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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 your 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 shares in **GT Steel Construction Group Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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## **GT STEEL CONSTRUCTION GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8402)**

### **PROPOSED BONUS WARRANTS ISSUE**

**Financial adviser to the Company**



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A letter from the Board is set out on pages 3 to 15 of this circular and a summary of the terms of the Warrants is set out on pages 16 to 33 of this circular.

*This circular will remain on The Stock Exchange of Hong Kong Limited's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This circular will also be published on the Company's website at [www.gt-steel.com.sg](http://www.gt-steel.com.sg).*

26 July 2021

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## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

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*The expected timetable for implementing the Bonus Warrants Issue is set forth below:*

Last day of dealings in Shares cum-entitlements to the Bonus Warrants Issue . . . . .	Thursday, 29 July 2021
First day of dealings in Shares ex-entitlements to the Bonus Warrants Issue . . . . .	Friday, 30 July 2021
Latest time for lodging forms of transfer of Shares to ensure entitlement to the Bonus Warrants Issue . . . . .	4:00 p.m. on Monday, 2 August 2021
Closure of register of members of the Company, both days inclusive . . . . .	Tuesday, 3 August 2021 to Friday, 6 August 2021
Record Date . . . . .	Friday, 6 August 2021
Despatch of the Warrant certificates by . . . . .	Tuesday, 24 August 2021
Commencement of dealings in the Warrants on GEM. . . . .	9:00 a.m. on Wednesday, 25 August 2021

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable for the Bonus Warrants Issue set out above has been prepared on the assumption that the condition of the Bonus Warrants Issue will be fulfilled. If there are any changes to the expected timetable, such changes will be announced in separate announcement(s) by the Company as and when appropriate.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 28 June 2021 in relation to the Bonus Warrants Issue
“Board”	the board of Directors
“Bonus Warrants Issue”	the proposed bonus issue of Warrants by the Company to the Qualifying Shareholders on the basis of one (1) Warrant for every five (5) Shares held on the Record Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	GT Steel Construction Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Instrument”	the deed poll to be executed by the Company creating and constituting the Warrants
“Latest Practicable Date”	Friday, 16 July 2021, being the latest practicable date for ascertaining certain information contained in this circular
“New Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants

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## DEFINITIONS

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“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiry, are of the view that it would be necessary or expedient to exclude them from the Bonus Warrants Issue on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company at the close of business on the Record Date is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying Shareholder(s), whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Friday, 6 August 2021, being the record date for ascertaining the entitlements of Shareholders to the Bonus Warrants Issue
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	has the meaning ascribed to it in paragraph 1(a) in the Appendix to this circular
“Warrant(s)”	warrant(s) proposed to be issued by the Company to subscribe for New Shares at an initial subscription price of HK\$4.00 per New Share, subject to adjustments
“%”	per cent.

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LETTER FROM THE BOARD

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**GT STEEL CONSTRUCTION GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8402)**

*Executive Directors:*

Mr. Ong Cheng Yew (*Chairman*)  
Ms. Koh Siew Khing

*Non-executive Director:*

Ms. Chen Xiaoyu

*Independent non-executive Directors:*

Mr. Tam Wai Tak Victor  
Ms. Chooi Pey Nee  
Mr. Tan Yeok Lim (Chen Yulin)

*Registered office in the Cayman Islands:*

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Singapore:*

64 Woodlands Industrial Park E9  
Singapore 757833

*Principal place of business in Hong Kong:*

19/F, Prosperity Tower  
No. 39 Queen's Road Central  
Central  
Hong Kong

26 July 2021

*To Shareholders*

Dear Sir/Madam,

**PROPOSED BONUS WARRANTS ISSUE**

**1. INTRODUCTION**

As mentioned in the Announcement, the Board proposed, subject to the satisfaction of the condition below, to make the Bonus Warrants Issue to the Qualifying Shareholders on the basis of one (1) Warrant for every five (5) Shares held on the Record Date.

The purpose of this circular is to set out further information in relation to the Bonus Warrants Issue. A summary of the terms of the Warrants, including circumstances in which the subscription price for the Warrants may be adjusted, is set out in the Appendix on pages 16 to 33 of this circular.

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## LETTER FROM THE BOARD

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### 2. PROPOSED BONUS WARRANTS ISSUE

#### **Basis of Bonus Warrants Issue**

The Board proposes, subject to the satisfaction of condition below, to make the Bonus Warrants Issue to the Qualifying Shareholders on the basis of one (1) Warrant for every five (5) Shares held on the Record Date.

#### **Condition to the Bonus Warrants Issue**

The Bonus Warrants Issue will be conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrants and the New Shares.

#### **Subscription price and Subscription Period**

The Warrants will be issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for one (1) New Share at an initial subscription price of HK\$4.00, subject to customary anti-dilutive adjustments in market transactions of this type in certain events, including, among other things, share consolidations, share subdivisions, capitalisation issues and capital distributions, at any time from the date of issue of the Warrants to the last date falling twenty four months thereafter, which is expected to be from Tuesday, 24 August 2021 to Wednesday, 23 August 2023 (both days inclusive).

The initial subscription price of HK\$4.00 represents:

- (i) a premium of approximately 68.1% to the closing price per Share of HK\$2.38 as quoted on the Stock Exchange on 25 June 2021, being the last trading day of the Shares as at the date of the Announcement;
- (ii) a premium of approximately 67.4% to the average closing price per Share of approximately HK\$2.39 as quoted on the Stock Exchange for the last five trading days up to and including 25 June 2021, being the last trading day of the Shares as at the date of the Announcement;
- (iii) a premium of approximately 68.8% to the average closing price per Share of approximately HK\$2.37 as quoted on the Stock Exchange for the last ten trading days up to and including 25 June 2021, being the last trading day of the Shares as at the date of the Announcement; and
- (iv) a premium of approximately 78.6% to the closing price per Share of HK\$2.24 as quoted on the Stock Exchange on the Latest Practicable Date.

The initial subscription price for the Warrants was determined by the Board after taking into account (i) the prevailing market price of the Shares; and (ii) the future business prospects of the Group. The Directors are of the view that the strong performance of the Share price of the Company since the first quarter of 2021 and the



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## LETTER FROM THE BOARD

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prevailing Share price reflect the investors' confidence in the prospect of the Company which are benefited by (a) the positive outlook of Singapore's construction industry and overall economic recovery following the large scale of COVID-19 vaccination in Singapore and worldwide by the end of this year; and (b) the Group's new business development in the distribution of yak dairy products from 西藏高原之寶犛牛乳業股份有限公司 (Tibet Plateau Treasures Yak Dairy Industry Co., Ltd.)\* ("Tibet Plateau") in Hong Kong, Singapore, Malaysia, Vietnam and Thailand. The Directors believe that this new business development to the consumable market will diversify the Group's business so as to maximise the return to the Shareholders, contribute to the Group's long-term growth and improve its financial performance. The Directors expect the positive outlook of the Group will continue to be reflected in the future Share price and the Bonus Warrants Issue would provide an opportunity for the Shareholders to participate in the growth of the Company and capture the potential capital gain when their Warrants are exercised. The Directors consider the terms of the Bonus Warrants Issue, including the initial subscription price thereof, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Shares to be issued upon exercise of the Warrants**

Each Warrant will entitle the holder thereof to subscribe in cash for one (1) New Share. Based on 480,000,000 issued Shares as at the Latest Practicable Date, and assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Record Date, the maximum number of non-renounceable Warrants to be issued will be 96,000,000 Warrants and upon the full exercise of the subscription rights attaching to the Warrants, a maximum of 96,000,000 New Shares (subject to adjustments in accordance with the terms and conditions of the Instrument) will be issued, representing 20% of the number of issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the number of issued share capital of the Company as enlarged by the New Shares to be issued upon the exercise of all Warrants. Based on the initial subscription price of HK\$4.00 per New Share, the Company would receive the subscription monies totalling up to approximately HK\$384 million. The New Shares to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing Shares in issue of the Company.

The Warrants will be issued pursuant to the general mandate to issue Shares granted to the Directors at the Company's annual general meeting held on 22 June 2021. Under the said general mandate and on the basis of 480,000,000 issued Shares as at 22 June 2021, the Directors were authorised generally to issue up to 96,000,000 Shares. No Share has been allotted or issued under the general mandate since it was approved and a maximum of 96,000,000 Shares can be issued under the general mandate.

As at the Latest Practicable Date and based on the information currently available, the Company has no outstanding share options, warrants, convertible securities or similar rights entitling any person to subscribe for Shares prior to the Record Date and is not aware of any intention of the Shareholders (including the

## LETTER FROM THE BOARD

Controlling Shareholder) to exercise the subscription rights attaching to the Warrants. The Directors are of the view that the exercise of the subscription rights attaching to the Warrants is subject to the prevailing Share price of the Company at the material time.

### Effects on shareholding structure

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) after the Bonus Warrants Issue assuming the subscription rights attaching to the Warrants are fully exercised; and (iii) after the Bonus Warrants Issue assuming the subscription rights attaching to the Warrants are only exercised by the Controlling Shareholder:

	As at the Latest Practicable Date		After the Bonus Warrants Issue assuming the subscription rights attaching to the Warrants are fully exercised		After the Bonus Warrants Issue assuming the subscription rights attaching to the Warrants are only exercised by the Controlling Shareholder	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
<b>Controlling Shareholder</b>						
Broadbville Limited (Note)	331,790,000	69.12	398,148,000	69.12	398,148,000	72.87
<b>Public Shareholders</b>	<u>148,210,000</u>	<u>30.88</u>	<u>177,852,000</u>	<u>30.88</u>	<u>148,210,000</u>	<u>27.13</u>
<b>Total</b>	<u>480,000,000</u>	<u>100.00</u>	<u>576,000,000</u>	<u>100.00</u>	<u>546,358,000</u>	<u>100.00</u>

*Note:* Broadbville Limited is wholly and beneficially owned by Mr. Ong Cheng Yew, who is deemed to be interested in all the Shares held by Broadbville Limited by virtue of the SFO. Mr. Ong Cheng Yew is a controlling shareholder of the Company and an executive Director. Ms. Koh Siew Khing is the spouse of Mr. Ong Cheng Yew and is deemed to be interested in the Shares indirectly held by Mr. Ong Cheng Yew through Broadbville Limited. Ms. Koh Siew Khing is an executive Director.

### Fractional Entitlements

Fractional entitlements to the Warrants (if any) will not be issued to the Qualifying Shareholders but will, where practicable, be aggregated and sold in the market for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

### Overseas Shareholders

This circular and the Warrants to be issued by the Company will not be registered or filed under any securities legislation in any jurisdiction outside Hong Kong.

Based on the information made available to the Directors as at the Latest Practicable Date, there were 74 Shareholders who resided in the Australia, the British Virgin Islands, Macau, the PRC, Singapore and Taiwan. The Directors have made enquiries pursuant to Rule 17.41(1) of the GEM Listing Rules regarding the legal

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## LETTER FROM THE BOARD

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restrictions under the laws of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange of the relevant jurisdiction in which such Overseas Shareholders are residing.

Based on the relevant legal advice obtained as at the Latest Practicable Date, the Directors are of the view that the Shareholders whose registered addresses were in Australia, the British Virgin Islands, Macau, the PRC, Singapore and Taiwan made available to the Directors as at the Latest Practicable Date are Qualifying Shareholders and Warrants will be extended to them under the Bonus Warrants Issue. However, if because of changes in laws or other circumstances after the Latest Practicable Date, the Directors consider that the likely costs and time involved in overseas compliance to be observed would outweigh the benefits which the Company and the Shareholders as a whole would receive by issuing Warrants to any such Overseas Shareholders under the Bonus Warrants Issue, it may be necessary and expedient not to issue the Warrants to such Overseas Shareholders under the Bonus Warrants Issue.

Based on the relevant legal opinion obtained, your attention is drawn to the following statements in respect of the Shareholders in Australia and Singapore:

### *Australia*

This circular is not a prospectus under Australian law and the Shareholder in Australia who will receive this circular should seek its own professional advice in respect of the Bonus Warrants Issue. Any offer contained in this circular to the Shareholder in Australia is only open to the relevant Shareholder.

The Company is not licensed in Australia to provide financial advice in respect of the Warrants being issued.

### *Singapore*

This circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Warrants may not be circulated or distributed, nor may the Warrants be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any persons in Singapore other than under the private placement exemption pursuant to Section 272B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”).

Any offer is not made to you with a view to the Warrants being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire the Warrants. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

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## LETTER FROM THE BOARD

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In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Warrants are “**prescribed capital markets products**” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

In view of the above, Warrants which would otherwise be issued to the Non-Qualifying Shareholder(s) under the Bonus Warrants Issue will be sold in the market as soon as possible after the commencement of dealings in the Warrants, if a premium (net of expenses) can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to such Non-Qualifying Shareholder(s) pro rata to their respective holdings of Shares. Remittance thereof will be posted to them, at their own risk, unless the amount falling to be distributed to such person(s) is less than HK\$100, in which case it will be retained for the benefit of the Company.

**All Overseas Shareholders should consult their professional advisers as to whether or not they are permitted to participate in the Bonus Warrants Issue or whether any government or other consents are required or other formalities need to be observed.** No Shareholder receiving a copy of this circular in any territory outside Hong Kong may treat the same as an invitation to subscribe for Share(s) unless in the relevant territory such invitation could lawfully be made to him/her/it without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Overseas Shareholder who wishes to receive Warrants and/or New Shares under the Bonus Warrants Issue to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities or any restrictions on the resale of the Warrants or New Shares which may apply outside Hong Kong.

### **Reasons for the Bonus Warrants Issue**

The Company is an investment holding company. The Group is principally engaged in the design, supply, fabricate and erect structural steel works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings in Singapore.

The Board is of the view that Bonus Warrants Issue will enable the Company to improve its capital structure. Based on the initial subscription price of HK\$4.00 per New Share and assuming all subscription rights attaching to the Warrants are fully exercised, the total subscription monies will amount to HK\$384 million.

Due to the impact of outbreak of COVID-19, the construction projects of the Group in Singapore have slowed down, been delayed and suspended, which significantly affected the Group’s business and financial results. Since early 2020, the Group has proactively been exploring new business opportunities beyond the

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## LETTER FROM THE BOARD

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Group's current business scope to diversify the Group's business, maximise the return to the Shareholders and contribute to the Group's long-term growth. As set out in the Company's announcement dated 18 March 2021, Chirton Investments Limited ("**Chirton Investments**"), a direct wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement with Tibet Plateau, pursuant to which Tibet Plateau had authorised Chirton Investments to be the exclusive distributor for Tibet Plateau's yak dairy products, such as room temperature yak milk, infant formula yak milk powder, middle-aged and elderly yak milk powder, yak milk cheese and yak milk probiotics etc., in Hong Kong, Singapore, Malaysia, Vietnam and Thailand for a period of two years. As set out in the Company's announcement dated 1 June 2021, the Group has appointed Ms. Lin Xiaoqin ("**Ms. Lin**") as the dairy product general manager. Ms. Lin has over ten years of experience in internet marketing in the PRC and is responsible for e-marketing and internet sales affairs of dairy products.

Leveraging on Ms. Lin's extensive experience in internet marketing and her sales network in the PRC, apart from the forementioned exclusive distributorship for Tibet Plateau's yak dairy products in Hong Kong, Singapore, Malaysia, Vietnam and Thailand, the Group is also currently in discussions with Tibet Plateau for extending the distributorship of Tibet Plateau's yak dairy products to the PRC as the Group sees great potential in the PRC market due to growing health awareness of the general public in the PRC.

Furthermore, considering among others, (i) the speedy resumption of the PRC's economy after the outbreak of COVID-19; and (ii) the enormous business opportunities in the PRC's construction market due to the huge housing demand in big cities, the Group has also been proactively seeking new business opportunities to expand the Group's construction business to the PRC. The Group is considering to establish a wholly foreign-owned enterprise ("**WFOE**") and expand its workforce in the PRC thereafter in order to capture the opportunities in the PRC's construction industry.

The Directors believe that, with the expansion of business scope to dairy product business, the recent award of the exclusive distributorship for yak dairy products by Tibet Plateau and the appointment of Ms. Lin as the Group's dairy product general manager with a rich experience in dairy product industry, the Group is on a good track of developing and expanding its market shares in the dairy product industry in the PRC, Hong Kong and South-East Asia.

The Directors believe that the Bonus Warrants Issue represents an opportunity to raise capital for the Group's long-term growth which will enhance its financial position without increasing finance costs while broadening its capital base. The Bonus Warrants Issue, if and when the subscription rights attaching to the Warrants are exercised, will increase the Company's issued share capital and general working capital and hence strengthen the equity base of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has no intention to conduct any other equity fund raising activities in the next twelve months immediately after the date of this circular and the Latest Practicable Date.

Assuming the subscription rights attaching to the Warrants are fully exercised, the Company currently intends to apply any subscription monies in the following order:

- (i) approximately HK\$38 million, representing 10% of the subscription monies, will be used for general working capital of the Group;
- (ii) approximately HK\$77 million, representing 20% of the subscription monies, will be used for the Group's expansion of construction business in the PRC over the next four years, including (a) establishing a WFOE in the PRC; (b) expanding its market shares in the construction industry through direct investment or acquisitions in the PRC; and (c) expanding its workforce in the PRC; and
- (iii) approximately HK\$269 million, representing 70% of the subscription monies, will be used for the Group's new business development of the yak dairy products over the next four years, including (a) developing the distributorship business in the PRC, Hong Kong and South-East Asia; (b) expanding its market shares in the dairy product industry through direct investments or acquisitions in the PRC, Hong Kong and South-East Asia; (c) expanding its sales workforce of the dairy products business in the PRC, Hong Kong and South-East Asia; (d) marketing and promoting the brand of Tibet Plateau and its yak dairy products in the PRC, Hong Kong and South-East Asia; and (e) developing the logistics channel for distribution of Tibet Plateau's dairy products from the supplier in Tibet to the customers' stores in various countries.

As at the Latest Practicable Date, the Company has not identified any specific target for such direct investments or acquisitions in relation to the Group's new business development of the yak dairy products and the Group's expansion of construction business in the PRC. The Company will closely monitor the business development of the Group and the market conditions for any such acquisitions and will make announcement(s) in respect of any direct investments or acquisitions in compliance with the requirement of the GEM Listing Rules where appropriate.

The Group will make use of the general working capital currently available for kick-starting the business plans as mentioned in paragraph (ii) and (iii) above during the Subscription Period, which would serve as a stepping stone to implement the proposed business plans. The Directors are of the belief that the proceeds from the Bonus Warrants Issue can alleviate the Group's reliance on debt financing and expedite the Group's business development.

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## LETTER FROM THE BOARD

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However, in the event that the subscription rights attaching to the Warrants are under exercised, the Group will utilise the proceeds in the sequence above. Nevertheless, it is expected that the Group's long-term business plans will be carried out in a flexible manner based on the available resources at the relevant time.

The subscription monies are expected to be utilised up to the year ending 31 December 2025. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. The Company will publish announcement if there is any change of the expected timeline or intended use of proceeds from the Bonus Warrants Issue.

The Directors have considered factors including the timing of the funding needs, the amount of the fund needed and the possible dilution effect on the shareholding interests of the Shareholders and explored other alternative means of fund raising, including (i) debt financing/bank borrowings; (ii) placing of new Shares; and (iii) rights issue but were rejected for the following reasons respectively:

***(i) Debt financing/bank borrowings***

Taking into consideration that debt financing will involve recurring interest expense, it is not considered as desirable to fund the entire amount of funds needed for working capital and expansion by way of debt financing.

In comparison, the equity raised through the Bonus Warrants Issue would not be interest-bearing and hence the Company would have savings in interest payable as compared with incurring interest costs. Therefore, the Bonus Warrants Issue as compared to debt financing would allow the Company to strengthen its capital base and liquidity without incurring interest costs.

***(ii) Placing of new Shares***

The Directors are of the view that raising funds by way of placing of new Shares would result in dilution of the equity interests of the existing Shareholders who cannot participate in the placing.

***(iii) Rights issue***

The Directors are of the view that though both Bonus Warrants Issue and the rights issue can allow the Shareholders to (i) maintain their respective pro-rata shareholding by exercising the subscription rights attaching to the Warrants or through their participation in rights issue; (ii) increase their respective interests in the shareholding of the Company by acquiring additional Warrants or rights entitlement in the open market (subject to the availability); and (iii) reduce their respective interests in the shareholding of the Company by disposing of their Warrants or rights entitlement in the open market (subject to the market demand), the Bonus Warrants Issue provides more flexibility to the Shareholders, allowing the Shareholders to exercise the subscription rights attaching to the Warrants at

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## LETTER FROM THE BOARD

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any time within the two-year subscription period while observing the Group's pace of new business development at the discretion of the Shareholders while the rights issue cannot.

Furthermore, the Directors are of the view that the flexibility given to the Shareholders from the Bonus Warrants Issue will not delay the Group's business development as (i) the Company will make use of general working capital currently available for kick-starting the dairy products distribution business and expanding the business in PRC's construction industry; (ii) the scale of the dairy products distribution depends on the product acceptability of the consumers which will take time for the Group to observe; and (iii) the proceeds from the Bonus Warrants Issue are intended to fund (a) working capital for the construction projects to be awarded and expanding the market shares in the construction industries in the PRC in the near future; (b) the additional cost for expanding the current distributorship network to more locations; and (c) working capital for marketing plans covering more locations when the dairy product business slowly mature in the near future, so as to alleviate the Group's reliance on debt financing and minimise the finance costs without weakening the Group's financial position.

After taking into account all of the above factors and considerations, the Directors are of the view that the Bonus Warrants Issue can (i) offer equal opportunity to all Shareholders to subscribe for their pro-rata provisional Shares and hence avoid dilution; (ii) offer an opportunity to Shareholders to participate in the growth of the Company; (iii) allow the Shareholders to capture the potential capital gain; and (iv) strengthen the equity base of the Company, increase the Company's general working capital and provide funding for the Company's potential investments to be identified, if and when the subscription rights attaching to the Warrants are exercised.

### **Fund raising activities of the Company in the past twelve months**

The Company has not conducted any fund raising activities by issue of equity securities in the twelve months immediately before the date of the Announcement and the Latest Practicable Date.

### **Certificates for the Warrants**

Subject to the satisfaction of the condition to the Bonus Warrants Issue, it is expected that certificates for the Warrants will be posted on or before Tuesday, 24 August 2021 by ordinary post at the risk of the Qualifying Shareholders entitled thereto to their respective addresses shown on the register of members of the Company. In the case of joint shareholdings, the certificates for the Warrants will be posted to the address of the Shareholder first named in the register of members of the Company in respect of such joint shareholding.



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## LETTER FROM THE BOARD

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### **Record Date and closure of register of members**

The register of members of the Company will be closed from Tuesday, 3 August 2021 to Friday, 6 August 2021 (both days inclusive) for determining entitlements to the Bonus Warrants Issue.

The last day for dealing in Shares cum-entitlements to the Bonus Warrants Issue will be Thursday, 29 July 2021. In order to qualify for the Bonus Warrants Issue, all outstanding transfer of Shares should be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Monday, 2 August 2021.

### **Application for listing, dealings and settlement**

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. No part of the equity or debt securities of the Company is listed on or dealt in on any other stock exchange and no such listing of, or permission to deal, is being or is proposed to be sought.

Application has also been made to HKSCC for the admission of the Warrants into CCASS operated by HKSCC. All necessary arrangements have been made by the Company to enable the Warrants to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on GEM, and subject to the compliance with the stock admission requirements of HKSCC, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of their dealings on GEM or such other date as determined by HKSCC.

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

None of the Shares are listed or dealt in on any stock exchange other than the Stock Exchange, and the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attached to the Warrants will not be listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

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## LETTER FROM THE BOARD

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Dealings in the Warrants are expected to commence on GEM on Wednesday, 25 August 2021. The Warrants are expected to be traded on GEM in board lots of 5,000 Warrants.

Investors should seek the advice of their stockbroker or other professional adviser for details of settlement arrangements for the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants and how such arrangements affect their rights and interests.

### **Taxation**

Dealings in the Warrants and the New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants may be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holdings or disposal of, dealing in or exercising, the Warrants and, as regards to the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Warrants otherwise falling to be issued to them under the Bonus Warrants Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Bonus Warrants Issue accepts responsibility for any tax implication or liabilities of the Shareholders or the holders of the Warrants resulting from the purchase, holding or disposal of, or dealing in, the Shares or the Warrants or exercise of the subscription rights attaching to the Warrants.

### **3. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of each of the Instrument and the memorandum of association and the articles of association of the Company will be available for inspection by the Shareholders at the office of Michael Li & Co. situated at 19/F, Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong during normal business hours on any weekday, except public holidays, for a period of 14 days from the date of this circular.

### **4. DIRECTORS' RESPONSIBILITY STATEMENT**

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

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## LETTER FROM THE BOARD

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### 5. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

### 6. FURTHER INFORMATION

Your attention is drawn to the summary of the terms of the Warrants in the Appendix to this circular.

For and on behalf of the Board  
**GT Steel Construction Group Limited**  
**Ong Cheng Yew**  
*Chairman and Executive Director*

*The English translation of Chinese names or words in this circular, where indicated by “\*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*The principal terms and conditions of the Warrants will be set out in the Warrant certificates and will include provisions summarised below. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 26 July 2021. The Warrantholders will be entitled to the benefit of, and will be bound by, and be deemed to have notice of the terms and conditions of the Instrument, a copy of which will be available for inspection by the Shareholders at the office of Michael Li & Co. situated at 19/F., Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.*

## **1. EXERCISE OF THE SUBSCRIPTION RIGHTS**

- (a) In this Appendix, unless otherwise stipulated, the following terms shall have the following meanings:

“Approved Financial Adviser”	means an independent reputable merchant bank or other reputable financial institution selected by the Directors;
“Articles of Association”	means the memorandum of association and articles of association of the Company as amended from time to time;
“Business Day”	means a day (other than a Saturday, Sunday or any other public holiday) on which banks in Hong Kong are generally open for clearing and settlement business;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Closing Price”	in relation to a Share on a particular date, means the closing price as shown in the daily quotation sheets issued by the Stock Exchange for one Share in issue on that particular date and, if that particular date is not a Dealing Date, on the Dealing Date immediately preceding that particular date;
“Conditions”	means the terms and conditions endorsed on the Warrant certificates as the same may from time to time be modified in accordance with the provisions set out therein;
“Dealing Day”	means a day on which Shares are traded on the Stock Exchange;
“Directors”	means the directors of the Company for the time being and from time to time;

“dollars”, “HK\$” and “cents”	means Hong Kong dollars and cents, respectively;
“Equity Share Capital”	means the issued share capital of the Company excluding any part thereof which does not either as respects dividends or as respects capital carry any right to participate beyond a specified amount or beyond an amount calculated by reference to a specified rate in a distribution;
“Exercise Moneys”	means, in relation to any Warrant, the amount in cash payable in respect of the Shares for which the Warrantholder of such Warrant is entitled to subscribe upon the exercise of the Subscription Rights represented thereby;
“GEM”	GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Instrument”	means the deed poll to be executed by the Company creating and constituting the Warrants and the Schedules thereto (as from time to time modified in accordance with the terms thereof) and includes any instrument which is executed in accordance with the provisions thereof (as from time to time modified as aforesaid) and expressed to be supplemental thereto;
“Record Date”	means the date fixed by the Articles of Association or otherwise specified by the Company or otherwise for the purpose of determining entitlement to dividends or other distributions to, or rights of, holders of Shares;
“Register”	means the register of Warrantholders;
“Registrar”	means Union Registrars Limited or such other person, firm or company retained by the Company for the time being to maintain in Hong Kong (unless the Directors otherwise determine) the Register;

- “Share Option Scheme” means a scheme approved by the members of the Company in general meeting in accordance with the GEM Listing Rules under which Shares or securities convertible into or exchangeable for or carrying rights of subscription for Shares may be issued, or options or other rights to acquire any Shares or any such securities by way of subscription or otherwise may be granted, by the Company or any Subsidiary to the directors, employees, consultants, of the Company or any Subsidiary;
- “Shares” or “Ordinary Capital” means the shares of HK\$0.01 each in the authorised capital of the Company existing on the date of issue of the Warrants and all other (if any) stock or shares from time to time and for the time being ranking *pari passu* therewith and all other (if any) shares or stock in the Equity Share Capital resulting from any subdivision, consolidation, re-classification or reduction of capital of Shares;
- “Special Resolution” means a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of not less than three-fourths of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on a poll;
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited;
- “Subscription Date” means any day (other than a Saturday, Sunday or any other public holiday) on which banks in Hong Kong are open for business for clearing and settlement purpose falling within the Subscription Period on which any of the Subscription Rights are duly exercised;
- “Subscription Form” means a subscription form to subscribe such amount of the Exercise Moneys for the relevant number of Shares at the Subscription Price;
- “Subscription Period” means the period of 24 calendar months from the date of issue of the Warrants (if the last day of the Subscription Period falls on a day which is not a Business Day, then the Business Day immediately precedes such day);

“Subscription Price”	means the sum payable in respect of each Share upon exercise of the Subscription Rights, initially being HK\$4.00 each (subject to adjustment);
“Subscription Rights”	in respect of one Warrant, means the subscription right attached to the Warrant to subscribe for one fully paid New Share at the Subscription Price, initially being HK\$4.00 each (subject to adjustment);
“Subscription Rights Reserve”	means a reserve the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional New Shares required to be allotted and issued credited as fully paid up on the exercise in full of all the Subscription Rights outstanding (and any other subscription rights outstanding in respect of Shares under other subscription warrants) and shall apply the Subscription Rights Reserve in paying up in full such additional New Shares as and when the same are allotted;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of the Company and include a company which would be a subsidiary of the Company within the meaning of the GEM Listing Rules had it (and the Company) been incorporated thereunder;
“Takeovers Code”	means the Codes on Takeovers and Mergers and Share Buy-backs;
“Warrant Certificate(s)”	means the certificate(s) (in registered form) to be issued in respect of the Warrants in the form or substantially in the form shown in the First Schedule to the Instrument, as from time to time modified in accordance with the provisions set out therein;
“Warrantholder(s)”	means, in relation to any Warrant, the person or persons who is or are for the time being registered in the Register as the holder or joint holders of the Warrant; and
“Warrant(s)”	means the rights created by the Instrument and any deed poll supplemental thereto entitling the registered holders thereof to exercise Subscription Rights on the terms set out in the Instrument and in the Conditions.

- (b) Subject to the provisions hereof and in compliance with all exchange control, fiscal and other laws and regulations applicable thereto, the Warrantholder shall have the right, at any time during the Subscription Period on any day (other than a Saturday, Sunday or any other public holiday) on which banks in Hong Kong are open for clearing and settlement business, to subscribe in HK\$ the Exercise Moneys (as defined in the Instrument) for one fully paid Share at HK\$4.00 per Share (subject to adjustments) in cash or by settlement in such manner(s) as agreed by the Company. After 4:00 p.m. (Hong Kong time) on the last date of the Subscription Period, any Subscription Rights which have not been exercised will lapse and the Warrants and Warrant certificates will cease to be valid for any purpose.
- (c) Each Warrant Certificate will contain a Subscription Form (as defined in the Instrument). In order to exercise in whole or in part the Subscription Rights represented by the Warrant Certificate, the Warrantholders must complete and sign the Subscription Form (which, once signed and completed, shall be irrevocable) and deliver the same and the Warrant Certificate (and, if the subscription form used shall not be the form endorsed thereon, the separate subscription form) duly completed to the Registrar (as defined in the Instrument), together with a remittance for the Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys) or by settlement in such manner(s) as agreed by the Company. In each case, compliance must also be made by the exercising Warrantholder with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (d) The number of New Shares to be allotted and issued on exercise of the Subscription Rights shall be the number of the Warrants subject to exercise as specified in the relevant Subscription Form and in respect of which the Exercise Moneys thereof have been duly remitted as aforesaid. No fraction of a New Share will be allotted and issued but any balance representing Exercise Moneys in respect of such fraction paid on exercise of the Subscription Rights represented by the Warrant Certificate will be retained by the Company for its own benefit, provided always that for the purpose of determining whether any (and if so what) fraction of a New Share arises:
- (i) if the Subscription Right represented by the Warrant Certificate and any one or more other Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then the Subscription Rights represented by such Warrants shall be aggregated; and
  - (ii) regard shall be had, where applicable, to the relevant provisions of the Instrument.
- (e) The Company has undertaken in the Instrument that New Shares falling to be issued upon the exercise of the Subscription Rights represented by the Warrant Certificate will be allotted and issued not later than 21 Business Days (as defined in the Instrument) (or such shorter period as may from time to time be required by



the GEM Listing Rules or the applicable laws and regulations) after the relevant Subscription Date and will rank *pari passu* with the fully paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the Warrantholders to vote at general meetings of the Company and to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date (as defined in the Instrument) therefor shall be on or before the relevant Subscription Date and notice of the amount and Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.

- (f) As soon as reasonably practicable after the relevant allotment and issue of New Shares (and subject to any shorter or longer period as prescribed by the Stock Exchange from time to time, not later than 21 Business Days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder(s) to whom such allotment and issue has been made:
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the Warrant Certificate lodged but remaining unexercised;
  - (iii) (if applicable) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to New Shares; and
  - (iv) (if applicable) a certificate in registered form evidencing the right of the exercising Warrantholder(s) to the allotment of an additional nominal amount of capital of the Company pursuant to the Instrument.
- (g) The certificate(s) for the New Shares arising on the exercise of the Subscription Rights, the balancing Warrant Certificate (if any) and the certificates referred to in sub-paragraphs (c) and (d) above (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantholders of the Company (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificate(s) and cheque(s) may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder(s).
- (h) The Subscription Rights shall not be exercised by the Warrantholders and the Company shall not allot and issue any New Shares pursuant to such Subscription Rights if, immediately following the issue of the New Shares upon exercise of the respective Warrant(s), the Company would be unable to meet the public float requirement under the GEM Listing Rules.

## 2. ADJUSTMENT OF THE SUBSCRIPTION PRICE

The Instrument contains detailed provisions relation to the adjustment of the Subscription Price. The Subscription Price shall be adjusted in each of the following cases, which are intended to be exhaustive:

- (a) The Subscription Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) be adjusted in each of the following cases:
- (i) if and whenever the Shares by reason of any consolidation or subdivision become of a different nominal amount, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective;
  - (ii) if and whenever the Company shall issue (other than in lieu of cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund, the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue;
  - (iii) if and whenever the Company shall make any Capital Distribution (as defined in the Instrument) to the Shareholders (whether on a reduction of capital or otherwise), or shall grant to the Shareholders rights to acquire for cash assets of the Group, the Subscription Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the Capital Distribution (as defined in the Instrument) or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding day of the Capital Distribution (as defined in the Instrument) or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors of the Company, of the portion of the Capital Distribution (as defined in the Instrument) or of such rights which is attributable to one Share. For avoidance of doubt, if the Capital Distribution (as defined in the Instrument) is distributions in cash the fair market value shall be the cash value and determination by the auditors of the Company is not required.

Provided that:

- (a) if in the opinion of the auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution (as defined in the Instrument) or rights; and
- (b) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the Capital Distribution (as defined in the Instrument) or grant;

- (iv) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or shall grant to the Shareholders any options or warrants to subscribe for new Shares, at a price less than 85% of the market price on the date of the announcement of the terms of the offer or grant, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the offer or grant. Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Warrantholders (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations

under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if the outstanding Warrants of the relevant Warrantholder had been fully converted;

- (v) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), or an offer of any preferential rights to subscribe for or purchase securities of a subsidiary of the Company granted upon an initial public offering;
- (vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 85% of the market price on the date of the announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue;
- (vii) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 85% of the market price on the date of the announcement of the terms of issue of such securities, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price;
- (viii) if and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in sub paragraph (vii) above are modified so that the total Effective Consideration per Share initially receivable for

such securities shall be less than 85% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to an adjustment of the Subscription Price under this paragraph 2(a) provided that corresponding adjustment has already been made to the Subscription Price in respect of such an event;

- (ix) an issue, a sale or a distribution any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in;
- (x) if and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 85% of the market price, the Subscription Price shall be adjusted in such manner as may be determined by the auditors of the Company. Such adjustment shall become effective on the date of issue. For the purpose of this sub-paragraph (x) “total Effective Consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total Effective Consideration per Share” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid;
- (xi) if and whenever the Company shall issue Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), except in certain circumstances specified in the articles of association of the Company, Shares paid up out of distributable profits or reserves and/or share premium account or capital redemption reserve fund issued in lieu of the whole or any part of a relevant cash dividend, being a scrip dividend (but only to the extent that the market value of such Shares exceeds 110% of the amount of such relevant cash dividend or the relevant part thereof) and which would not have constituting

equity share capital of the Company, credited as fully paid to Shareholders, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the relevant cash dividend and (ii) the denominator is the market value of the number of Shares issued in respect of each existing share in lieu of the whole, or the relevant part, of the relevant cash dividend; and

C = the aggregate nominal amount of Shares issued by way of such scrip dividend;

or by making such other adjustment as the auditors of the Company shall certify is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares; and

- (xii) the Company or the Warrantholders determine that an adjustment should be made to the Subscription Price as a result of one or more events or circumstances whether or not referred to in this paragraph 2(a).
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire the Shares;
  - (ii) an issue of the Shares or other securities of the Company or any Subsidiary (as defined in the Instrument) wholly or partly convertible into, or carrying rights to acquire, the Shares to Directors or employees of the Company or any of its Subsidiaries or associates or other eligible persons pursuant to a Share Option Scheme (as defined in the Instrument);

- (iii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or businesses;
  - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares); or
  - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash, for which purpose the “Market Value” of a Share shall mean the average of the Closing Prices on the Stock Exchange for the five consecutive Dealing Days on each of which there is a Closing Price ending on the last such Dealing Day immediately preceding the day on or as of which holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint the auditors of the Company or the Approved Financial Adviser (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the auditors of the Company or such Approved Financial Adviser (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by the auditors of the Company or such Approved Financial Adviser (as the case may be) to be in its opinion appropriate.
- (d) Any adjustment to the Subscription Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the

amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into shares of a larger nominal amount) which would increase the Subscription Price.

- (e) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the auditors of the Company or an Approved Financial Adviser and notice of each adjustment (giving the relevant particulars) will be given to the Warrantheolders. In giving any certificate or making any adjustment hereunder, the auditors of the Company or the Approved Financial Adviser (as the case may be) shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantheolders and all persons claiming through or under them respectively. Any such certificate of the auditors of the Company or the Approved Financial Adviser (as the case may be) will be available for inspection at the principal place of business of the Company for so long as any of the Subscription Rights remains exercisable.

### 3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company will be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

### 4. TRANSFER, TRANSMISSION AND REGISTER

- (a) The Warrants will be transferrable, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors, where the transferor or transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose) the instrument of transfer may be executed under the hand of an authorised person(s) or by machine imprinted signature(s).
- (b) The Company will maintain a register of the Warrantheolders accordingly. The register may be closed from time to time. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the register is so closed shall, as between the Company and the person claiming under the relevant transfer of the Warrants or, as the case may be, as between the Company and the Warrantheolder who has so exercised the Subscription Rights to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register. Transfers of the Warrants must be executed by both the transferor and the transferee. The provisions of the Articles of Association relating to, *inter alia*, the registration, transmission and transfer of Shares and the register of members shall, mutatis mutandis, apply to the registration, transmission and transfer of the Warrants and the register of Warrantheolders.



- (c) Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of Warrants prior to the transfer or exercise of Subscription Rights attached to the Warrants, in particular during the period commencing 10 Business Days, days, or any period from time to time fixed by the GEM Listing Rules or other rules or regulations of other relevant regulatory authorities for standard securities registration service, prior to and including the last day of the Subscription Period.
- (d) Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities and the terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period.

## **5. PURCHASE AND CANCELLATION**

The Company or any of the Subsidiaries may at any time, subject to the Takeovers Code as approved by the Securities and Futures Commission of Hong Kong, the GEM Listing Rules, and all other applicable laws, rules and regulations, purchase the Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty upon terms to be agreed between the parties, but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

## **6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of the Warrantholders, including the modification by a Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the terms and conditions of the Instrument endorsed on the Warrant Certificate. A resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Instrument and/or the terms and conditions of the Instrument endorsed on the Warrant Certificate) and the sanction of a Special Resolution of the Warrantholders shall be necessary to effect such alteration or abrogation.

- (c) Where a Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or its proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation must specify the number of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

## **7. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Company's branch registrar and transfer office in Hong Kong on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of scrip fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, Division 5 of Part 4 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included the Warrants.

## **8. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

## **9. CALL**

If at any time the Warrants outstanding is equal to or less than 10% of the Warrants issued under the Instrument, the Company may, on giving not less than three months' notice, require the Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to the Warrantholders.

## **10. FURTHER ISSUES**

The Company shall be at liberty to issue further subscription warrants for Shares in such manner and on such terms as it thinks fit.

**11. UNDERTAKINGS BY THE COMPANY**

The Company covenants to and with each Warrantholder that so long as any of the Subscription Rights remain exercisable:

- (a) upon the exercise of any Subscription Rights pursuant to the Conditions it will within 21 Business Days after the relevant Subscription Date allot and issue the New Shares falling to be issued upon such exercise;
- (b) all New Shares so allotted shall, taking account of any adjustment, rank *pari passu* in all respects with the Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant Subscription Date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the Record Date therefor shall be before the relevant Subscription Date and notice of the amount and Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;
- (c) it will send to each Warrantholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (d) it will pay all stamp and capital duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and issue of the Warrants hereof in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;
- (e) it will keep available for issue sufficient Ordinary Capital to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares; and
- (f) it will use its best endeavours to procure that:
  - (i) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and
  - (ii) all New Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to Warrantholders).

**12. NOTICES**

The Instrument contains provisions relating to notices to be given to Warrantholders:

- (a) Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder shall fail to do so, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the principal place of business for the time being of the Company.
- (b) A notice may be given by delivery, prepaid letter (airmail in the case of an overseas address), facsimile or by way of announcement in accordance with the requirements of the Stock Exchange.
- (c) All notices with respect to the Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the register of the Warrantholders and notice so given shall be sufficient notice to all the holders of such Warrants.

**13. RIGHTS OF THE WARRANTHOLDERS ON WINDING UP**

- (a) The Instrument provides as follows:
  - (i) if an effective resolution being passed during the Subscription Period for the voluntary winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders; and
  - (ii) in the event a notice is given by the Company to its Shareholders (and the Warrantholders) to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the relevant Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not later than 2 Business Days prior to the proposed shareholders' meeting), to exercise the Subscription Rights represented by such Warrant Certificate(s) and the Company shall cause to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, such number of New Shares which fall to be issued

pursuant to the exercise of the relevant Subscription Rights and shall procure that each Warrantholder be registered as a member of the Company in time for it to be able to attend and vote at such shareholders' meeting.

- (b) Subject to the foregoing, if the Company is wound up, the Instrument provides that all Subscription Rights which have not been exercised at the date of passing such resolution shall lapse and each Warrant Certificate will cease to be valid for any purpose.

#### **14. OVERSEAS WARRANTHOLDERS**

If a Warrantholder has a registered address in any territory other than Hong Kong where, in the opinion of the Directors after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, the allotment of New Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company will as soon as practicable after exercise by such Warrantholder of any Subscription Rights either (i) allot the New Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company, or (ii) allot such New Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company will pay to such Warrantholder an amount equal to the consideration, after deduction of expenses, received by it by posting the remittance to him at his own risks, unless the amount falling to be distributed to any such person is less than HK\$100 (in which case it will be retained for the benefit of the Company).

#### **15. MISCELLANEOUS**

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong. The Company irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong in respect of the Instrument and the Warrants and all matters and disputes arising in connection with them. In the case where there is inconsistency between the terms in the Instrument and the Conditions, the terms in the Instrument shall prevail.