from 2016 to 2018, which are RMB1,015.9 million, RMB897.2 million and RMB878.9 million for the three years ended 31 December 2018 respectively.

Based on the above, we concurred with the Directors that the Company has committed to the plan for Procurement Online Platform and the use of proceeds from the First Proposed Subscription is in line with the Company's future strategy.

According to the Letter from the Board, the Company may use its own funds or have further fund raising to meet the need for the 4-year investment plan for the Procurement Online Platform, depending on the cash flow condition of the Company and costs of various ways of re-financing. The Company has no concrete plan on re-financing as at the Latest Practicable Date.

Meanwhile, according to the Directors, there was an outstanding bank borrowing balance of RMB365.0 million as at 5 May 2019. All such borrowing is one-year borrowing with an amount of RMB245.0 million due within 2019. Given that the Company will use 20% of the net proceeds of First Proposed Subscription amounting RMB15.6 million to repay the loan balance, the Company's gearing ratio, being the total liabilities divided by total assets, would decrease from 58.5% to 56.5%, and a substantial portion of interest expense would be saved.

1.3.3 Financial alternatives available to the Group

As discussed with the management of the Company, the Board had considered other relevant financing strategies before resorting to the issue of First Subscription Shares. An analysis of each of these strategies is set out as follows:

Debt financing

As discussed with the management of the Company, debt financing may not be feasible for the Group as (i) debt financing may further incur financial expense for the Group; (ii) the increase in the leverage of the Group will cause higher financial risk of the Group; (iii) the renewal of the debt financing upon maturity is uncertain and (iv) the requirement for the grant of bank facility is uncertain if there is any policy change related to real estate and construction industry.

Rights issue and placement for H Shares

According to the announcement of the Company dated 30 November 2018, the Company completed placing 10,000,000 H Shares at the placing price of HK\$7.00 per H Share. The net proceeds of the said placing of H Shares are approximately HK\$67.74 million of which the utilization breakdown is as follows: (i) HK\$16.94 million was used for supplementing working capital, (ii) HK\$13.55 million was used for repayment of bank loans and (iii) HK\$37.26 million was used for the source of raw materials under the purchasing platform project, in support of development of Company's core business.

As discussed with the management of the Company, it is not feasible for the Company to carry out further rights issue and open offer/placement for the below reasons:

- (a) there are uncertainties to obtain approvals from relevant PRC authorities (including China Securities Regulatory Commission) for issuance of new H Shares;
- (b) the amount of funds raised is uncertain unless the rights issue is fully underwritten or placed;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the costs for underwriting are relatively higher as underwriting commission incurred and no commission will be incurred in the First Proposed Subscription;
- (d) the longer time spent on rights issue and placement by comparing to the First Proposed Subscription may consequently impact the Company's business plan and operation schedule.

We noted that the trading volume of the H Shares is thin. The below table sets out (i) average daily trading volume of the H Shares; and (ii) the percentage of the average daily trading volume of the H Shares to the total number of H Shares in issue during the period commencing from 9 May 2018 to 8 May 2019, being the last full trading day immediately prior to the entering into of the Domestic Share Subscription Agreements (the “**Last Trading Day**”) (the “**Review Period**”). We consider that such twelve months period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for our analysis and therefore can serve as a benchmark for assessing the trading volume.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Total trading volume for the month/period <i>(No. of H shares)</i>	No. of trading days <i>(days)</i>	Average daily trading volume for the month/period <i>(No. of H shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume to number of H shares in issue as at the Latest Practicable Date <i>(Note 2)</i>
2018				
May (beginning from 9 May 2018)	2,155,000	16	134,688	0.21%
June	2,118,500	20	105,925	0.17%
July	915,500	21	43,595	0.07%
August	973,500	23	42,326	0.07%
September	843,000	19	44,368	0.07%
October	749,500	21	35,690	0.06%
November	539,500	22	24,523	0.04%
December	58,500	19	3,079	0.00%
2019				
January	60,000	22	2,727	0.00%
February	131,500	17	6,921	0.01%
March	68,000	21	3,238	0.01%
April	31,000	19	1,632	0.00%
May (Up to the Last Trading Day)	38,500	5	7,700	0.01%

Source: Wind.

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. Based on 62,763,000 H Shares, being the total number of H Shares of the Company in issue for the Review Period and as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The average daily trading volume of the H Shares on the Stock Exchange during the Review Period was approximately 35,437 Shares, representing approximately 0.06% of the Company's total issued H share capital. We noted that the H Shares have a thin trading volume in most of the days during the Review Period. The highest daily trading volume during the Review Period was about 426,000 Shares on 14 June 2018, representing approximately 0.68% of the Company's total existing issued H share capital on that day. In addition, we also noted that among a total of 245 trading days during the Review Period, there are 79 days, representing approximately 32.2% of the trading days during the Review Period, that there is no trading on the H Shares. It means that the trading of the H Shares is not considered as active.

Having taken into account of the above assessment, in particular, (i) the uncertainty to renew debt financing upon maturity or obtain new bank facilities; (ii) the Company targets to lower its debt burden; (iii) the uncertain time on the issue of new H Shares; (iv) the uncertain amount of funds raised by rights issue; (v) domestic shares have no liquidity; and (vi) the thin trading volume during the Review Period, we concur with the Directors' view that the First Proposed Subscription is more appropriate as compared to other financial alternatives.

After taking into account that (i) the use of proceeds from the issue of the new Domestic Shares is in line with the business strategies of the Company; (ii) the large capital commitment needed for the Group's investment plan of the Procurement Online Platform; and (iii) issuance of the new Domestic Shares is the most feasible option compared to the other sources of funding based on the alternatives explored by the Company, we concur with the Company that the First Proposed Subscription is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the First Domestic Share Subscription Agreement

The major terms and conditions of the First Domestic Share Subscription Agreement are set out as follows:

Date:	9 May 2019
Parties:	(i) The Company (as the issuer); and (ii) Ningbo Yingxiang (as the subscriber).
Subject matter:	12,580,645 Domestic Shares to be issued by the Company, with a par value of RMB1.00 each and an aggregate nominal value of RMB12,580,645.

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Subscription price: RMB6.2 (equivalent to approximately HK\$7.19) per Domestic Share, which represent:

- (i) a discount of approximately 2.17% to the closing price of HK\$7.35 per H Share as quoted on the Stock Exchange on the date of First Domestic Share Subscription Agreement; and
- (ii) a discount of approximately 2.86% to the average closing price of HK\$7.40 per H Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the First Domestic Share Subscription Agreement.

It is the intention of the parties to return the Consideration Price paid without interests if the conditions precedent are not fulfilled.

Subscription shares: The First Subscription Shares to be allotted and issued comprise an aggregate of 12,580,645 new Domestic Shares, representing:

- (i) Approximately 7.95% and 5.69%, respectively, of the existing issued Domestic Shares and the existing issued share capital of the Company as at Latest Practicable Date; and
- (ii) approximately 7.36% and 5.38%, respectively, of the issued Domestic Shares and the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the Subscriptions.

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Conditions precedent: The effectiveness of the First Domestic Share Subscription Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Independent Shareholders approving the issue of First Subscription Shares at the EGM and the Class Meetings; and
- (ii) all relevant governmental and regulatory approvals and consents regarding the issue of First Subscription Shares having been obtained by the Company, such as the filing with the Economic Promotion Bureau of Futian District, Shenzhen Municipality (深圳市福田區經濟促進局).

Completion: The Company shall issue the First Subscription Shares to Ningbo Yingxiang and register the First Subscription Shares at the share registrar as soon as practicable after all the conditions precedent to the issuer of Domestic Shares under the First Domestic Share Subscription Agreement are fulfilled.

We have reviewed the First Domestic Share Subscription Agreement and noted that the principal terms of the agreement are consistent with the disclosure in the Letter from the Board.

3. Evaluation of the Subscription Price

The First new Domestic Shares will be subscribed for by the Ningbo Yingxiang at the Subscription Price of RMB6.2 per Share (equivalent to approximately HK\$7.19). The Subscription Price per new Domestic Share represents:

- (i) a discount of approximately 5.39% over the price of approximately HK\$7.6 per H Share based on the closing price as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 2.57% over the price of approximately HK\$7.38 per H Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 2.86% over the average closing price of approximately HK\$7.40 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 3.10% over the average closing price of approximately HK\$7.42 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 26.53% over the net asset per share of the Group of approximately RMB4.9 per Share as at 31 December 2018 (being the equity attributable to owners of the Company as at 31 December 2018 of approximately RMB1,084.7 million divided by the total number of issued Shares of 221,050,000 as at the date of the First Domestic Subscription Agreement).

According to the Letter from the Board, the Subscription Price is determined with reference to the capital market conditions at the time of issue and the valuation of comparable companies, taking into account the interest of shareholders, appetite of investors and risks of issue, and in accordance with international practices and regulatory requirements.

Refer to the above, the subscription price for the First Proposed Subscription represents a discount over the closing price for the recent period.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes:

(a) Review of H Share price

During the Review Period, the closing prices of the Shares fluctuated in a range of between HK\$7.08 and HK\$7.88. The average closing price of the H Shares of the Company during the Review Period is approximately HK\$7.39. The Subscription Price is approximately HK\$7.19 which lies within price range, and under the average, of the closing price of the H shares of the Company during the Review Period. Further, given that the Domestic Shares are not listed and tradable on the Hong Kong Stock Exchange, setting the Subscription Price at a slight discount to the market price of the H Shares could encourage interests for the subscriber in the Subscription.

(b) Market comparable analysis

We had considered identifying comparable share subscription transactions based on the following criteria: (i) issuance of new domestic shares by companies listed on the Stock Exchange during the 24-month period from 9 May 2017 up to the Last Trading Day; and (ii) share subscription transactions by connected person(s).

Having considered the above, we have reviewed share subscription transactions in Hong Kong and identified, in our research through public information, comparable share subscription transactions (the “**Comparable Transactions**”) based on criteria i) and ii) as mentioned above. To the best of

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our knowledge and as far as we are aware of, we found six transactions which met the above criteria and the Comparable Transactions listed below are exhaustive. We consider that the Comparable Transactions are fair and representative as all transactions that we have identified and satisfy the aforesaid selection criteria have been included. Moreover, we consider that a period of 24 months prior and up to the date of the First Domestic Share Subscription Agreement is appropriate to capture the recent market practice given that such period is sufficiently recent to demonstrate the prevailing market practices prior to and including the Last Trading Day. However, we have deselected Xi'an Haitiantian Holdings Company Limited (SEHK: 8227) due to its deep discount in respective of subscription price over closing price on the last trading day, average closing price of five trading days up to the last trading day and average closing price of ten trading days up to the last trading day, which was approximately 96.35%, 96.35%, and 96.14% respectively. Thus, it was considered as an outlier of all selected comparable companies.

It should be noted that all the subject companies involved in the Comparable Transactions may have different principal activities, market capitalization, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the subscription may also be different from that of the Company. We consider that the Comparable Transactions could provide a general reference for the recent market practice of companies listed on the Stock Exchange in share subscription exercises under specific mandate and under similar market conditions. Details of our analyses are set out in the following table:

Company (Stock code)	Date of circular	Premium/ (discount) of subscription price over/to closing price on the last trading day <i>(Note 1)</i>	Premium/ (discount) of subscription price over/to average closing price of five trading days up to the last trading day	Premium/ (discount) of subscription price over/to average closing price of ten trading days up to the last trading day	Premium/ (discount) of subscription price over/to net asset per share <i>(Note 2)</i>
Xinte Energy Co., Ltd (1799)	13 December 2018	15.79%	21.95%	22.77%	(17.58%)
Jiangsu Nandasoft Technology Company Limited (8045)	10 September 2018	9.52%	8.11%	2.56%	84.92%

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Company (Stock code)	Date of circular	Premium/ (discount) of subscription price over/to closing price on the last trading day <i>(Note 1)</i>	Premium/ (discount) of subscription price over/to average closing price of five trading days up to the last trading day	Premium/ (discount) of subscription price over/to average closing price of ten trading days up to the last trading day	Premium/ (discount) of subscription price over/to net asset per share <i>(Note 2)</i>
Beijing Urban Construction Design & Development Group Company Limited (1599)	7 December 2017	(17.52%)	(18.08%)	(19.45%)	28.86%
Harbin Electric Company Limited (1133)	16 October 2017	15.15%	14.75%	13.01%	(60.90%)
Guangdong Join-Share Financing Guarantee Investment Co., Ltd (1543)	29 September 2017	5.00%	4.08%	0.99%	(6.67%)
	Subscription Price	(2.57%)	(2.86%)	(3.10%)	26.53%

Source: Website of the Stock Exchange

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1. The last trading day used in our calculation was the trading day immediately prior to the date of their relevant domestic share subscription agreement. Particularly, the last trading day of Guangdong Join-Share Financing Guarantee Investment Co., Ltd was the trading day immediately prior to the date of its price determination agreement. In addition, given that Beijing Urban Construction Design & Development Group Company Limited implemented an employee stock ownership scheme, its last trading day was the trading day immediately prior to the date of the announcement in relation to its key employee stock ownership scheme.
2. The net asset value per share is calculated by dividing net assets value attributable to owners by the number of total issued shares of the companies immediately before the domestic share issue. The net assets value attributable to owners is adopted from the latest financial reports up to the date of the relevant domestic share subscription agreement/employee stock ownership scheme announcement.

As shown in the above table, the issue price of the Comparable Transactions (i) ranged from a discount of approximately 17.52% to a premium of approximately 15.97% (the “**LTD range**”), with an average premium of approximately 5.59% (the “**LTD mean**”) to the closing price on the last trading day prior to the date of relevant subscription agreement date; (ii) ranged from a discount of approximately 18.08% to a premium of approximately 21.95% (the “**5 day range**”), with an average premium of approximately 6.16% to the average closing price of the H Shares for the last 5 trading days prior to the date of relevant subscription agreement date (the “**5 day mean**”); and (iii) ranged from a discount of approximately 19.45% to a premium of approximately 22.77% (the “**10 day range**”), with an average premium of approximately 3.98% over the average closing price of the H Shares for the last 10 trading days prior to the date of relevant subscription agreement date (the “**10 day mean**”).

Furthermore, we noted that the issue price of four Comparable Transactions represented a premium to its closing price on the last trading day, average closing price of five trading days up to the last trading day, and average closing price of ten trading days up to the last trading day. However, out of those four transactions, the issue price of three transactions represented a discount to its net asset per Share, and the discount was 17.58%, 60.90%, and 6.67% for Xinte Energy Co.,Ltd, Harbin Electric Company Limited, and Guangdong Join-Share Financing Guarantee Investment Co.,Ltd, respectively. While the Subscription Price of the First Proposed Subscription represents a premium of approximately 26.53% over the Company’s net asset per share.

After considering that (i) the Subscription Price lies within the range of HK\$7.08 to HK\$7.39 of the closing price of the H shares of the Company during the Review Period, approximately 2.7% discount over the average; (ii) the Subscription Price falls within the range of LTD range, 5 day range, and 10 day

range of comparable companies; (iii) our analysis regarding the Comparable Transactions with premium issue price; (iv) the Subscription Price is at a premium of approximately 26.53% to the audited net assets value attributable to owners of the Company of approximately RMB4.9 (equivalent to approximately HK\$5.68) per Share as at 31 December 2018; and (v) the Subscription Price of the First Proposed Subscription is same as the subscription price of the Second Proposed Subscription, we concur with the Company that the Subscription Price is fair and reasonable.

4. Financial effect of the First Proposed Subscription

4.1 Profitability

We are advised by the management of the Group that the First Proposed Subscription involves the issue of new shares and is not expected to impose any immediate material impact on the profit of the Group instantly upon completion of the First Proposed Subscription. Nonetheless, the Independent Shareholders should note that 55% of the net proceed will be used to further develop the Procurement Online Platform, which will enhance cash flow management and reduce operational cost for the Group in the future due to improvement of procurement flexibility and efficiency; 20% of the net proceeds will be used to repay the bank debt which will reduce the Group's interest expense.

4.2 Net assets and cash position

As at 31 December 2018, the Group had (i) net assets of approximately RMB1,084.7 million; and (ii) cash and cash equivalents of approximately RMB180.1 million. The First Proposed Subscription will raise an aggregate amount of approximately RMB78.0 million (equivalent to approximately HK\$90.5 million). We are advised by the management of the Group that the cash position and the net assets of the Group are expected to improve approximately by the amount of net proceeds upon completion of the First Proposed Subscription.

4.3 Gearing ratio

The Group's gearing ratio as at 31 December 2018, being total liabilities divided by total assets, was approximately 58.5%. We are advised by the management of the Group that, for illustrative purpose, assuming (i) the total liabilities of the Group reduce by the expected repayment amount of loan of approximately RMB15.6 million through the utilisation of the net proceeds; and (ii) the total assets of the Group increase by the net proceeds from the First Proposed Subscription of approximately RMB77.8 million and reduce by the aforesaid expected repayment amount of loan of approximately RMB15.6 million, the gearing ratio of the Group as at 31 December 2018 would be approximately 56.5%.

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Based on the above analysis, the First Proposed Subscription would have positive financial impact to the Company, and we are of the view that the First Proposed Subscription is in the interests of the Company and the Shareholders as a whole.

5. Effects on shareholding structure of the Company

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the issue of First Subscription Shares (assuming no other changes to the issued share capital of the Company prior to Completion):

Name of Shareholder	Share Class	As at Latest Practicable Date		Immediately after the completion of the issue of First Subscription Shares	
		No. of Shares held	Percentage of total issued Shares	No. of Shares held	Percentage of total issued Shares
<i>The subscriber</i>					
Ningbo Yingxiang ^(Note 1)	Domestic Shares	—	—	12,580,645	5.38%
<i>Holder of Domestic Shares</i>					
Ye Yujing (葉玉敬) ^(Note 2)	Domestic Shares	67,694,000	30.62%	67,694,000	28.97%
Ye Xiujin (葉秀近) ^(Note 3)	Domestic Shares	15,504,000	7.01%	15,504,000	6.64%
Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業 (有限合夥)) ^(Note 4)	Domestic Shares	6,075,000	2.75%	6,075,000	2.60%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業 (有限合夥)) ^(Note 5)	Domestic Shares	17,000,000	7.69%	17,000,000	7.28%

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Name of Shareholder	Share Class	As at Latest Practicable Date		Immediately after the completion of the issue of First Subscription Shares	
		No. of Shares held	Percentage of total issued Shares	No. of Shares held	Percentage of total issued Shares
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)) (Note 6)	Domestic Shares	10,000,000	4.52%	10,000,000	4.28%
Other Domestic Shareholders	Domestic Shares	42,014,000	19.01%	42,014,000	17.98%
Total Domestic Shares		158,287,000	71.61%	170,867,645	73.14%
 Holders of H Shares 					
International South China Investment Fund Limited Partnership (Note 7)	H Shares	16,009,000	7.24%	16,009,000	6.85%
Other H Shareholders	H Shares	46,754,000	21.15%	46,754,000	20.01%
Total H Shares		62,763,000	28.39%	62,763,000	26.86%
Total issued Shares		221,050,000	100.00%	233,630,645	100.00%

Notes:

- Ningbo Yingxiang is a limited partnership incorporated in the PRC on 10 May 2017. As of the Latest Practicable Date, Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binqun, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management Co., Ltd.
- Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
- Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
- Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) (“**Shenzhen Gong Xiang Li**”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our Executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang LI.

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5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (“**South China Sea LP**”), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as of the Latest Practicable Date, (i) Shenzhen Co-Win Jinxu Asset Management Limited (“**Shenzhen Co-Win Jinxu Asset**”), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited (“**Shenzhen Co-Win Asset**”). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited (“**Shenzhen Co-Win Venture Capital**”), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng as of the Latest Practicable Date, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.
6. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd as of the Latest Practicable Date. As of the Latest Practicable Date, Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management Co., Ltd, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center (Limited Partnership), a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management Co., Ltd, Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) and Xiong Mingwang are deemed to be interested in all shares held by Xingwang Yinghua under the SFO.
7. Li Jianping acquired the 100% limited partnership interest in International South China Investment Fund Limited Partnership and 100% interest in International South China Investment Fund Limited by a deed of assignment and assumption of Limited Partnership Interest. International South China Investment Fund Limited is the general partner in the limited partnership of International South China Investment Fund Limited Partnership.

As shown in the above table, the shareholding interests of the existing public H Shares Shareholders would be diluted from approximately 28.39% as at the Latest Practicable Date to approximately 26.86% upon Completion (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the date of the Completion).

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In view of (i) the reasons for and benefits of the First Proposed Subscription; (ii) the terms of the First Domestic Share Subscription Agreement being fair and reasonable, we concur with the Directors that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the entering into the First Domestic Share Subscription Agreement although is not in the ordinary and usual course of business of the Group, is entered into on normal commercial terms, and the terms of the First Domestic Share Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions to be proposed at the EGM and the Class Meeting to approve the First Domestic Share Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited
Yang Peng
Director
Investment Banking Department

Mr. Yang Peng is a licensed person of the Securities and Future Commission of Hong Kong and a Responsible Officer of Fortune Financial Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), and has over 9 years of experience in corporate finance in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating 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. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, as far as the Company is aware, the following individuals had interest and short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Director/Supervisor	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾
Ye Yujing (葉玉敬) ^(Note 3)	Beneficial Owner	67,694,000	42.77%	30.62%
	Interest of spouse	15,504,000	9.79%	7.01%
Ye Xiujin (葉秀近) ^(Note 4)	Beneficial Owner	15,504,000	9.79%	7.01%
	Interest of spouse	67,694,000	42.77%	30.62%
Ye Guofeng (葉國鋒) ^(Note 5)	Interest in a controlled corporation	6,075,000	3.84%	2.75%
Ye Xian (葉縣) ^(Note 6)	Beneficial Owner	10,336,000	6.53%	4.68%
Li Yuanfei (黎媛菲) ^(Note 7)	Interest in a controlled corporation	10,000,000	6.32%	4.52%

Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares.
2. The calculation is based on the total number of 221,050,000 Shares in issue after the placing of 10,000,000 new H shares.
3. Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
4. Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
5. Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) (“**Shenzhen Gong Xiang Li**”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our Executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang Li.
6. The Resignation of Mr. Ye Xian as the Supervisor of the Company became effective on 19 March 2019.
7. Ms. Li Yuanfei is a partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司). Shenzhen Qianhai Xingwang Investment Management Co., Ltd is the general partner of Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)) and Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區瀛享投資中心(有限合夥)), which is interested in 10,000,000 and 12,580,645 (by way of First Domestic Share Subscription Agreement) Domestic Shares of the Company respectively. Shenzhen Qianhai Xingwang Investment Management Co., Ltd is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心(有限合夥) and 1% by Xiong Mingwang (“**Xiong**”). Shenzhen Qianhai Xingwang Investment Center (Limited Partnership), a limited partnership entity is owned as to 99% by Xiong and 1% by Liu Jun.

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their close associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executive of the Company, the following persons (other than the Directors, supervisors or chief executive of the Company) had interests and short positions in 5% or more 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, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares held after the Global Offering	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥)) ^(Note 3)	Domestic Shares	Beneficial Owner	17,000,000	10.74%	7.69%
Shenzhen Co-Win Asset Management Holding Company Limited (深圳市同創偉業資產管理股份有限公司) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Zheng Wei He (鄭偉鶴) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Huang Li (黃荔) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Ding Bao Yu (丁寶玉) ^(Note 3)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Ye Bingquan (葉炳權)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.68%

Name of Shareholders	Class of Shares held after the Global Offering	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)) <i>(Note 4)</i>	Domestic Shares	Beneficial Owner	10,000,000	6.32%	4.52%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) <i>(Note 4)</i>	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心(有限合夥) <i>(Note 4)</i>	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
Xiong Mingwang (熊明旺) <i>(Note 4)</i>	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
International South China Investment Fund Limited Partnership <i>(Note 5)</i>	H Shares	Beneficial Owner	16,009,000	25.51%	7.24%
International South China Investment Fund Limited <i>(Note 5)</i>	H Shares	Interest in a controlled corporation	16,009,000	25.51%	7.24%
Li Jianping (李建平) <i>(Note 5)</i>	H Shares	Interest in a controlled corporation	16,009,000	25.51%	7.24%
Chen Juntao* (陳俊廷)	H Shares	Beneficial Owner	6,360,000	10.13%	2.88%

* for identification purpose only

Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).
2. The calculation is based on the total number of 221,050,000 Shares in issue after the issuance of 10,000,000 new H shares on 30 November 2018.
3. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (“**South China Sea LP**”), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as of the Latest Practicable Date, (i) Shenzhen Co-Win Jinxiu Asset Management Limited (“**Shenzhen Co-Win Jinxiu Asset**”),

(ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited (“**Shenzhen Co-Win Asset**”). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited (“**Shenzhen Co-Win Venture Capital**”), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)) (“**Shenzhen Co-Win Victory LP**”), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as of the Latest Practicable Date, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (“**Ningbo Xingwang Yinghua**”), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd (“**Shenzhen Qianhai Xingwang Investment Management**”) as of the Latest Practicable Date. As of the Latest Practicable Date, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) (“**Shenzhen Qianhai Xingwang Investment Center**”) and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.

5. Li Jianping acquired the 100% limited partnership interest in International South China Investment Fund Limited Partnership and 100% interest in International South China Investment Fund Limited by a deed of assignment and assumption of Limited Partnership Interest. International South China Investment Fund Limited is the general partner in the limited partnership of International South China Investment Fund Limited Partnership.

Save as disclosed in this circular, the Directors are not aware that there is any other person (other than the Directors, supervisors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at EGM under all circumstances.

5. SERVICES AGREEMENT

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Company which is not terminable within one year without payment of compensation (other than statutory compensation).

6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Directors are aware.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Company since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. DIRECTORS AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE COMPANY

As at the Latest Practicable Date, save as disclosed herein:

- (a) none of the Directors or supervisors of the Company was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Company; and
- (b) so far as the Directors are aware, none of the Directors or supervisors of the Company nor their respective close associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. QUALIFICATION OF EXPERT AND CONSENT

The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

Name	Qualification
Fortune Financial Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, Fortune Financial Capital Limited did not hold any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Fortune Financial Capital Limited has given, and has not withdrawn its written consent to the issue of this circular with its statement included in the form and context in which it is included.
- (c) As at the Latest Practicable Date, Fortune Financial Capital Limited did not have any interest in any assets which have been since 31 December 2018 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at Suite 2203, Level 22, Office Tower, Langham Place, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Articles of Association;
- (b) the First Domestic Share Subscription Agreement;
- (c) the written consent referred to in the paragraph headed “Qualification of the Expert and Consent” in this appendix;
- (d) the letter from the Board, the text of which is set out in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out in this circular; and
- (g) this circular.

11. MISCELLANEOUS

- (a) The registered address of the Company is at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China.
- (b) The joint company secretaries of the Company are Mr. Liu Yilun and Ms. Kou Yue.

- (c) The principal place of business of the Company in the People's Republic of China is at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People's Republic of China.
- (d) The principal place of business of the Company in Hong Kong is at Suite 2203, Level 22, Office Tower, Langham Place, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong.
- (e) The H share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. With effect from 11 July 2019, the Hong Kong H Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. All telephone and facsimile numbers of the H Share Registrar will remain unchanged.
- (f) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of 2019 (the “EGM”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “Company”) will be held at the Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China at 11:30 a.m. on Friday, 26 July 2019 to consider and, if thought fit, approve the resolutions set out below:

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company:

“**THAT:**

- (a) to issue 12,580,645 Domestic Shares in accordance with the terms and conditions of the First Domestic Share Subscription Agreement.”

2. To consider and approve the execution of the First Domestic Share Subscription Agreement:

“**THAT:**

- (a) the First Domestic Share Subscription Agreement be and is hereby approved, confirmed and ratified, and that all the transactions contemplated under the First Domestic Share Subscription Agreement be and are hereby approved, confirmed and ratified. A copy of the First Domestic Share Subscription Agreement is produced to the meeting marked “A” and signed by the Chairman of the EGM for the purpose of identification; and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to and/or to complete or in connection with the First Domestic Share Subscription Agreement and the transactions contemplated

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

3. To consider and approve the increase in registered share capital:

“THAT:

- (a) the registered share capital be increased from RMB221,050,000 (divided by 62,763,000 H Shares and 158,287,000 Domestic Shares), to RMB240,930,645 (divided by 62,763,000 H Shares and 178,167,645 Domestic Shares); and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the increase of registered share capital, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

4. To consider and approve the amendments to the Articles of Association:

“THAT:

- (a) the proposed amendments to the Articles of Association be and are hereby approved; and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the proposed amendments to the Articles of Association, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

By Order of the Board

Guangdong Adway Construction (Group) Holdings Company Limited*

Mr. Ye Yujing

Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 10 June 2019

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. For details in relation to the resolutions, please refer to the circular to Shareholders published in due course.
2. A member of the Company (“**Member**”) entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the meeting is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the meeting, and this notice shall be deemed to be given to all joint holders of such Share.
3. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, and in case of holders of Domestic Shares, to the mailing address of the Company’s head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC, not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof or the time appointed for passing the resolutions. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Wednesday, 26 June 2019 to Friday, 26 July 2019, both days inclusive, during which period no transfer of shares will be effected. For the identification of Members eligible to attend and vote at the meeting, all H Shares transfer documents accompanied by the relevant H Shares certificates must be lodged with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 June 2019. All Domestic Shares transfer documents accompanied by the relevant Domestic Shares certificates must be delivered to the Company’s head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China not later than 4:30 p.m. Tuesday, 25 June 2019.
5. Whether or not holders of H Shares intend to attend the meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before Saturday, 6 July 2019.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. Whether or not holders of Domestic Shares of the Company intend to attend the meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company's mailing address of the Company's head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC on or before Saturday, 6 July 2019.

As at the date of this notice, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Ms. Li Yuanfei as Non-Executive Director; and Mr. Cheung Wai Yeung Michael, Mr. Wang Zhaowen, and Mr. Lin Zhiyang, as Independent Non-executive Directors.



GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

NOTICE OF THE H SHARES SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting for holders of H shares of 2019 (the “**H Shares Shareholders Class Meeting**”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) will be held at the Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China at 12:15 p.m. on Friday, 26 July 2019 (or immediately after the conclusion or adjournment of the extraordinary general meeting in 2019 of the Company (“**EGM**”), whichever is later) to consider and, if thought fit, approve the resolutions set out below:

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company:

“**THAT:**

- (a) to issue 12,580,645 Domestic Shares in accordance with the terms and conditions of the First Domestic Share Subscription Agreement.”

2. To consider and approve the execution of the First Domestic Share Subscription Agreement:

“**THAT:**

- (a) the First Domestic Share Subscription Agreement be and is hereby approved, confirmed and ratified, and that all the transactions contemplated under the First Domestic Share Subscription Agreement be and are hereby approved, confirmed and ratified. A copy of the First Domestic Share Subscription Agreement is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification; and

* *For identification purpose only*

NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to and/or to complete or in connection with the First Domestic Share Subscription Agreement and the transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”
3. To consider and approve the increase in registered share capital:
- “**THAT:**
- (a) the registered share capital be increased from RMB221,050,000 (divided by 62,763,000 H Shares and 158,287,000 Domestic Shares), to RMB240,930,645 (divided by 62,763,000 H Shares and 178,167,645 Domestic Shares); and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the increase of registered share capital, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”
4. To consider and approve the amendments to the Articles of Association:
- “**THAT:**
- (a) the proposed amendments to the Articles of Association be and are hereby approved; and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the proposed amendments to the Articles of Association, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

By Order of the Board
Guangdong Adway Construction (Group) Holdings Company Limited*
Mr. Ye Yujing
Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 10 June 2019

* For identification purpose only

NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

Notes:

1. For details in relation to the resolutions, please refer to the circular to Shareholders published in due course.
2. A member of the Company (“**Member**”) entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the meeting is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the meeting, and this notice shall be deemed to be given to all joint holders of such Share.
3. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof or the time appointed for passing the resolutions. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Wednesday, 26 June 2019 to Friday, 26 July 2019, both days inclusive, during which period no transfer of shares will be effected. For the identification of Members eligible to attend and vote at the meeting, all H Shares transfer documents accompanied by the relevant H Shares certificates must be lodged with the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 June 2019.
5. Whether or not holders of H Shares intend to attend the meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company’s H share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before Saturday, 6 July 2019.

As at the date of this notice, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Ms. Li Yuanfei as Non-Executive Director; and Mr. Cheung Wai Yeung Michael, Mr. Wang Zhaowen, and Mr. Lin Zhiyang, as Independent Non-executive Directors.



GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6189)

NOTICE OF THE DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting for holders of domestic shares of 2019 (the “**Domestic Shares Shareholders Class Meeting**”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) will be held at the Conference Room, 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China at 12:15 p.m. on Friday, 26 July 2019 (or immediately after the conclusion or adjournment of the extraordinary general meeting in 2019 of the Company (“**EGM**”), whichever is later) to consider and, if thought fit, approve the resolutions set out below:

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company:

“**THAT:**

- (a) to issue 12,580,645 First Domestic Shares in accordance with the terms and conditions of the First Domestic Share Subscription Agreement.”

2. To consider and approve the execution of the Domestic Share Subscription Agreement:

“**THAT:**

- (a) the First Domestic Share Subscription Agreement be and is hereby approved, confirmed and ratified, and that all the transactions contemplated under the First Domestic Share Subscription Agreement be and are hereby approved, confirmed and ratified. A copy of the First Domestic Share Subscription Agreement is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification; and

* *For identification purpose only*

NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

(b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to and/or to complete or in connection with the First Domestic Share Subscription Agreement and the transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

3. To consider and approve the increase in registered share capital:

“THAT:

(a) the registered share capital be increased from RMB221,050,000 (divided by 62,763,000 H Shares and 158,287,000 Domestic Shares), to RMB240,930,645 (divided by 62,763,000 H Shares and 178,167,645 Domestic Shares); and

(b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the increase of registered share capital, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

4. To consider and approve the amendments to the Articles of Association:

“THAT:

(a) the proposed amendments to the Articles of Association be and are hereby approved; and

(b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect to or in connection with the proposed amendments to the Articles of Association, including, without limitation, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

By Order of the Board
Guangdong Adway Construction (Group) Holdings Company Limited*
Mr. Ye Yujing
Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 10 June 2019

* For identification purpose only

NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

Notes:

1. For details in relation to the resolutions, please refer to the circular to Shareholders published in due course.
2. A member of the Company (“**Member**”) entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the Meeting is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the meeting, and this notice shall be deemed to be given to all joint holders of such Share.
3. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be sent to the mailing address of the Company’s head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC, not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof or the time appointed for passing the resolutions. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Wednesday, 26 June 2019 to Friday, 26 July 2019, both days inclusive, during which period no transfer of shares will be effected. For the identification of Members eligible to attend and vote at the meeting, all Domestic Shares transfer documents accompanied by the relevant Domestic Shares certificates must be delivered to the Company’s head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People’s Republic of China not later than 4:30 p.m. Tuesday, 25 June 2019.
5. Whether or not holders of Domestic Shares of the Company intend to attend the meeting, they are requested to complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company’s mailing address of the Company’s head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC on or before Saturday, 6 July 2019.

As at the date of this notice, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Ms. Li Yuanfei as Non-Executive Director; and Mr. Cheung Wai Yeung Michael, Mr. Wang Zhaowen, and Mr. Lin Zhiyang, as Independent Non-executive Directors.