

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Grand T G Gold Holdings Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, 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 the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



## GRAND T G GOLD HOLDINGS LIMITED

大唐潼金控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8299)

- (1) PROPOSED CAPITAL REORGANISATION;
- (2) PROPOSED CHANGE IN BOARD LOT SIZE;
- (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD THE RECORD DATE;
- (4) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;
- (5) SPECIAL DEALS;
- (6) APPLICATION FOR WHITELASH WAIVER; AND
- (7) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders



Capitalised terms used in this cover shall have the same meanings as defined in this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 30 March 2022. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 11 April 2022 to Wednesday, 20 April 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Monday, 11 April 2022 to Wednesday, 20 April 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The Rights Issue will proceed on fully underwritten basis. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 5 to 6 of this circular. Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

A notice convening the EGM to be held at Unit 1603-1604, 16th Floor, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong at 11:00 a.m. on Wednesday, 16 February 2022 is set out on pages EGM-1 to EGM-5 of this circular. A proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

### PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Measures will be taken to prevent and control the spread of the novel coronavirus at the EGM, including:

- compulsory body temperature checks and health declarations
- recommended wearing of a surgical face mask for each attendee
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be requested to stay in an isolated place for completing the voting procedures. For further details, please refer to page ii of this circular. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

\* For identification purpose only

## **CHARACTERISTICS OF GEM**

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

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

## **PRECAUTIONARY MEASURES FOR THE EGM**

We care about the health of our Shareholders, staff and stakeholders which is of paramount importance. In view of the ongoing novel coronavirus pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at the meeting venue entrance. Any person whose body temperature is over 37.4 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures.
- (ii) Each attendee shall declare whether (a) he/she has travelled outside Hong Kong within the 14-day period immediately before the date of EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions or is wearing a wristband for compulsory quarantine will be requested to stay in an isolated place for completing the voting procedures.
- (iii) The Company encourages each attendee inside the meeting venue to wear self-prepared surgical face mask throughout the meeting and to maintain a safe distance.
- (iv) No refreshment will be served, and there will be no corporate gift.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting for the purpose of exercising voting rights is not necessary. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the proxy form attached to this circular.

If any Shareholder has any question relating to precautionary measures of the meeting, please contact the Company's branch share registrar, Tricor Investor Services Limited, as follows:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

Tel: (852) 2980 1333

Fax: (852) 2810 8185

# CONTENTS

	<i>Page</i>
<b>Expected timetable .....</b>	<b>1</b>
<b>Termination of the Underwriting Agreement .....</b>	<b>5</b>
<b>Definitions .....</b>	<b>7</b>
<b>Letter from the Board .....</b>	<b>15</b>
<b>Letter from the Independent Board Committee .....</b>	<b>49</b>
<b>Letter from Donvex Capital .....</b>	<b>51</b>
<b>Appendix I — Financial information of the Group .....</b>	<b>I-1</b>
<b>Appendix II — Unaudited pro forma financial information of the Group ....</b>	<b>II-1</b>
<b>Appendix III — Valuation Report .....</b>	<b>III-1</b>
<b>Appendix IV — Letter from Donvex Capital to report on the qualification and experience of Ravia Global Appraisal Advisory Limited to prepare the valuation report of the fixed assets of the Group .....</b>	<b>IV-1</b>
<b>Appendix V — General information .....</b>	<b>V-1</b>
<b>Notice of EGM .....</b>	<b>EGM-1</b>

## EXPECTED TIMETABLE

### EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Capital Reorganisation, the proposed Rights Issue and proposed change of board lot size which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable.

#### Rights Issue

Event	Date
Expected despatch date of the circular, proxy form and notice of the EGM .....	Wednesday, 26 January 2022
Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the EGM.....	4:30 p.m. on Thursday, 10 February 2022
Closure of register of members of the Company for determination of the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive).....	Friday, 11 February 2022 to Wednesday, 16 February 2022
Latest time for lodging proxy forms for the EGM.....	11:00 a.m. on Monday, 14 February 2022
Expected time and date of the EGM.....	11:00 a.m. on Wednesday, 16 February 2022
Announcement of poll results of the EGM.....	Wednesday, 16 February 2022
<b>The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation</b>	
Effective date of the Capital Reorganisation .....	9:00 a.m. on Tuesday, 29 March 2022
First day of free exchange of existing share certificates for Existing Shares for new share certificates for the Adjusted Shares.....	Tuesday, 29 March 2022
Commencement of dealings in the Adjusted Shares .....	9:00 a.m. on Tuesday, 29 March 2022
Last day of dealings in the Adjusted Shares on a cum-rights basis.....	Tuesday, 29 March 2022

## EXPECTED TIMETABLE

First day of dealings in the Adjusted Shares on an ex-rights basis .....	Wednesday, 30 March 2022
Latest time for lodging transfer of the Adjusted Shares in order to qualify for the Rights Issue .....	4:30 p.m. on Thursday, 31 March 2022
Closure of register of members of the Company (both days inclusive) .....	Friday, 1 April 2022 to Wednesday, 6 April 2022
Record Date for determining entitlements to the Rights Issue .....	Wednesday, 6 April 2022
Register of members of the Company re-opens .....	Thursday, 7 April 2022
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only) .....	Thursday, 7 April 2022
First day of dealing in nil-paid Rights Shares in the board lot of size of 96,000 Shares .....	9:00 a.m. on Monday, 11 April 2022
Latest time for splitting of the PAL .....	4:30 p.m. on Wednesday, 13 April 2022
Last day of dealing in nil-paid Rights Shares in the board lot of size of 96,000 Shares .....	4:00 p.m. on Wednesday, 20 April 2022
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements. ....	4:00 p.m. on Monday, 25 April 2022
Latest Time for Acceptance of and payment for the Rights Shares .....	4:00 p.m. on Monday, 25 April 2022
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional (if applicable). ....	4:00 p.m. on Tuesday, 26 April 2022
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares .....	Tuesday, 26 April 2022
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent .....	Wednesday, 27 April 2022

## EXPECTED TIMETABLE

Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent .....	Friday, 29 April 2022
Announcement of results of Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Shares under the Compensatory Arrangements and the NQS Unsold Rights Shares).....	Wednesday, 4 May 2022
Despatch of certificates for fully-paid Rights Shares and completion of Placing to take place .....	Thursday, 5 May 2022
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) on or before .....	Thursday, 5 May 2022
Expected first day of dealings in fully-paid Rights Shares.....	Friday, 6 May 2022
Payment of Net Gain to relevant No Action Shareholders (if any) .....	Monday, 23 May 2022
Last day of free exchange of existing certificates for Existing Shares for new certificates for the Adjusted Shares.....	4:30 p.m. on Monday, 6 June 2022

### **Proposed Change In Board Lot Size**

Last day of trading of Shares in board lots of 24,000 Shares each.....	Thursday, 5 May 2022
Effective day of change of board lot size from 24,000 to 96,000 Shares each.....	Friday, 6 May 2022
Designated broker starts to stand in the market to provide matching services, on a best effort basis, for odd lots of Shares .....	9:00 a.m. on Friday, 6 May 2022
The last day for the designated broker to provide matching services for odd lots of Shares .....	4:00 p.m. on Monday, 30 May 2022

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this circular are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

<b>EXPECTED TIMETABLE</b>
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**EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 25 April 2022. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 25 April 2022. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on the currently scheduled date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Rights Issue will be announced as and when appropriate.



## TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter shall affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

## TERMINATION OF THE UNDERWRITING AGREEMENT

- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (ix) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

## DEFINITIONS

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

“2017 CB”	The convertible bonds issued, pursuant to a subscription agreement dated 10 April 2017, by the Company on 17 July 2017 with principal amount of HK\$30,095,357 which are convertible into 100,317,856 Existing Shares at the conversion price of HK\$0.3 per Existing Share
“2017 CB Holder”	Mr. Leung Heung Ying
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Announcement”	the announcement of the Company dated 2 November 2021 in relation to, among other things, the Capital Reorganisation, change in board lot size, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the Whitewash Waiver
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day(s) (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Existing Share from HK\$0.06 to HK\$0.001 by cancelling the paid up share capital to the extent of HK\$0.059 per issued Existing Share
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Capital Reduction and Share Sub-division

## DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 24,000 Existing Shares to 96,000 Adjusted Shares
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	Grand T G Gold Holdings Limited (大唐潼金控股有限公司*), a company incorporated in the Cayman Islands with limited liability on 12 March 2003, the issued shares of which are listed on GEM
“Compensatory Arrangement”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Court”	The Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, (i) the Capital Reorganisation; (ii) the Rights Issue; (iii) the Placing Agreement; (iv) the Underwriting Agreement; (v) the Special Deals; and (vi) Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Share(s)”	the ordinary share(s) of HK\$0.06 each in the existing issued share capital of the Company, before the Capital Reorganisation becoming effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

## DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, an independent financial adviser appointed by the Company to advise for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver
“Independent Shareholders”	Shareholder(s) excluding (i) Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him, (ii) those who are involved in and interested in the Rights Issue, Irrevocable Undertakings, Underwriting Agreement, Placing Agreement, Special Deals and Whitewash Waiver and (iii) other than those that are required under the GEM Listing Rules and the Takeovers Code to abstain from voting on the resolution(s) to be proposed at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the GEM Listing Rules
“Irrevocable Undertakings”	the irrevocable undertakings given by each of Mr. Ma in favour of the Company, the details of which are set out in the section headed “Proposed Rights Issue — Irrevocable Undertakings” in this circular

## DEFINITIONS

“Latest Placing Date”	29 April 2022 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
“Latest Placing Time”	4:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	21 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Last Trading Day”	2 November 2021, being the last full trading day of the Existing Shares on the Stock Exchange prior to the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on 25 April 2022 or such later time and/or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance, being the latest time to terminate the Underwriting Agreement
“Mr. Ma” or “Underwriter”	Mr. Ma Qianzhou (馬乾洲), a substantial Shareholder of the Company who is beneficially interested in 13.41% of the issued Shares as at the Latest Practicable Date and the underwriter pursuant to the Underwriting Agreement in respect of the Rights Issue
“Ms. Zhao”	Ms. Zhao Yuebing, the spouse of Mr. Ma and owns 1.50% of the issued Shares as at the Latest Practicable Date
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place

## DEFINITIONS

“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its subplacing agents(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Cinda International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 2 November 2021 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Completion Date”	29 April 2022 or such other date as the Company and the Placing Agent may agree in writing, being the date of completion of the Placing

## DEFINITIONS

“Placing Period”	a period commencing from the second Business Day after the Latest Time for Acceptance, which is expected to be 27 April 2022, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	7 April 2022, or such other day as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Public Float Requirement”	the public float requirement under Rule 11.23(7) of the GEM Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	6 April 2022 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period of six months preceding the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue by way of rights on the basis of three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	up to 4,490,346,480 Shares proposed to be allotted and issued by the Company for subscription pursuant to the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC



## DEFINITIONS

“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Sub-division”	the proposed sub-division of authorised but unissued shares of the Company of HK\$0.06 par value each into sixty (60) authorised but unissued Adjusted Shares
“Special Deals”	the use of the proceeds from the Rights Issue for redemption of the 2017 CB where the 2017 CB holder is a Shareholder and the repayment of certain Shareholders loan, which constitute special deals under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.035 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong
“Underwriting Agreement”	the underwriting agreement dated 2 November 2021 and entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	up to 3,664,916,784 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“US\$”	United states dollars, the lawful currency of the United States of America

## DEFINITIONS

“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter, and parties acting in concert with him as a result of the subscription of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

\* *For identification purposes only*

LETTER FROM THE BOARD



**GRAND T G GOLD HOLDINGS LIMITED**

**大唐潼金控股有限公司\***

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

**(Stock code: 8299)**

*Executive Directors:*

Dr. Li Dahong (*Chairman*)

Ms. Ma Xiaona

*Independent non-executive Directors:*

Mr. Guo Wei

Mr. Lam Albert Man Sum

Mr. Cheung Wai Hung

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Room A-B, 8th Floor

Centre Mark II

305-313 Queen's Road Central

Sheung Wan, Hong Kong

26 January 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED CHANGE IN BOARD LOT SIZE;**
- (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS  
SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON  
THE RECORD DATE;**
- (4) CONNECTED TRANSACTION IN RELATION  
TO THE UNDERWRITING AGREEMENT;**
- (5) SPECIAL DEALS; AND**
- (6) APPLICATION FOR WHITEWASH WAIVER**

\* For identification purpose only

## LETTER FROM THE BOARD

### INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the Whitewash Waiver.

The purpose of this circular is to provide you with (i) further details of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee in respect of the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM.

### PROPOSED CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$160,000,000 divided into 2,666,666,666 Existing Shares, of which 1,496,782,160 Existing Shares have been issued and are fully paid or credited as fully paid. The Company proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the par value of each of the issued Existing Shares be reduced from HK\$0.06 to HK\$0.001 per issued Existing Share by cancelling the paid up share capital to the extent of HK\$0.059 per issued Existing Share by way of a reduction of capital, so as to form issued Adjusted Shares with par value of HK\$0.001 each;
- (ii) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws, the memorandum and articles of association of the Company and as the Board considers appropriate, including without limitation, setting off the accumulated losses of the Company;
- (iii) immediately following the Capital Reduction, Share Sub-division will take place and each of the authorised but unissued shares of the Company of HK\$0.06 each shall be subdivided into sixty (60) authorised but unissued Adjusted Shares; and
- (iv) each of the Adjusted Shares arising from the Capital Reorganisation shall rank *pari passu* in all respects with other shares in their respective classes and the Adjusted Shares will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

## LETTER FROM THE BOARD

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reorganisation becomes effective, the share capital structure of the Company will be as follows:

	<b>As at the Latest Practicable Date</b>	<b>Immediately after the Capital Reorganisation becoming effective</b>
Par value per Share	HK\$0.06	HK\$0.001
Amount of the authorised share capital	HK\$160,000,000	HK\$160,000,000
Number of authorised shares	2,666,666,666	160,000,000,000
Amount of the issued share capital	HK\$89,806,929.60	HK\$1,496,782.16
Number of issued Shares	1,496,782,160	1,496,782,160

The Adjusted Shares will rank *pari passu* in all respects with each other.

As at the Latest Practicable Date, 1,496,782,160 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 1,496,782,160 issued Existing Shares will be reduced from HK\$0.06 to HK\$0.001 per issued Existing Share by cancelling the paid up share capital to the extent of HK\$0.059 per issued Existing Share by way of a reduction of capital, so as to form issued Adjusted Shares with par value of HK\$0.001 each, the Company's existing issued share capital of HK\$89,806,929.60 will be reduced by HK\$88,310,147.44 to HK\$1,496,782.16.

As at the Latest Practicable Date, there are outstanding convertible bonds being the 2017 CB with principal amount of HK\$30,095,357 which are convertible into 100,317,856 Existing Shares at the conversion price of HK\$0.3 per Existing Share. The Capital Reorganisation may lead to adjustment to the conversion price and the number of Shares falling to be issued upon the exercise of the conversion right attaching to the 2017 CB in accordance with the terms and conditions of the 2017 CB. The Company will make further announcement(s) on such adjustment(s) as and when appropriate. Save for the 2017 CB, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reorganisation;
- (ii) an order being made by the Court confirming the Capital Reduction;
- (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;

## LETTER FROM THE BOARD

- (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the GEM Listing Committee granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisers to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed. As at the Latest Practicable Date, all of the conditions mentioned above are yet to be fulfilled.

### **Listing and dealings**

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 24,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 24,000 Existing Shares to 96,000 Adjusted Shares upon the Capital Reorganisation and the Rights Issue becoming effective.

Based on the closing price of HK\$0.041 per Existing Share as at the date of the Announcement, (i) the value of each existing board lot of 24,000 Existing Shares is HK\$984; (ii) the value of each board lot of 96,000 Adjusted Shares would be HK\$3,936 assuming the Capital Reorganisation and the Rights Issue becoming effective; and (iii) the estimated value per board lot of 96,000 Adjusted Shares would be HK\$3,936 assuming that the Change in Board Lot Size had also been effective.

## LETTER FROM THE BOARD

The change in board lot size will not result in any change in the relative rights of the Shareholders.

### **REASONS FOR AND EFFECTS OF THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT**

The Board considers that the Capital Reorganisation will enable the nominal or par value of the Shares to be reduced from HK\$0.06 to HK\$0.001 each, thus giving greater flexibility to the Company to issue the Adjusted Shares given that the Company is not permitted, without order of the Court, to issue new Shares below their nominal or par value. In order to lower the par value of the shares for facilitating the Rights Issue, it is necessary to implement the Capital Reduction. Please refer to the paragraph headed “Reasons for the Rights Issue” below for the reasons for and benefits of the Rights Issue. In addition, the Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility in possible fund raisings in the future.

Further, pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 30 August 2019, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. The Existing Shares have been constantly traded below HK\$1.00 during the past 12 months. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement Change in Board Lot Size, and it is expected that this will increase the value of each board lot of the Adjusted Shares to more than HK\$2,000.

As such, the Directors are of the view that the Capital Reorganisation and the Change in Board Lot Size are in the best interests of the Company and its Shareholders as a whole.

Save for the expenses to be incurred in relation to the Capital Reorganisation, the Directors consider that the Capital Reorganisation will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

### **FREE EXCHANGE OF SHARE CERTIFICATES**

Subject to the Capital Reorganisation becoming effective, the Shareholders may during the period from Tuesday, 29 March 2022 to Friday, 6 June 2022 (both days inclusive) submit existing share certificates in the colour of blue for the Existing Shares to the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for exchange for new share certificates in the colour of yellow for the Adjusted Shares at the expense of the Company. Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever is higher.

## LETTER FROM THE BOARD

After 4:10 p.m. on Monday, 30 May 2022, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for share certificates for Adjusted Shares at any time but will not be accepted for delivery, trading and settlement purposes.

**Shareholders and potential investors should note that the Share Reorganisation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Reorganisation” above. Accordingly, the Share Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.**

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE**

The Company proposes, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.035 per Rights Share, to raise up to approximately HK\$157.2 million before expenses (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full) by way of the rights issuing up to 4,490,346,480 Rights Shares (assuming as aforesaid) to the Qualifying Shareholders.

On 2 November 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

#### **Issue statistics**

Basis of the Rights Issue	:	three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.035 per Rights Share
Number of Existing Shares in issue at the Latest Practicable Date	:	1,496,782,160 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	1,496,782,160 Adjusted Shares (assuming there is no change in the number of Shares in issue on or before the date on which the Capital Reorganisation became effective)



## LETTER FROM THE BOARD

Number of Rights Shares	:	(Assuming the Capital Reorganisation has become effective and there is no further issue of new Shares or repurchase of Shares on or before the Record Date) up to 4,490,346,480 Rights Shares, representing 300% of the Company's issued number of Adjusted Shares as at the Latest Practicable Date and 75% of the enlarged issued share capital of the Company upon completion of the Rights Issue;
Gross proceeds and net proceeds	:	Assuming there is no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full:  Gross proceeds: up to approximately HK\$157.2 million  Net proceeds (after deducting the estimated expenses): up to approximately HK\$149.7 million
Aggregate nominal value of the Rights Shares	:	up to approximately HK\$4,490,346.48

As at the Latest Practicable Date, there are outstanding convertible bonds being the 2017 CB with principal amount of HK\$30,095,357 which are convertible into 100,317,856 Existing Shares at the conversion price of HK\$0.3 per Existing Share. As at the Latest Practicable Date, the Company had entered into an agreement with the 2017 CB Holder, an Independent Third Party, pursuant to which, *inter alia*, the 2017 CB Holder had undertaken to the Company not to exercise the conversion rights attached to the 2017 CB prior to completion of the agreement and the Company shall, upon completion of the agreement, firstly apply part of the net proceeds from the Rights Issue in an amount equivalent to the principal amount of the 2017 CB to repay the outstanding 2017 CB and also pay to the 2017 CB Holder the relevant outstanding interest of the 2017 CB accrued up to and including the completion date under the agreement in accordance with the terms and conditions of the said agreement. Save for the 2017 CB, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

### **Subscription Price**

The Subscription Price is HK\$0.035 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

## LETTER FROM THE BOARD

As the Underwriting Agreement was entered into after trading hours on 2 November 2021, the Board wishes to clarify that the Last Trading Day shall fall on 2 November 2021 instead of 1 November 2021 as set out in the Announcement. As such, comparisons in relation to the Subscription Price are updated as follows. The Subscription Price represents (assuming the Capital Reorganisation has become effective as at the Latest Practicable Date):

- (i) a discount of approximately 14.63% to the closing price of HK\$0.041 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 5.41% to the theoretical ex-rights price of HK\$0.037 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.041 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 14.63% to the average closing prices of HK\$0.041 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 5.41% to the theoretical ex-rights price of HK\$0.037 per Share as adjusted for the effect of the Rights Issue, based on the average closing prices of HK\$0.041 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 10.26% to the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 2.78% to the theoretical ex-rights price of HK\$0.036 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 9.76%, represented by the theoretical diluted price of approximately HK\$0.037 per Share to the benchmarked price of approximately HK\$0.041 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.041 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.041 per Existing Share);
- (viii) a discount of approximately 79.04% to the unaudited consolidated net asset value per Share of approximately HK\$0.167 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$250.6 million and 1,496,782,160 Shares in issue as at 30 September 2021); and

## LETTER FROM THE BOARD

- (ix) a discount of approximately 48.53% to the theoretical ex-rights price of HK\$0.068 per Share as adjusted for the effect of the Rights Issue, based on the unaudited consolidated net asset value per Share of approximately HK\$0.167 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$250.6 million and 1,496,782,160 Shares in issue as at 30 September 2021).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions, (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in the letter from the Board in this Circular.

Even though the Subscription Price represented a discount to the net asset value per Share, the latest unaudited financial results of the Group made up to 30 September 2021 disclosed that the main assets of the Group comprised of property, plant and equipment of approximately HK\$745.3 million which were not immediately marketable in nature. As at 30 September 2021, the cash and cash equivalents of the Group amounted to approximately HK\$10.1 million, and the current liabilities amounted to approximately HK\$220.8 million. In view of the financial position of the Group, the Board is of the view that there is an imminent need of funding.

After taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in the letter from the Board in this Circular, the Directors (including the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having considered the advice by the Independent Financial Adviser) consider that, the terms of the proposed Rights Issue, and the Underwriting Agreement, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, all transfers of the Adjusted Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on 31 March 2022.

It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is 29 March 2022, and the Adjusted Shares will be dealt with on an ex-rights basis from 30 March 2022.

## LETTER FROM THE BOARD

Subject to the Capital Reorganisation becoming effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholder for their information only.

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

### **Rights of Overseas Shareholders (if any)**

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

In compliance with Rule 17.41(1) of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders.

Based on the latest available register of members of the Company, as at the Latest Practicable Date, there were 1 Overseas Shareholder situated in the United Kingdom holding 1,100,000 Shares, 1 Overseas Shareholder situated in the United States of America holding 2,400 Shares, 1 Overseas Shareholder situated in the PRC holding an aggregate of 447,733 Shares, 1 Overseas Shareholder situated in the British Virgin Islands holding 10,667,200 Shares and 1 Overseas Shareholder situated in the Republic of Seychelles holding 86,244,800 Shares. Based on the legal advice from the legal advisers of the Company as to the laws of the PRC, the United Kingdom, the British Virgins Islands and the Republic of Seychelles, the Directors are of the view that, as the the Latest Practicable Date, the relevant overseas legal restrictions and requirements of the relevant regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC, the United Kingdom, the British Virgins Islands and the Republic of Seychelles from the Rights Issue. Accordingly, the Rights Issue will be extended to the Overseas Shareholders in those jurisdictions.

Based on the legal advice provided by the legal advisers on the laws of the U.S., the Rights Issue cannot be extended to Shareholders in the U.S. without registering the Rights Shares with the Securities and Exchange Commission of the U.S. (the “**U.S. Commission**”) and complying with the review, registration and disclosure obligations and requirements under the U.S. Securities Act of 1993 and with the U.S. Commission. As such, the extension of the Rights Issue to the Overseas Shareholders with registered addresses in the U.S. would, in the absence of compliance with relevant registration requirements for the Prospectus Documents and/or regulatory or filing requirements and/or other formalities in the U.S., be unlawful or impracticable. In view of (a) the legal restrictions and the requirements in the U.S.; and (b)

## LETTER FROM THE BOARD

the time and costs involved in complying with the legal restrictions and regulatory requirements if the Rights Issue were to be extended to the Overseas Shareholders in the U.S., the Board considers that the extension of the Rights Issue to the Overseas Shareholders with registered addresses in the U.S. would outweigh the possible benefits to the Overseas Shareholders and the Company. As such, the Board considers that it would be necessary and expedient to exclude the Overseas Shareholders with registered addresses in the U.S. from the Rights Issue and accordingly the Overseas Shareholders with registered addresses in the U.S. will be regarded as Non-Qualifying Shareholders in relation to the Rights Issue. Accordingly, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s) in the U.S..

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus. The Company will send the Prospectus (without the PAL) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the EGM unless such person is not an Independent Shareholder (in which case they shall abstain).

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end. The proceeds of such sale of individual portion of nil-paid Rights Shares of relevant Non-Qualifying Shareholder, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders will be taken up by the Underwriter in accordance with the terms of the Underwriting Agreement.

The Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company, i.e. the NQS Unsold Rights Shares, together with the Unsubscribed Rights Shares, shall be subject to the Compensatory Arrangements, as further described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements” below.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

## LETTER FROM THE BOARD

### **Closure of register of members**

The register of members of the Company will be closed from 1 April 2022 to 6 April 2022 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of the Adjusted Shares will be registered during the above book closure periods.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Adjusted Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Fractional entitlements to the Rights Shares**

On the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date, no fractional entitlement will arise under the Rights Issue.

### **Status of the Rights Shares**

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

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 5 May 2022.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on 5 May 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

### **Application for listing of the Rights Shares**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares in the board lot of size of 96,000 Shares, in both their nil-paid and fully-paid forms.



## LETTER FROM THE BOARD

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

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

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

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

### **Irrevocable Undertaking**

As at the Latest Practicable Date, Mr. Ma, a substantial Shareholder, owns an aggregate of 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares. Pursuant to the Irrevocable Undertakings, Mr. Ma has provided irrevocable and unconditional undertakings to the Company that (a) all the above Shares held by him will continue to be beneficially owned by him on the Record Date; and (b) he will accept and pay for all the Rights Shares to be provisionally allotted to him under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

The Irrevocable Undertakings shall automatically lapse and be of no further force and effect in the event the Underwriting Agreement is terminated in accordance with its terms at or before the Latest Time for Termination or upon completion of the Rights Issue. Other than the above, the Irrevocable Undertakings will not cease to be binding.

## LETTER FROM THE BOARD

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

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as Mr. Ma, as the Underwriter, is a substantial Shareholder of an aggregate of 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares, the Company must make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Friday, 29 April 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue, any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement. For avoidance of doubt, the Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter, as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) the Qualifying Shareholders who did not subscribe for the Rights Shares (whether partially or fully) under the PALs and their renouncees;
- (ii) such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed; and
- (iii) the Non-Qualifying Shareholders in respect of the NQS Unsold Rights Shares.



## LETTER FROM THE BOARD

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

### The Placing Agreement

Details of the Placing Agreement are as follows:

- Date : 2 November 2021 (after trading hours of the Stock Exchange)
- Placing Agent : Cinda International Capital Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent is a licenced corporation to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.
- Placing fee : The Company shall pay to the Placing Agent:
- (a) HK\$100,000 payable within ten (10) business days after the Rights Issue and the transaction contemplated thereunder has been duly approved at the EGM; (b) HK\$300,000 payable within ten (10) business days after the completion of the Rights Issue; and (c) 2.5% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent less the aggregate of the amounts referred to in (a) and (b) above in accordance with the terms and conditions of the Placing Agreement
- Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe) : The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price. The final price determination is dependent on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.

## LETTER FROM THE BOARD

- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Condition Precedent : The obligations of the Placing Agent under the Placing Agreement are subject to and conditional upon the Underwriting Agreement becoming unconditional.
- Placing Completion Date : The date when the Rights Shares are duly issued by the Company under the Rights Issue, which is 29 April 2022 or such other date as the Company and the Placing Agent may agree in writing.
- Termination : If, prior to the Latest Placing Time:
- (1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
    - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

## LETTER FROM THE BOARD

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing, the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

## LETTER FROM THE BOARD

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; and (ii) a compensatory mechanism for No Action Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

### THE UNDERWRITING AGREEMENT

#### Underwriting Agreement

Date	:	2 November 2021 (after trading hours of the Stock Exchange)
Issuer	:	the Company
Underwriter	:	Mr. Ma, a substantial Shareholder, owns an 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares as at the Latest Practicable Date
Number of Rights Shares underwritten by the Underwriter	:	The Rights Issue will be fully underwritten by the Underwriter and up to 3,664,916,784 Rights Shares being the maximum number of Rights Shares issuable (assuming the Capital Reorganisation has become effective and there is no further issue of new Shares or repurchase of Shares on or before the Record Date and excluding the 602,190,672 Rights Shares that have been undertaken to be subscribed by Mr. Ma pursuant to the Irrevocable Undertakings and subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue), are underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement.

## LETTER FROM THE BOARD

Assuming the Underwriter takes up the maximum amount of 3,664,916,784 Underwritten Shares, the Underwriter will hold 4,467,837,860 Shares upon completion of the Rights Issue, representing approximately 74.62% of the total issued share capital of the Company as enlarged by the Rights Shares (i.e. 5,987,128,640 Shares, assuming no change in the issued share capital of the Company on or before the Record Date).

In the event that there is nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not placed to any Placees and to be taken up by the Underwriter, 892,956,096 Rights Shares will not be issued for the purpose of maintenance of the minimum Public Float Requirement upon completion of the Rights Issue. As such the size of the Rights Issue shall be reduced to 3,597,390,384 Rights Shares and the maximum number of Rights Shares issuable and to be underwritten by the Underwriter shall be 2,995,199,712 Rights Shares. Under such scenario, the Underwriter will hold 3,798,120,608 Shares upon completion of the Rights Issue, representing approximately 74.56% of the total issued share capital of the Company as enlarged by the Rights Shares (i.e. 5,094,172,544 Shares, assuming no change in the issued share capital of the Company on or before the Record Date). For further illustration on effect of the Rights Issue on the shareholding structure of the Company, please refer to the section headed “Shareholding Structure of the Company” in this circular.

If upon completion of the Rights Issue and Compensatory Arrangements and after discharging the underwriting obligations in accordance with the Underwriting Agreement, the Underwriter and/or parties acting in concert with it in aggregate, hold more than 50% of the Company’s voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for Shares.

## LETTER FROM THE BOARD

Underwriting Commission : The Underwriter will not receive any underwriting commission

Public Float : The Underwriter will take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares unless as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue.

Any of the Rights Shares which remain untaken by the Underwriter, as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. As such, the gross proceeds and net proceeds from the Rights Issue will also be reduced and the intended application of net proceeds on the general working capital of the Group as set out in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” in the letter from the Board in this Circular will be reduced accordingly.

The terms of the Underwriting Agreement were determined after arm’s length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions.

It is not in the ordinary course of business of the Underwriter to underwrite shares. Mr. Ma’s role as the Underwriter in respect of the Rights Issue, together with the Irrevocable Undertaking given by him, signify strong support from the substantial Shareholder to the Group and his confidence in the development of the Group.

Having considered the above, the Directors (including the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having considered the advice by the Independent Financial Adviser) consider that Mr. Ma, a substantial Shareholder who is willing to support the continuing growth of the Group, as the Underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Underwriting Agreement**

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (i) the completion of the Capital Reorganisation;

## LETTER FROM THE BOARD

- (ii) the passing of the necessary resolutions at the EGM by shareholders other than Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him and those who are involved in and interested in the Rights Issue, Irrevocable Undertakings, Underwriting Agreement, Placing Agreement, Special Deals and Whitewash Waiver and by way of poll to approve (i) the Capital Reorganisation and the transactions contemplated thereunder by the Shareholders; (ii) the Rights Issue, the Placing Agreement, and the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares); and (iii) a special resolution to approve the Whitewash Waiver by no later than the Prospectus Posting Date;
- (iii) the Executive granting the Whitewash Waiver to Mr. Ma and the satisfaction of any condition attached to the Whitewash Waiver granted;
- (iv) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (v) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (vi) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (viii) the delivery of the duly signed Irrevocable Undertakings to the Company;
- (ix) the entering into of the Placing Agreement;
- (x) the compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (xi) there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination; and

## LETTER FROM THE BOARD

- (xii) the Shares remaining listed on GEM of the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance.

Save for the condition (x) above which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not satisfied or waived (as the case may be) by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches and the Rights Issue will not proceed.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or



## LETTER FROM THE BOARD

- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter shall affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (ix) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

## LETTER FROM THE BOARD

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

### ODD LOT ARRANGEMENT

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue and the Change in Board Lot Size, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Friday, 6 May 2022 to Monday, 30 May 2022 (both days inclusive). Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers. Details of the odd lot arrangement will be provided in the Prospectus of the Company.

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

The Group is principally engaged in gold exploration, mining and mineral processing with gold concentrate as its main product in Shaanxi province of the PRC.

The gross proceeds from the Rights Issue are expected to be up to approximately HK\$157.2 million (assuming the Capital Reorganisation has become effective and there is no further issue of new Shares or repurchase of Shares on or before the Record Date and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full).

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be up to approximately HK\$149.7 million (assuming the Capital Reorganisation has become effective and there is no further issue of new Shares or repurchase of Shares on or before the Record Date and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full).

The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.033. The Company intends to apply the net proceeds from the proposed Rights Issue in the following manner: (i) firstly approximately HK\$30.1 million for redemption of the 2017 CB issued by the Company, which is owned by the 2017 CB Holder who also holds 13,333,332 Shares (representing approximately 0.89% of the total issued Shares of the Company) as at the Latest Practicable Date; (ii) approximately HK\$55.5 million for repayment of loans from Ms. Zhao, a Shareholder; (iii) approximately HK\$38.5 million for repayment of other indebtedness of the Group including but not limited to bonds and borrowings from third parties and these bondholder and lenders are not a Shareholder; and (iv) approximately HK\$25.6 million as the general working capital of the Group.

## LETTER FROM THE BOARD

The expected timeline of the use of proceeds from the Rights Issue is set out in the table below:

Intended usage	Amount of proceeds (approximate)	Expected timeline
redemption of the 2017 CB	HK\$30.1 million	Upon completion of the Rights Issue
loans from Ms. Zhao	HK\$55.5 million	Upon completion of the Rights Issue
repayment of other indebtedness of the Group <i>(Note 1)</i>	HK\$38.5 million	By the end of 2022
general working capital of the Group <i>(Note 2)</i>	HK\$25.6 million	Within 18 months upon completion of the Rights Issue
<hr/>		
Total	<u>HK\$149.7 million</u> <i>(Note 2)</i>	

*Note:*

- (1) other indebtedness of the Group consists of bonds with outstanding principal of HK\$12.9 million, interest-bearing borrowings of HK\$9.9 million, other payables of HK\$8.8 million and accruals of HK\$6.9 million.
- (2) Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Under such scenario, the gross proceeds and net proceeds from the Rights Issue will also be reduced and the intended application of net proceeds on the general working capital of the Group as set out in this section will first be reduced, and if the reduced amount of net proceeds exceeds HK\$25.6 million (the initial intended usage on general working capital of the Group as illustrated in the table above), the intended usage on repayment of other indebtedness of the Group will then be reduced accordingly.

For illustration purposes only, assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (being the last scenario as illustrated in the table under the heading "Shareholding Structure of the Company" in this circular), in order to maintain the minimum Public Float Requirement upon completion of the Rights Issue, the size of the Rights Issue shall be reduced and the Rights Shares to be issued upon completion shall be reduced to 3,597,390,384 Shares. Accordingly, the gross proceeds and net proceeds from the Rights Issue shall be reduced to approximately HK\$125.9 million and HK\$118.4 million, respectively. As such, the intended application of net proceeds on general working capital of the Group shall first be reduced to nil, and as the amount of net proceeds reduced exceeds HK\$25.6 million, the intended application of net proceeds on repayment of other indebtedness of the Group will then also be reduced to HK\$32.8 million.

The Board considers that the Rights Issue will provide an opportunity to raise capital for the Company to accommodate the funding need for repayment of indebtedness of the Group whilst increasing the capital base and financial position of the Company and giving the

## LETTER FROM THE BOARD

Qualifying Shareholders an equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings will be diluted.

### **RISK FACTORS**

The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

#### **Business risk relating to the Group**

##### ***(i) Fluctuation in the price of gold***

The Directors consider that the price of gold in the PRC is highly influenced by the price of gold in the international market (which is denominated in the USD) and the exchange rate of the USD to RMB. The Directors consider that there are many factors influencing the price of gold in the international market, including global economic situation, fiscal, monetary and trade policies of world major economies which would eventually influence the exchange rates of the USD, fluctuation in major stock markets, geo-political instability in the international arena, all of which are beyond the control of the Group. The fluctuation in gold price would affect significantly revenue levels and cash flow of the Group. To mitigate and control the risk, the Group would continue to make its constant effort in controlling cash cost for production and overall cost for the Group operation, monitoring closely the commodity market and aligning its production planning, growth strategy and capital expenditure with projected market development to the extent possible.

##### ***(ii) Investment risks***

Investments in mineral exploration and mining have its inherent risks. Significant capital expenditures are usually required for business and regulatory reasons in new exploration and sustained mine development while the results particularly those for exploration may not always be as expected or achieve the desired levels of reliability for newly found mineral reserves and resources in the timely fashion. The Group would mitigate and control such risks by conducting proper risk assessment, using third party professionals and experts and adopting the best practices in the industry, in investment evaluation and decision-making process, including carefully planned drilling and other exploration activities, mine development and acquisition of quality mining assets.

##### ***(iii) Government regulations***

The mining activities of the Group are subject to various government policies, standards, permitting and regulations, all of which could affect the Group's operation. From time to time, there are government initiatives for the mining industry such as mining right consolidation which aims at creating larger mining areas from fragmented ones. Furthermore, the process for review and extension of the existing mining and exploration right permits, and review and approval of any new mining and production facilities have become lengthy and costly and

## LETTER FROM THE BOARD

with uncertainty. Even projects approved years ago and are already under construction can be subject to review and approval under a new set regulations and standards. The Group would mitigate and control the risks by working closely with the government agencies to negotiate the best deals in the consolidation programme to protect and maximize the Group's interests. At the same time, the Group monitors and follows the policy development closely and works on the best effort basis ahead of the anticipated changes to be prepared and to comply.

### *(iv) Environmental Protection*

The nationwide campaign for environmental protection has been enhanced in the mining sector and promotion of green mines, under the PRC national strategy for environmental protection. Virtually all major mining regions in the country including the county where the Group operates are part of this campaign. This involves permitting of mining only at certain elevations, clear of any protective or natural reserve areas and strict enforcement of pollution control standards, minimizing adverse impacts of mining and processing activities to their surrounding natural and social environments and to geology stability, mitigating any adverse impacts from historical mining activities and landscaping of the mine sites and surroundings in particular, the Xiao Qinling mountains where the Company's mine operates, have received the attention for protection from the highest level of the country leadership. Enforcement of environmental protection has been beefed up in the PRC. A series of new provincial and local notices, guidelines and other directors have been issued during the last financial year, some of which targeted specifically to the mining sector. There could be very specific requirements for example, the imposed regulation by relocating accommodation of mining workers away from mining sites. It is expected that the regulations will be increasingly stringent. Enforcement of these environmental policies and standards may cause an increase in operating costs and any violation could result in interruption of the Group's normal production activities. The Group has a policy to protect the natural and social environments and to be in full compliance with all applicable policies and standards. The Group has and will continue to take pre-active measures to ensure compliance.

### *(v) Occurrence of COVID-19 Epidemic*

The recent occurrence of COVID-19 pandemic which spread globally since January 2020, has caused uncertainties to the economy in the PRC in the coming year. The impact of the COVID-19 pandemic is likely to last in near future especially with respect to travel restriction, meeting limitation and possible occurrence of new waves. In such event, health safety risks during the occurrence of the COVID-19 pandemic may also lead to labour shortage, increase in wages of the workers and/or closure or interruption of the Group's gold mines if new cases occur at the mines, which will delay the work progress of the Group's gold mining operation as a result. It has and may continue to affect the operation of the Group's customers and potential investors which in turn would affect on the Group's sales and the Group's fund raising plans. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

## LETTER FROM THE BOARD

### (vi) *Financial risk*

The Group requires sufficient funding for its working capital, debt repayment, further development and planned acquisitions. The Group currently faces limited financial resources and for the time being, it is in net current liabilities, although the Group has fulfilled all its financial obligations in the past including settlements of disputes and other financial obligations as and when needed. Failure to obtain additional funding in a timely fashion however, may adversely affect the Group's operation and its development plan.

### SHAREHOLDING STRUCTURE OF THE COMPANY

If the Rights Issue is to proceed, for illustration purposes only:

Assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the completion of the Rights Issue:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Places under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming the Underwriter takes up the maximum amount of 3,664,916,784 Underwritten Shares		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares
Mr. Ma (also as the Underwriter)	200,730,224	13.41	802,920,896	13.41	802,920,896	13.41	4,467,837,680	74.62 <sup>(Note 3)</sup>	3,798,120,608	74.56 <sup>(Note 2,3)</sup>
Ms. Zhao <sup>(note 1)</sup>	22,508,800	1.50	90,035,200	1.50	22,508,800	0.38	22,508,800	0.38 <sup>(Note 3)</sup>	22,508,800	0.44 <sup>(Note 3)</sup>
Other public Shareholders	1,273,543,136	85.09	5,094,172,544	85.09	5,161,698,944	86.21	1,496,782,160	25.00	1,273,543,136	25.00
Total	1,496,782,160	100.00	5,987,128,640	100.00	5,987,128,640	100.00	5,987,128,640	100.00	5,094,172,544	100.00

*Note:*

- (1) Mr. Ma is the spouse of Ms. Zhao. Mr. Ma and Ms. Zhao are accordingly deemed to be interested in the Shares beneficially owned by each other under the SFO.
- (2) The Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be taken up by the Underwriter is subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Under such scenario, the gross proceeds and net proceeds from the



## LETTER FROM THE BOARD

Rights Issue will also be reduced and the intended application of net proceeds on the general working capital of the Group as set out in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” in the letter from the Board in this Circular will be reduced accordingly.

- (3) If upon completion of the Rights Issue and Compensatory Arrangements and after discharging the underwriting obligations in accordance with the Underwriting Agreement, the Underwriter and/or parties acting in concert with it in aggregate, hold more than 50% of the Company’s voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for Shares.

### FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fund-raising activities involving issue of securities in the past 12 months immediately preceding the Latest Practicable Date.

### GEM LISTING RULES IMPLICATION

#### Rights Issue

As the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue under Rule 10.29(1) of the GEM Listing Rules. Since there is no controlling shareholder, Mr. Ma and his respective associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver at the EGM. As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests in the Shares.

#### Underwriting Agreement

As at the Latest Practicable Date, Mr. Ma as the Underwriter is beneficially interested in 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares, and is a substantial Shareholder. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. None of the Directors had material interests in the transactions contemplated under the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver, and therefore none of the Directors are required to abstain from voting on the relevant Board resolutions approving the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver.

## LETTER FROM THE BOARD

### TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Ma as the Underwriter and parties acting in concert with him or presumed to be acting in concert with him are in aggregate, interested in 223,239,024 Existing Shares as at the Latest Practicable Date, representing approximately 14.91% of the issued Existing Shares.

Pursuant to the Underwriting Agreement, the Underwriter will underwrite up to 3,664,916,784 Rights Shares. If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ma pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, subject to the minimum Public Float Requirement under the GEM Listing Rules and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Ma will be required to take up 2,995,199,712 Rights Shares. In such circumstances, Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him, taken together, will in aggregate, hold 3,820,629,408 Shares, representing approximately 75.00% of the issued share capital of the Company as enlarged by the Rights Shares. The Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be taken up by the Underwriter is subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Accordingly, such increase of voting rights of the Company of Mr. Ma would therefore trigger an obligation of Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application has been made by Mr. Ma to the Executive for the Whitewash Waiver, in respect of the maximum of 3,664,916,784 Rights Shares to be underwritten by the Underwriter, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder.



## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular relating to, among others, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder, and the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, the Company has not received any other irrevocable commitments to accept or reject the Rights Shares or to vote for or against the Rights Issue, Placing Agreement, Underwriting Agreement, the Special Deals and/or the Whitewash Waiver.

### Special Deals

As of the Latest Practicable Date:

- (i) the 2017 CB Holder owns the 2017 CB with outstanding principal amount of HK\$30,095,357, and holds 13,333,332 Shares (representing approximately 0.89% of the total issued Shares of the Company); and
- (ii) Ms. Zhao, being the spouse of Mr. Ma (the Underwriter and a substantial of the Company) holds 22,508,800 Shares (representing approximately 1.50% of the total issued Shares of the Company) and the Company is indebted to Ms. Zhao a shareholder's loan amounted to approximately HK\$54.6 million.

Under the Takeovers Code, the use of the proceeds from the Rights Issue to repay the indebtedness owed to the aforementioned Shareholders would constitute a favourable condition not extended to all Shareholders and therefore special deals under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Executive's consent, if granted, will be conditional upon (i) the Independent Financial Adviser to the Independent Board Committee publicly giving an opinion that the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Independent Shareholders of the Special Deals at a shareholders' meeting by way of poll. The Company will seek the consent of the Executive to the Special Deals under Note 5 to Rule 25 of the Takeovers Code.

The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, the Underwriter, his associates and parties acting in concert with him and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Irrevocable Undertaking, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, the Special Deals and/or the Whitewash Waiver including Mr. Ma, Ms. Zhao and the 2017 CB Holder shall abstain from voting on the relevant resolution(s) at the EGM.

## LETTER FROM THE BOARD

As at the Latest Practicable Date:

- (i) apart from the Rights Shares to be subscribed and underwritten by Mr. Ma and the Special Deals, Mr. Ma and parties acting in concert with him have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Group in connection with the Rights Issue and the Underwriting Agreement, Placing Agreement, Irrevocable Undertaking, the Special Deals and Whitewash Waiver;
- (ii) apart from the Underwriting Agreement, the Irrevocable Undertakings, Placing Agreement, the Special Deals and Whitewash Waiver, there is no other understanding, arrangement or special deal between the Group on the one hand, and Mr. Ma and parties acting in concert with him on the other hand; and
- (iii) apart from the Special Deals, there is no understanding, arrangement or agreement or special deal between (a) any Shareholders (excluding Mr. Ma and parties acting in concert with him who are Shareholders), and (b) Mr. Ma and parties acting in concert with him, or the Company, its subsidiaries or associated companies.

### EGM

The register of members of the Company will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The EGM will be convened and held for the purpose of considering and, if thought fit (i) the Capital Reorganisation; (ii) the Rights Issue; (iii) the Placing Agreement; (iv) the Underwriting Agreement; (v) the Special Deals; and (vi) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

In accordance with the GEM Listing Rules and the Takeovers Code, (i) Mr. Ma and its associates; (ii) any parties acting in concert with Mr. Ma; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals or the Whitewash Waiver and the Irrevocable Undertakings, including but not limited to Mr. Ma and parties acting in concert with him, Ms. Zhao and the 2017 CB Holder, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings and, hence, is required to abstain from voting on the resolution(s) in relation to the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

## **LETTER FROM THE BOARD**

### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Mr. Guo Wei, Mr. Lam Albert Man Sum and Mr. Cheung Wai Hung, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor. Donvex Capital has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

### **DESPATCH OF THE PROSPECTUS DOCUMENT**

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the EGM and upon the Capital Reorganisation becoming effective, the Prospectus Documents or the Prospectus, whichever being appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on pages 49 to 50 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 51 to 88 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the members of the Independent Board Committee, whose views in respect of the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver are further set out below) consider that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, the Whitewash Waiver is fair and reasonable, and the Capital Reorganisation, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee) recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver.

### **ADDITIONAL INFORMATION**

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

## LETTER FROM THE BOARD

### WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue will proceed on a fully underwritten basis. There are no requirements for minimum levels of subscription. Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this circular). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 30 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 11 April 2022 to Wednesday, 20 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,  
By Order of the Board  
**Grand T G Gold Holdings Limited**  
**Li Dahong**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to, inter alia, the Rights Issue, the Underwriting Agreement, the Special Deals and the Whitewash Waiver.*



### GRAND T G GOLD HOLDINGS LIMITED

大唐潼金控股有限公司\*

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

**(Stock code: 8299)**

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Room A-B, 8th Floor  
Centre Mark II  
305-313 Queen's Road Central  
Sheung Wan, Hong Kong

26 January 2022

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS  
SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON  
THE RECORD DATE;**  
**(2) CONNECTED TRANSACTION IN RELATION  
TO THE UNDERWRITING AGREEMENT;**  
**(3) SPECIAL DEALS;**  
**AND**  
**(4) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 26 January 2022 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

\* For identification purpose only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement the Special Deals and the transactions contemplated thereunder respectively thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and/or the Independent Shareholders; (ii) the Whitewash Waiver is fair and reasonable and is in the interests of the Company and/or the Independent Shareholders; and (iii) to recommend how the Independent Shareholders should vote at the EGM.

Donvex Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Details of the advice of Donvex Capital, together with the principal factors it has taken into consideration on giving its advice, are contained in its letter set out on pages 51 to 88 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice from Donvex Capital, we consider that the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated respectively thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and/or the Independent Shareholders. We also consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and/or the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated respectively thereunder and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**Grand T G Gold Holdings Limited**

**Mr. Guo Wei      Mr. Lam Albert Man Sum      Mr. Cheung Wai Hung**  
*Independent non-executive Directors*

## LETTER FROM DONVEX CAPITAL

*The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 2502, 25th Floor,  
Carpo Commercial Building  
18–20 Lyndhurst Terrace  
Central  
Hong Kong

26 January 2022

*The Independent Board Committee and the Independent Shareholders of  
Grand T G Gold Holdings Limited*

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARE FOR EVERY ONE ADJUSTED SHARE  
HELD ON THE RECORD DATE;  
(2) CONNECTED TRANSACTION IN RELATION TO THE  
UNDERWRITING AGREEMENT;  
(3) SPECIAL DEALS;  
AND  
(4) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the fairness and reasonableness of the terms of the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 26 January 2022 issued by the Company 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 the Circular unless the context requires otherwise.

### The Rights Issue

The Company proposes, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.035 per Rights Share, to raise approximately HK\$157.2 million before expenses (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full) by way of the rights issuing up to 4,490,346,480 Rights Shares (assuming as aforesaid) to the Qualifying Shareholders.



## LETTER FROM DONVEX CAPITAL

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$149.7 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full.

The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.033. The Company intends to apply the net proceeds of approximately HK\$149.7 million from the proposed Rights Issue in the following manner:

- (i) approximately HK\$30.1 million for redemption of the 2017 CB issued by the Company;
- (ii) approximately HK\$55.5 million for repayment of loans from shareholders;
- (iii) approximately HK\$38.5 million for repayment of other indebtedness of the Group including but not limited to bonds and borrowings from third parties; and
- (iv) approximately HK\$25.6 million as the general working capital of the Group.

For illustration purposes only, assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (being the last scenario as illustrated in the table under the heading “Shareholding Structure of the Company” in this Circular), in order to maintain the minimum Public Float Requirement upon completion of the Rights Issue, the size of the Rights Issue shall be reduced and the Rights Shares to be issued upon completion shall be reduced to 3,597,390,384 Shares. Accordingly, the gross proceeds and net proceeds from the Rights Issue shall be reduced to approximately HK\$125.9 million and HK\$118.4 million, respectively. As such, the intended application of net proceeds on general working capital of the Group shall first be reduced to nil, and as the amount of net proceeds reduced exceeds HK\$25.6 million, the intended application of net proceeds on repayment of other indebtedness of the Group will then also be reduced to HK\$32.8 million.

### **The Underwriting Agreement**

The Rights Issue will be underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite up to 3,664,916,784 Rights Shares (being the Rights Shares other than the 602,190,672 Rights Shares that have been undertaken to be subscribed by Mr. Ma pursuant to the Irrevocable Undertakings) on the terms and subject to the conditions set out in the Underwriting Agreement and subject to the Company satisfying the minimum Public Float Requirement under Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Underwritten Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter, as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.



## **GEM LISTING RULE IMPLICATION**

As the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue under Rule 10.29(1) of the GEM Listing Rules. Since there is no controlling shareholder, Mr. Ma and his respective associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver at the EGM. As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests in the Shares.

As at the Latest Practicable Date, Mr. Ma as the Underwriter is beneficially interested in 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares, and is a substantial Shareholder. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, the Underwriter, his associates and parties acting in concert with him; and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Irrevocable Undertakings, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, the Special Deals and/or the Whitewash Waiver including Mr. Ma, Ms. Zhao and the 2017 CB Holder shall abstain from voting on the relevant resolution(s) at the EGM.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the Latest Practicable Date, Mr. Ma as the Underwriter and parties acting in concert with him or presumed to be acting in concert with him are, in aggregate, interested in 223,239,024 Existing Shares as at the Latest Practicable Date, representing approximately 14.91% of the issued Existing Shares.

Pursuant to the Underwriting Agreement, the Underwriter will underwrite up to 3,664,916,784 Rights Shares.

1. If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ma pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, subject to the minimum Public Float Requirement under the GEM Listing Rules and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue

## LETTER FROM DONVEX CAPITAL

of the Rights Shares, the Underwriter will be required to take up 2,995,199,712 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with him or presumed to be acting in concert with him, taken together, will in aggregate, hold 3,820,629,408 Shares, representing approximately 75.00% of the issued share capital of the Company as enlarged by the Rights Shares.

2. If there had been acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ma pursuant to the Irrevocable Undertakings) or placement made under the Compensatory Arrangements totaling 223,249,024 Rights Shares, subject to minimum Public Float Requirement under the GEM Listing Rules and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 3,664,916,784 Rights Shares. In such circumstances the Underwriter and parties acting in concert with him or presumed to be acting in concert with him, taken together, will in aggregate, hold 4,490,346,480 Shares, representing approximately 75% of the issued share capital of the Company as enlarged by the Rights Shares.

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be taken up by the Underwriter is subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Accordingly, such increase of voting rights of the Company of the Underwriter would therefore trigger an obligation of the Underwriter and parties acting in concert with him or presumed to be acting in concert with him to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Underwriter and parties acting in concert with him or presumed to be acting in concert with him under Rule 26 of the Takeovers Code), unless the Whitewash Waiver is granted by the Executive.

### **Whitewash Waiver**

An application will be made by the Underwriter to the Executive for the Whitewash Waiver, in respect of the maximum of 3,664,916,784 Rights Shares to be underwritten by the Underwriter, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder.

## LETTER FROM DONVEX CAPITAL

### Special Deals

As of the Latest Practicable Date:

- (i) The 2017 CB holder owns the 2017 CB with outstanding principal amount of HK\$30,095,357, and holds 13,333,332 Shares (representing approximately 0.89% of the total issued Shares of the Company); and
- (ii) Ms. Zhao, being the spouse of Mr. Ma (the Underwriter and a substantial of the Company) holds 22,508,800 Shares (representing approximately 1.50% of the total issued Shares of the Company) and the Company is indebted to Ms. Zhao a shareholder's loan amounted to approximately HK\$54.6 million;

Under the Takeovers Code, the use of the proceeds from the Rights Issue to repay the indebtedness owed to the aforementioned Shareholders would constitute a favourable condition not extended to all Shareholders and therefore a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Executive's consent, if granted, will be conditional upon (i) the Independent Financial Adviser to the Independent Board Committee publicly giving an opinion that the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Independent Shareholders of the Special Deals at a shareholders' meeting by way of poll. The Company will seek the consent of the Executive to the Special Deals under Note 5 to Rule 25 of the Takeovers Code.

The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, the Underwriter, his associates and parties acting in concert with him; and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Irrevocable Undertakings, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, the Special Deals and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Guo Wei, Mr. Lam Albert Man Sum and Mr. Cheung Wai Hung, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver as to whether they are fair and reasonable, and as to the voting action therefor. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee with an independent opinion and recommendation in these regards.

## **INDEPENDENCE**

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

We are independent from, and not connected with, the Company or any of its substantial shareholders, directors, chief executive, or any of their respective associates, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties within the past two years immediately preceding the Latest Practicable Date that could reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist within the past two years immediately preceding the Last Trading Day whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. We consider ourselves independent to form our opinion and give independent advice in relation to the Rights Issue, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and the Whitewash Waiver.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others:

- (i) the Company's annual report for the year ended 31 March 2021;
- (ii) the Underwriting Agreement;
- (iii) the Placing Agreement; and
- (iv) other information as set out in the Circular and its relevant supporting documents.

We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date.

## LETTER FROM DONVEX CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Takeovers Code and the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors of the Company issuing the Circular jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Company, nor have we carried out independent verification on the information supplied. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Should there be any subsequent material changes which occur during the period from the Latest Practicable Date and up to the completion of the Rights Issue, we will notify the Independent Board Committee and the Shareholders as soon as possible. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the Rights Issue, the Underwriting Agreement, the Special Deals and transactions contemplated thereunder and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

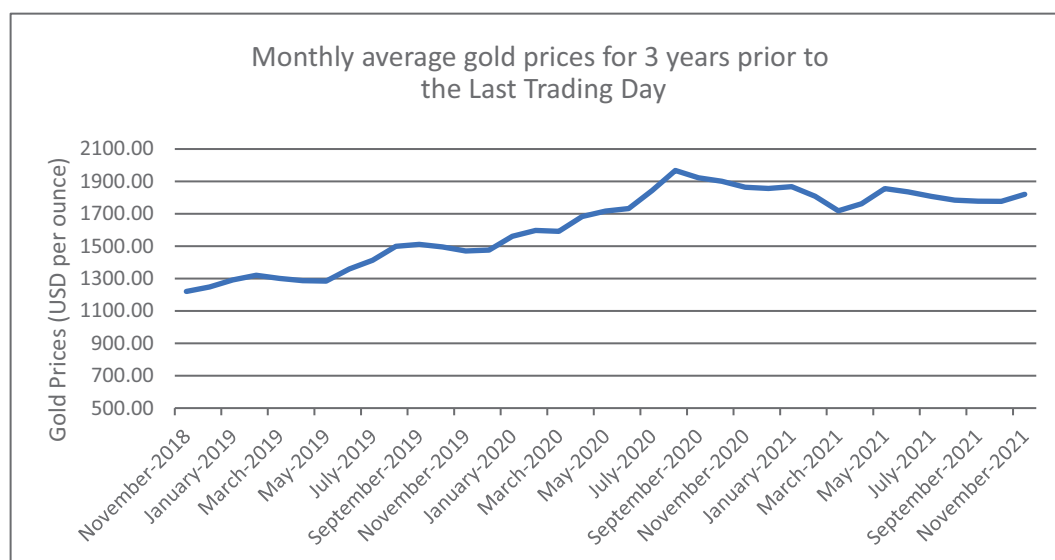
## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Rights Issue, the Underwriting Agreement, the Special Deals and transactions contemplated thereunder and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

### **1. Background information and outlook of the Group**

The Group is principally engaged in gold exploration, mining and mineral processing mainly in the PRC, with gold concentrate as its product.

Since gold is the primary product offered by the Group, in order to assess the outlook of the Group, we set out the monthly average gold prices for the 3 years prior to the Last Trading Day (i.e. 2 November 2018 to 2 November 2021) as follows.

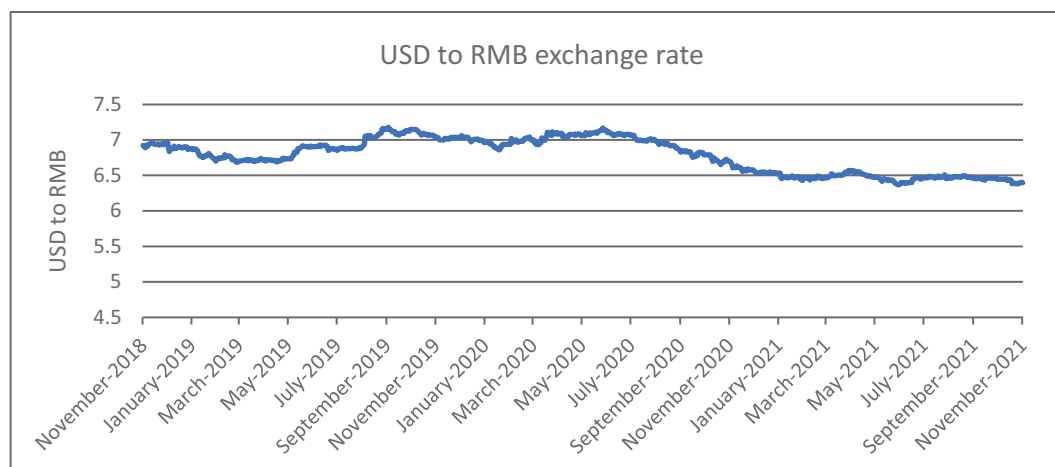


*Source: International Monetary Fund website*

As shown in the above graph, gold prices have exhibited a steady upward trend from approximately USD1,220 per ounce in November 2018 to approximately USD1,820 per ounce in November 2021.

## LETTER FROM DONVEX CAPITAL

With reference to a commodity prices forecast report released in 21 October 2021 by The World Bank, an international financial institution, it forecasted the yearly average gold price to remain relatively high at USD1,750 per ounce in 2022. However, since the majority of the Group's business is in the PRC, we have further examined the trend of the exchange rate for USD against RMB for the same period:



Source: website of Yahoo! Finance

As shown in the above graph, for the three years prior to the Last Trading Day, the highest exchange rate was approximately USD1 to RMB7.18 and the lowest exchange rate was approximately USD1 to RMB6.37 with an average of approximately USD1 to RMB6.78. The exchange rate decreased by approximately 12.7% from the highest exchange rate of USD1 to RMB 7.18 on 4 September 2019 to the lowest rate of USD1 to RMB 6.37 on 31 May 2021. In 2021, the exchange rate remained stable from a low of approximately USD1 to RMB 6.37 to a high of approximately USD1 to RMB6.57, representing a change within approximately 3.1%. As such we are of the view that the exchange rate between USD and RMB remained relatively stable in 2021.

Based on a report published by Reuters as at 20 December 2021, 12 leading international investment banks forecasted the exchange rate for USD against RMB is expected to be hovering at a range approximately between USD1 to RMB6.3 to USD1 to RMB6.6, representing a change within 4.8%, throughout 2022. We concur with their views that the exchange rate between USD and RMB will remain fairly stable in 2022.

Given the solid upward trend of gold prices and stable exchange rate between USD and RMB as illustrated above, it is likely beneficial for the Group as they can sell their products at a higher price. As such, we consider the Group's business prospect in the near future is promising. Therefore, Independent Shareholders subscribing for the Rights Shares may benefit from such promising business prospect.

# LETTER FROM DONVEX CAPITAL

## 2. Financial information of the Group

Set out below are the summarized financial information of the Group (i) for the years ended 31 March 2020 and 2021 as extracted from the 2021 Annual Report and (ii) for the six months ended 30 September 2020 and 2021 as extracted from the 2021 Interim Report and 2020 Interim Report:

	<b>For the six months ended 30 September</b>		<b>For the year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	51,749	45,926	99,807	69,643
Cost of sales	<u>(36,640)</u>	<u>(32,603)</u>	<u>(75,028)</u>	<u>(51,776)</u>
Gross Profit	15,109	13,323	24,779	17,867
Finance costs	(7,429)	(7,125)	(13,599)	(13,850)
Administrative expense	(9,519)	(12,396)	(25,076)	(37,043)
Loss for the year/period	(4,143)	(9,252)	(16,567)	(38,776)
	<b>As at 30 September 2021</b>	<b>As at 30 September 2020</b>	<b>As at 31 March 2021</b>	<b>As at 31 March 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Current assets</b>				
Cash and cash equivalents	10,078	9,230	5,916	2,141
<b>Current liabilities</b>				
Interest-bearing borrowings	—	2,500	300	300
Trade and other payable	112,048	74,817	103,281	61,186
Bonds	13,586	13,089	13,337	19,107
Convertible bonds	26,644	22,979	24,717	21,396
<b>Net current liabilities</b>	(189,995)	(152,581)	(169,120)	(148,864)
<b>Non-current liabilities</b>				
Interest-bearing borrowings	418,487	393,267	408,492	364,872
Trade and other payable	—	—	1,328	802
<b>Net assets</b>	250,595	243,343	249,145	237,620



## LETTER FROM DONVEX CAPITAL

### *Comparison between the year ended 31 March 2021 and the year ended 31 March 2020*

For the year ended 31 March 2021, the Group reported a total revenue of approximately HK\$99.8 million as compared with approximately HK\$69.6 million for the year ended 31 March 2020, representing an increase of approximately 43.3%. Such increase was mainly due to continuous efforts by the Group in offsetting impact of COVID-19, including extended working hours under COVID-19 epidemic control measures and the substantial increase in gold price which reached a historical high during the financial year.

The loss for the year ended 31 March 2021 for the Group was approximately HK\$16.6 million as compared to a loss of approximately HK\$38.8 million for the year ended 31 March 2020, representing a decrease of approximately 42.8%. The decrease in loss was mainly due to an increase in revenue as mentioned above and a tightened control of the administrative expense during the year.

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$5.92 million as compared to approximately HK\$2.14 million as at 31 March 2020, the increase of cash was mainly due to increase in the net cash generated from operating activities for the year ended 31 March 2021 as a result of the increase in revenue and the decrease in loss before tax for the aforementioned period. The net current liabilities of the Group amounted to approximately HK\$169.1 million as at 31 March 2021 compared to approximately HK\$148.9 million as at 31 March 2020. The increase in net current liabilities is mainly due to increase in trade payables which is in line with the increase in cost of sales.

As at 31 March 2021, the Group had bonds of approximately HK\$13.3 million as compared to approximately HK\$19.1 million as at 31 March 2020. The decrease in bonds is mainly due to repayment of bonds in August 2020 by the Group. As at 31 March 2021, the Group had convertible bonds of approximately HK\$24.7 million as compared to approximately HK\$21.4 million as at 31 March 2020. The increase was mainly due to the net effect of recognition of interest expense of approximately HK\$4.5 million and repayment of part of principal of approximately HK\$1.2 million.

As at 31 March 2021, the Group's total interest-bearing borrowings and interest payable amounted to approximately HK\$408.8 million, which included approximately interest-bearing borrowings of HK\$408.5 million that are not payable within 12 months, as compared to approximately HK\$365.2 million as at 31 March 2020 since the Company raised borrowings for its business operation for the year ended 31 March 2021. The borrowings bear interest rates ranging from approximately 4.35% to 20.00% and were secured by the Group's rights of collection from its customers of approximately HK\$11.3 million as at 31 March 2021. The gearing ratio remained stable at approximately 51.5% as at 31 March 2021 as compared to approximately 52.0% as at 31 March 2020.

## LETTER FROM DONVEX CAPITAL

### *Comparison between the six months ended 30 September 2021 and the six months ended 30 September 2020*

For the six months ended 30 September 2021, the Group reported a total revenue of approximately HK\$51.7 million as compared with approximately HK\$45.9 million for the six months ended 30 September 2020, representing an increase of approximately 12.6%. Such increase was mainly due to increase in sales volume due to recovery of business activities from COVID-19 pandemic and appreciation of RMB.

The loss for the six months ended 30 September 2021 for the Group was approximately HK\$4.14 million as compared to a loss of approximately HK\$9.25 million for the six months ended 30 September 2020, representing a decrease of approximately 55.2%. The decrease in loss was mainly due to a drop in administrative cost and selling and distribution expenses as a result of cost control measure of the Company.

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$10.1 million as compared to approximately HK\$9.23 million as at 30 September 2020, the increase of cash was mainly due to increase in cash generated from operating activities. The net current liabilities of the Group amounted to approximately HK\$190.0 million as compared to approximately HK\$152.6 million as at 30 September 2020. The increase in net current liabilities was mainly due to increase in trade payables of approximately HK\$19.3 million and other payables of approximately HK\$18.0 million as a result of the lengthened credit period negotiated by the Company in light of the pressure on the working capital of the Group.

As at 30 September 2021, the Group's total interest-bearing borrowings and interest payable amounted to approximately HK\$418.5 million, all of which are not payable within 12 months, as compared to approximately HK\$395.8 million as at 30 September 2020. The increase was mainly due to recognition of interest expenses of approximately HK\$3.7 million. The borrowings bear interest rates ranging from approximately 5% to 30% and were secured by the Group's rights of payments from its customers as collateral. As a result, the gearing ratio as at 30 September 2021 was approximately 51.5% as compared to approximately 53.7%.

### **3. Reasons for and benefits of the Rights Issue and use of proceeds**

As stated in the Letter from the Board, the maximum net proceeds from the Rights Issue, after deducting the estimated expenses, are estimated to be approximately HK\$149.7 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$30.1 million of the total net proceeds for the repayment for the redemption of outstanding convertible bonds issued by the Company, namely the 2017 CB which is owned by the 2017 CB Holder who also holds 13,333,332 Shares as at the Latest Practicable Date;
- (ii) approximately HK\$55.5 million of the total net proceeds for the repayment of loans from shareholder (namely Ms. Zhao);

## LETTER FROM DONVEX CAPITAL

- (iii) approximately HK\$38.5 million of the total net proceeds for repayment of other indebtedness of the Group, which consists of bonds with outstanding principal of HK\$12.9 million, interest-bearing borrowings of HK\$9.9 million, other payables of HK\$8.8 million and accruals of HK\$6.9 million from third parties and these bondholders and lenders are not Shareholders; and
- (iv) approximately HK\$25.6 million of the total net proceeds for general working capital of the Group

For illustration purposes only, assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (being the last scenario as illustrated in the table under the heading “Shareholding Structure of the Company” in this Circular), in order to maintain the minimum Public Float Requirement upon completion of the Rights Issue, the size of the Rights Issue shall be reduced and the Rights Shares to be issued upon completion shall be reduced to 3,597,390,384 Shares. Accordingly, the gross proceeds and net proceeds from the Rights Issue shall be reduced to approximately HK\$125.9 million and HK\$118.4 million, respectively. As such, the intended application of net proceeds on general working capital of the Group shall first be reduced to nil, and as the amount of net proceeds reduced exceeds HK\$25.6 million, the intended application of net proceeds on repayment of other indebtedness of the Group will then also be reduced to HK\$32.8 million.

### ***Outstanding 2017 CB***

The following table sets forth the details of the convertible bond agreement entered into between the Company and the 2017 CB Holder:

Date	:	17 July 2017
Original amount	:	HK\$30,095,357
Interest amount	:	HK\$303,427
Outstanding principal and interest amount as at 30 September 2021	:	HK\$30,398,784
Outstanding principal and interest amount as at Latest Practicable Date	:	HK\$30,128,338
Default penalty	:	Nil
Due date as of the Latest Practicable Date	:	16 July 2022

## LETTER FROM DONVEX CAPITAL

With reference to section headed “Appendix V — General information — 9. Litigations” in the Circular, we note that there is an ongoing litigation case between the Company and the 2017 CB Holder for the repayment of the 2017 CB totaling HK\$30,095,357 and the interest accrued thereon. The litigation is still ongoing and no judgement has been handed down as at the Latest Practicable Date.

Pursuant to the agreement dated 28 October 2021 entered into between 2017 CB Holder and the Company in relation to redemption of the outstanding 2017 CB, the parties agreed to discontinue HCA 1885 Action upon to repayment of the consideration under the said agreement and all outstanding interests under the 2017 CB by the Company. Given that the proceeds of HK\$30.1 million from the Rights Issue is sufficient for the repayment of the 2017 CB, the ongoing litigation case with the 2017 CB Holder may be resolved.

### ***Loans from Ms. Zhao***

The following table sets forth the details of the loan agreements entered into between the Company and Ms. Zhao:

<b>Agreement Date</b>	<b>Principal amount</b>	<b>Interest Rate</b>	<b>Due Date</b>
29-Mar-19	HK\$10,000,000	5% per annum	30-May-20
16-Mar-20	HK\$10,000,000	5% per annum	15-Mar-21
18-Jun-20	HK\$10,000,000	5% per annum	30-Jun-21
7-Dec-20	HK\$12,500,000	5% per annum	6-Dec-21
25-Jan-21	HK\$10,000,000	5% per annum	24-Jan-22

As at 30 September 2021, the total outstanding principal and interest payable for the Loans from Ms. Zhao amounted to approximately HK\$54.6 million. Assuming the Rights Issue completes on 31 March 2022, the total outstanding principal and interest payable due to Ms. Zhao will amount to HK\$55.5 million as at the same date. The Company has designated HK\$55.5 million from the use of proceeds for the repayment for Loans from Ms. Zhao. We note that Ms. Zhao has not demanded the immediate repayment of loans from the due dates of the loans above.

### ***Other Indebtedness of the Group***

As at 30 September 2021, the Group has trade and other payables of approximately HK\$112.0 million and bonds of approximately HK\$13.6 million.

As advised by the management of the Group, the Group intends to apply the proceeds to repay part of the outstanding payables including but not limited to (i) payable to independent third parties of approximately HK\$25.7 million, including an amount of HK\$1.7 million owing to a legal adviser; and (ii) bonds of approximately HK\$12.8 million, which were already past due as at the Latest Practicable Date.

## LETTER FROM DONVEX CAPITAL

With reference to section headed “Appendix V — General information — 9. Litigations” in the Circular, we note that there is an ongoing litigation case between the Company and the abovementioned legal adviser for the repayment of an outstanding amount of HK\$1.7 million. The litigation is still ongoing and no judgement has been handed down as at the Latest Practicable Date. Nevertheless, given that the Company has included the repayment of HK\$1.7 million in the use of proceeds for the repayment of outstanding payables to independent third parties of approximately HK\$25.7 million, the ongoing litigation case with the said legal adviser may be resolved.

### ***Reasons for the repayment of the 2017 CB, loans from Ms. Zhao and other indebtedness of the Group***

The Directors of the Company intended to apply the proceeds to repay the 2017 CB, the loan and interest payable to Ms. Zhao and other indebtedness for the following reasons:

- (i) the Company has considered to raise funds through debt financing, but was rejected by 3 banks as the Company has high gearing ratio. As such, the Company intends to reduce its gearing ratio from approximately 51.5% to approximately 39.8%. The Company may have a higher chance to obtain bank facility after the completion of the Rights Issue;
- (ii) as advised by the Directors, the cash and cash equivalents of the Group amounted to approximately HK\$10.1 million as at 30 September 2021, which was insufficient to repay the loan and interests payable within 12 months of approximately HK\$220.8 million. As such, the auditor of the Company expressed an emphasize of matter on the material uncertainty related to going concern as stated in the independent auditor’s report in the 2021 Annual Report;
- (iii) as the interest-bearing borrowings and convertible bonds of the Group bear effective interest rates up to 21.58%, which was relatively high comparing to other interest-bearing borrowing of the Group, the repayments may reduce interest payment of approximately HK\$5.1 million annually from approximately HK\$13.6 million; and
- (iv) the loan from Ms. Zhao of approximately HK\$30.5 million is overdue as at the Latest Practicable Date.

In view of the above, we concur with the Directors’ view that the repayment of the 2017 CB, repayment of loans from Ms. Zhao and other indebtedness of the Group with proceeds from the Rights Issue is in the interest of the Company and the Independent Shareholders as a whole.

***General working capital***

As disclosed in the Letter from the Board, the Company considers that the Rights Issue provides a good opportunity for the Company to maintain sufficient working capital to meet the daily operation requirements. The Company intends to utilize approximately HK\$25.6 million of the total net proceeds for administrative expenses and other daily operations. In fact, the administrative expenses for the previous two financial years of approximately HK\$62.1 million in aggregate (approximately HK\$25.1 million for the year ended 31 March 2021 and HK\$37.0 million for the year ended 31 March 2020) was manageable mainly due to the loan from Ms. Zhao of approximately HK\$52.5 million.

Considering the cash and cash equivalents of the Group amounted to approximately HK\$10.1 million as of 30 September 2021 which is unlikely adequate to cover the imminent administrative expense in the coming year to maintain its daily operation, we consider the Company's intention to use the proceeds and the amount of proceeds retained for forthcoming daily operations is fair and reasonable.

***Material uncertainty related to going concern***

We also note that the auditor of the Company expressed an emphasize of matter on the material uncertainty related to going concern as stated in the independent auditor's report in the 2021 Annual Report. As detailed in the 2021 Annual Report, the material uncertainty related to going concern was mainly due to the loss-making performance and net current liability position of the Company. As such, the repayment of the outstanding 2017 CB, loans from Ms. Zhao, and other indebtedness of the Group may help the Company in achieving better financial position and performance, thus assists in resolving the material uncertainty related to going concern.

***Our view on the reasons for and benefit of the Rights Issue and use of proceeds***

Taking into account the factors above, we are of the view that the Rights Issues will (i) enable the Group to repay the indebtedness of the Group and reduce the gearing ratio of the Group from approximately 51.5% to approximately 39.8% which may allow the Group to obtain bank facility; (ii) enable the Group to have sufficient working capital to cater for daily operations of the business; and (iii) contribute to resolving the material uncertainty related to going concern.

**4. Other fundraising alternatives**

As stated in the Letter from the Board, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of the Circular and up to the Latest Practicable Date.

## LETTER FROM DONVEX CAPITAL

The Directors have considered other financing alternatives apart from Rights Issue such as debt financing, placing of new shares and open offer to meet the financial needs of the Group and details are as follows:

### ***Debt financing***

The Directors have considered financing alternatives such as debt financing. The Directors advised us that the debt financing may not be feasible for the Group for the following reasons:

- (i) the Group has attempted to obtain loan facilities from banks and other independent third parties, but the financial institutions were not willing to grant the facilities given the current financial performance of the Group;
- (ii) debt financing may further incur financial costs and increase the interest burden for the Group when the debt is obtained, at the same time increasing gearing ratio; and
- (iii) even if any loan is granted, the Group may be charged of a relatively higher interest rate which may further worsen the loss-making position of the Company.

In light of the above, we are of the view that debt financing is not a favourable fundraising method for the Group.

### ***Placing of new shares***

As for placement of new Shares, it would lead to immediate dilution in the shareholding interests of existing Shareholders without offering them the opportunity to maintain their shareholding interests in the Company. The Group would like to use this as a last resort to only place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

### ***Open Offer***

As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

Given that an open offer does not allow the trading of rights entitlements, Shareholders who do not wish to take up their entitlements will not be offered the opportunity to sell their entitled nil-paid Rights Shares on the market as compensation. We consider that the Rights Issue would be more favourable and attractive to the Shareholders than an open offer because it would allow the Shareholders more flexibility by providing them the option to sell the nil-paid rights attached to the Shares.



***Other benefits of the Rights Issue***

The Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market.

***Conclusion***

Having considered the abovementioned financing alternatives and the Rights Issue allows Qualifying Shareholders to have more flexibility by providing them the option to sell the nil-paid rights, we are of the view that the use of Rights Issue as a mean of raising funds is the most appropriate fundraising option over other fundraising alternatives under the current circumstances of the Group and in the best interests of the Company and the Independent Shareholders as a whole.

**5. Principal terms of the Rights Issue**

***The Proposed Rights Issue***

The Company proposes, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.035 per Rights Share, to raise up to approximately HK\$157.2 million before expenses (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full) by way of the rights issuing up to 4,490,346,480 Rights Shares (assuming as aforesaid) to the Qualifying Shareholders. Further details of the Rights Issue are set out below:

***Issue Statistics***

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.035 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	1,496,782,160 Shares
Number of Adjusted Shares in issue upon the Capital Reorganization becoming effective	:	1,496,782,160 Adjusted Shares (assuming no change in the number of Shares in issue on or before the date on which the Capital Reorganization became effective)



## LETTER FROM DONVEX CAPITAL

Number of Rights Shares	:	Up to 4,490,346,480 Rights Shares, representing 300% of the Company's issued number of Adjusted Shares as at the Latest Practicable Date and 75% of the enlarged issued share capital of the Company upon completion of the Rights Issue (Assuming the Capital Reorganisation has become effective and no further issue of new Shares or repurchase of Shares on or before the Record Date);
Gross proceeds and net proceeds	:	Assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full:  Gross proceeds: up to approximately HK\$157.2 million  Net proceeds (after deducting the estimated expenses): up to approximately HK\$149.7 million
Aggregate nominal value of the Rights Shares	:	Up to approximately HK\$4,490,346.48

As at the Latest Practicable Date, there are outstanding convertible bonds being the 2017 CB with principal amount of HK\$30,095,357 which are convertible into 100,317,856 Existing Shares at the conversion price of HK\$0.3 per Existing Share. As at the Latest Practicable Date, the Company had entered into an agreement with the 2017 CB holder, an Independent Third Party, pursuant to which, inter alia, the 2017 CB holder had undertaken to the Company not to exercise the conversion rights attached to the 2017 CB prior to completion of the agreement and the Company shall, upon completion of the agreement, prioritize to apply the proceeds from the Rights Issue of HK\$30.1 million to repay the outstanding 2017 CB and the relevant outstanding interest accrued up to and including the completion date under the agreement in accordance with the terms and conditions of the said agreement. Save for the 2017 CB, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

### **6. Assessment of the principal terms of the Rights Issue**

#### ***The Subscription Price***

The Subscription Price for the Rights Shares is HK\$0.035 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

## LETTER FROM DONVEX CAPITAL

The Subscription Price represents (assuming the Capital Reorganisation has become effective as at the Latest Practicable Date):

- (i) a discount of approximately 10.26% to the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 2.78% to the theoretical ex-right price of HK\$0.036 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 14.63% to the closing price of HK\$0.041 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 5.41% to the theoretical ex-rights price of HK\$0.037 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.041 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 14.63% to the average closing prices of HK\$0.041 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 5.41% to the theoretical ex-rights price of HK\$0.037 per Share as adjusted for the effect of the Rights Issue, based on the average closing prices of HK\$0.041 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 9.76%, represented by the theoretical diluted price of approximately HK\$0.037 per Share to the benchmarked price of approximately HK\$0.041 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.041 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.041 per Existing Share);
- (viii) a discount of approximately 78.92% to the audited consolidated net asset value per Share of approximately HK\$0.166 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$249.1 million and 1,496,782,160 Shares in issue as at 31 March 2021);
- (ix) a discount of approximately 48.53% to the theoretical ex-rights price of HK\$0.068 per Share as adjusted for the effect of the Rights Issue, based on the audited consolidated net asset value per Share of approximately HK\$0.166

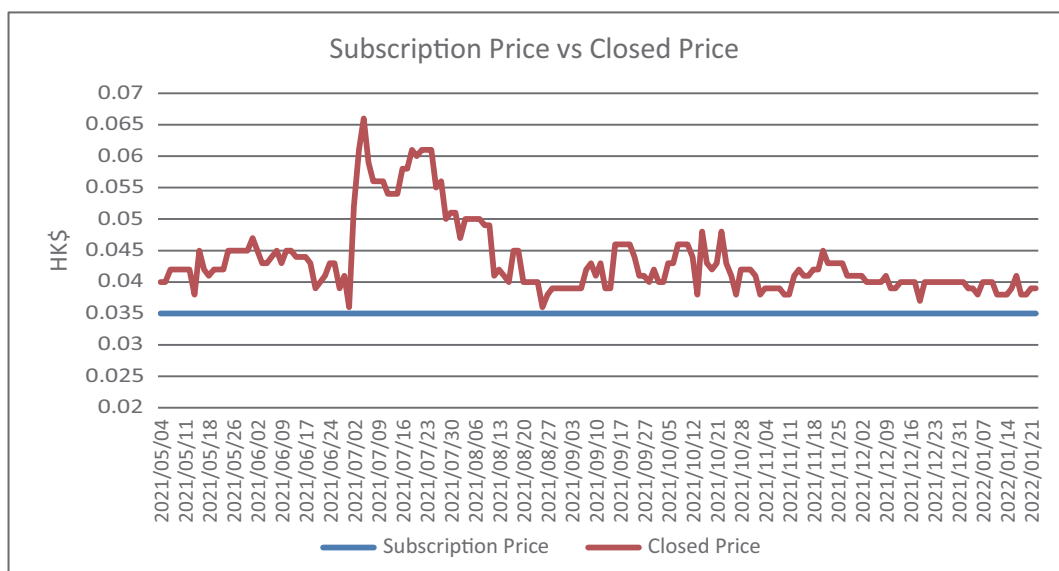
## LETTER FROM DONVEX CAPITAL

(based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$249.1 million and 1,496,782,160 Shares in issue as at 31 March 2021);

- (x) A discount of approximately 79.04% to the unaudited consolidated net asset value per Share of approximately HK\$0.167 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$250.6 million and 1,496,782,160 Shares in issue as at 30 September 2021); and
- (xi) a discount of approximately 48.53% to the theoretical ex-rights price of HK\$0.068 per Share as adjusted for the effect of the Rights Issue, based on the unaudited consolidated net asset value per Share of approximately HK\$0.167 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$250.6 million and 1,496,782,160 Shares in issue as at 30 September 2021).

### *Historical price performance of the Company*

Set out below is a chart showing the movement of the daily closing prices of the Shares from six months prior to the Last Trading Day up to the Latest Practicable Date (i.e. from 2 May 2021 to 21 January 2022) (the “**Review Period**”) and the comparison among the daily closing prices during the Review Period. This period represents a relatively stable recovery from COVID-19 and provides sufficient market data to evaluate the recent trend in stock price movement. We consider the Review Period adequate to reflect the general market sentiment and illustrate the general trend and level of movement of the daily closing price of the Shares before and after the Subscription Price was determined.



Source: Website of Stock Exchange

## LETTER FROM DONVEX CAPITAL

During the Review Period, the average closing price was approximately HK\$0.044 per Share. The daily closing price ranged from HK\$0.036 per Share as recorded on 30 June 2021 and 26 August 2021, to HK\$0.066 per Share, as recorded on 6 July 2021 during the Review Period. Throughout the Review Period, the Subscription Price of HK\$0.035 was lower than the closing prices of the Shares.

We observed that Subscription Price is at a deep discount to the net asset value per Share of approximately 78.92% and 79.04% as at 31 March 2021 and 30 September 2021 respectively. From Shareholders' perspective, since the Subscription Price is at a discount to the closing prices of the Shares during the Review Period and the net asset value per Share as at 31 March 2021 and 30 September 2021. We are of the view that the Subscription Price under the Rights Issue is fair and reasonable.

### *Comparison with other rights issue exercises*

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have formulated the following criteria in selecting the comparable transactions:

- (i) rights issue exercises conducted by the companies listed on the Stock Exchange;
- (ii) rights issue exercises that involve whitewash waiver;
- (iii) rights issue exercises by companies that are loss-making; and
- (iv) rights issue exercises announced in the period of 2 years up to and including the Last Trading Day (the “**Comparable Review Period**”).

Based on the above, we have, at our best effort, identified an exhaustive list of 6 rights issue exercises (the “**Comparable Transactions**”).

We consider this period adequate and appropriate given that (i) such period would provide us the recent and relevant information to demonstrate the prevailing market practice prior to the Last Trading Day; (ii) such period represents a time where the COVID-19 pandemic is prevalent; and (iii) sufficient samples for comparison were obtained during the Comparable Review Period. Although the market capitalisation, business, operations, financial positions and prospects of the Company may not be the same as those of the Comparable Transactions and none of the Comparable Transactions engaged in identical or similar business as the Group, however it can still illustrate the recent market practices of rights issue transactions in the market conducted by listed companies in Hong Kong. As such, we are of the view that the Comparable Transactions identified based on the above selection criteria are a fair and representative sample of transactions similar and comparable to the Rights Issue. We can determine whether the Subscription Price and other terms of the Rights Issue are in line with recent rights issue conducted in the market by comparing the Rights Issue to the Comparable Transactions.

# LETTER FROM DONVEX CAPITAL

Set out below is a summary of the Comparable Transactions:

Date of announcement	Name of company	Stock Code	Basis of entitlement	Discount of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement %	Discount of subscription price to/over the theoretical ex-rights price on the last trading date prior to the release of the rights issue announcement %	Theoretical dilution effect %	Underwriting commission %	Placing commission %	P/B ratio based on the latest audited net asset value prior to the date of announcement (Note 4) %	Latest audited net current assets/ (liabilities) prior to the date of announcement (HK\$'000)
10-Jan-20	Neway Group Holdings Limited	55	2 for 1	20.00	8.68	15.12	0	HK\$100,000 (Note 3)	5.5	528,427
11-Sep-20	Amber Hill Financial Holdings Limited	33	3 for 1	23.66	7.79	20.41	NA (Note 1)	2	NA (Note 5)	(109,704)
4-Nov-20	Top Form International Limited	333	2 for 5	21.88	16.67	6.25	0	the higher of HK\$100,000 and 1 % (Note 3)	25.3	121,239
6-Jan-21	Sinolink Worldwide Holdings Limited	1168	4 for 5	42.86	31.37	20.09	NA (Note 1)	NA (Note 2)	15.1	2,379,784
17-Feb-21	China LotSynergy Holdings Limited	1371	2 for 1	30.07	15.97	23.93	NA (Note 1)	1	43.7	(168,122)
29-Mar-21	China Demeter Financial Investments Limited	8120	3 for 1	17.36	4.99	15.29	0	2	13.9	70,600
			Average	25.97	14.25	16.85	0	1.50	20.7	
			Median	22.77	12.33	17.69	0	1.50	15.1	
			Maximum	42.86	31.37	23.93	0	2.00	43.7	
			Minimum	17.36	4.99	6.25	0	1.00	5.5	
	Company	8299		14.63	5.41	9.76	0	the higher of HK\$400,000 and 2.5%	21.1	(169,120)

Source: Stock Exchange website

Note 1: The respective fundraising exercise did not involve underwriters.

Note 2: The respective fundraising exercise did not involve placing agents.

Note 3: In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparable Transactions, we have excluded the minimum placing commissions and absolute placing commissions.

Note 4: The P/B ratio is calculated by dividing the subscription price by the latest audited net asset value per share as disclosed on respective companies' announcements.

Note 5: The respective company had a negative book value leading to an invalid P/B ratio.

Note 6: we did not perform a P/E comparison as the Company is loss-making as at 31 March 2021 and 30 September 2021.

## LETTER FROM DONVEX CAPITAL

### *Analysis on the Subscription Price*

As shown in the above table, the Subscription Price of HK\$0.035 per Rights Share represents:

- (i) a discount of approximately 14.63% to the closing price of HK\$0.042 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”);
- (ii) a discount of approximately 5.41% to the theoretical ex-rights price of HK\$0.037 per Share on the Last Trading Day prior to the release of the rights issue announcement (the “**Ex-right Prices Discount**”); and
- (iii) a price to book ratio of approximately 21.1% (the “**P/B Ratio**”) which is calculated by dividing the Subscription Price by the latest audited net asset value of approximately HK\$0.166 per Share as at 31 March 2021.

We noted that:

- (i) the LTD Discount is below the LTD Discount range of the Comparable Transactions;
- (ii) the Ex-right Prices Discount falls within the Ex-right Prices Discount range of the Comparable Transactions but below the average and median of the Ex-right Prices Discount; and
- (iii) The P/B Ratio is within the range but above the average and median of the P/B ratio of the Comparable Transactions.

Although the principal businesses, market capitalisations and financial positions of the companies of the Comparable Transactions may be different from those of the Company, we consider that the Comparable Transactions were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong for the Independent Shareholders.

### *Analysis on the theoretical dilution effect*

The theoretical dilution effect of the Comparable Transactions ranged from 6.25% to approximately 23.93%, with an average of approximately 16.85% and a median of approximately 17.69 %. In this regard, we noted that the theoretical dilution effect of the Rights Issue falls within the range of that of the Comparable Transactions and is in compliance with Rule 10.44A of the GEM Listing Rules as such theoretical dilution effect is less than 25%.

Since the theoretical dilution effect fall within the range of the Comparable Transactions, we consider the theoretical dilution effect in line with general market practice under the recent market conditions.

# LETTER FROM DONVEX CAPITAL

We note that, primarily as a result of the Rights Shares being issued at a discount smaller than the Comparable Transactions, the theoretical dilution effect of the Rights Issue is lower than the average and median of the Comparable Transactions which means that the Shares of the Company, including Shares held by Independent Shareholders, are diluted in relatively smaller magnitude after the Rights Issue comparing to the Comparable Transactions.

The following table sets out the potential dilution effect of the Rights Issue, assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the completion of the Rights Issue:

Name of Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming the Underwriter takes up the maximum amount of 3,664,916,784 Underwritten Shares		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx. % of issued Shares	Number of Shares	Approx. % of issued Shares	Number of Shares	Approx. % of issued Shares	Number of Shares	Approx. % of issued Shares	Number of Shares	Approx. % of issued Shares
Mr. Ma (also as the Underwriter)	200,730,224	13.41	802,920,896	13.41	802,920,896	13.41	4,467,837,680	74.62 (Note 3)	3,798,120,608	74.56 (Note 2)
Ms. Zhao (note 1)	22,508,800	1.5	90,035,200	1.5	22,508,800	0.38	22,508,800	0.38 (Note 3)	22,508,800	0.44
Other public Shareholders	1,273,543,136	85.09	5,094,172,544	85.09	5,161,689,944	86.21	1,496,782,160	25	1,273,543,136	25
<b>Total</b>	<b>1,496,782,160</b>	<b>100</b>	<b>5,987,128,640</b>	<b>100</b>	<b>5,987,128,640</b>	<b>100</b>	<b>5,987,128,640</b>	<b>100</b>	<b>5,094,172,544</b>	<b>100</b>

Notes:

- (1) Mr. Ma is the spouse of Ms. Zhao. Mr. Ma and Ms. Zhao are accordingly deemed to be interested in the Shares beneficially owned by each other under the SFO.
- (2) The Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be taken up by the Underwriter is subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Under such scenario, the gross proceeds and net proceeds from the Rights Issue will also be reduced and the intended application of net proceeds on the general working capital of the Group as set out in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this announcement will be reduced accordingly.



## LETTER FROM DONVEX CAPITAL

- (3) If upon completion of the Rights Issue and Compensatory Arrangements and after discharging the underwriting obligations in accordance with the Underwriting Agreement, the Underwriter and/or parties acting in concert with it in aggregate, hold more than 50% of the Company's voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for Shares.

As shown in the table above, the Rights Issue will cause a dilution effect to the Shares. However, taking into account (i) the benefits brought by the Rights Issue discussed under the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this letter; (ii) it would be less optimal for the Group to raise funds through other means of financing as discussed under the section headed "Other fundraising alternatives" in this letter; and (iii) the financial impacts of the Rights Issue discussed under the section headed "Financial impacts of the Rights Issue" below, we are of the view that the dilution effect is acceptable. Furthermore, all Qualifying Shareholders will be provided with an equal opportunity to take up the Rights Shares in accordance with their provisional entitlements under the Rights Issue and their respective interests in the Company will not be diluted if they elect to take up in full of their provisional allotments under the Rights Issue.

### *Conclusion*

Despite (i) the LTD Discount is below that of the Comparable Transactions; (ii) the Ex-right Prices Discount is below the average and median of Comparable Transactions; and (iii) P/B ratio is above the average and median of the Comparable Transactions, taking into account:

- (i) the Subscription Price is at a discount to the net asset value per Share as at 30 September 2021 and 31 March 2021 and the closing prices of the Shares throughout the Review Period;
- (ii) the Company is in need of funds as discussed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this letter;
- (iii) the reasons for and benefits of the Rights Issue in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds", which is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and
- (iv) the Rights Issue is considered to be a better financing alternative over other alternatives for the Group to raise funds through other means of financing as discussed under the section headed "Other fundraising alternatives" in this letter;

we are of the view that the Subscription Price and Rights Issue as a whole is fair and reasonable and is in the interest of the Company and/or the Independent Shareholders.

## **7. Principal terms of the Placing Agreement**

### ***The Placing Agreement***

After trading hours on 2 November 2021, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares as the Compensatory Arrangements.

Details of the Placing Agreement are as follows:

- |   |   |  |
|---|---|--|
| Date  | : | 2 November 2021 (after trading hours of the Stock Exchange)  |
| Placing Agent   | : | Cinda International Capital Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent is a licenced corporation to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.  |
| Placing fee   | : | <p>The Company shall pay to the Placing Agent:</p> <ul style="list-style-type: none"> <li>(a) HK\$100,000 payable within ten (10) business days after the Rights Issue and the transaction contemplated thereunder has been duly approved at the EGM;</li> <li>(b) HK\$300,000 payable within ten (10) business days after the completion of the Rights Issue; and</li> <li>(c) 2.5% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent less the aggregate of the amounts referred to in (a) and (b) above in accordance with the terms and conditions of the Placing Agreement</li> </ul> |
| Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe) | : | The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price. The final price determination is dependent on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.   |

<b>LETTER FROM DONVEX CAPITAL</b>
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- |  |   |  |
|--|---|--|
| Placees  | : | The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).   |
| Ranking of<br>Unsubscribed<br>Rights Shares and<br>the NQS Unsold<br>Rights Shares | : | Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.   |
| Conditions<br>Precedent  | : | The obligations of the Placing Agent under the Placing Agreement are subject to and conditional upon the Underwriting Agreement becoming unconditional.  |
| Placing Completion<br>Date   | : | The date when the Rights Shares are duly issued by the Company under the Rights Issue, which is 29 April 2022 or such other date as the Company and the Placing Agent may agree in writing.  |
| Termination  | : | <p>If, prior to the Latest Placing Time:</p> <p>(1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:</p> <p style="margin-left: 40px;">(a) The introduction of any new regulation or any changes in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business of the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or</p> |

## LETTER FROM DONVEX CAPITAL

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on the trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances of otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing, the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

## LETTER FROM DONVEX CAPITAL

### *Our view*

Pursuant to the Placing Agreement, the placing commission is the higher of HK\$400,000 and 2.5% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.

To assess the market standard of commission charged by placing agents in relation to similar fund-raising activities, we have compared the placing commission of the Rights Issue of 2.5% (the “**Placing Commission**”) to the placing commissions of 4 transactions involving placing as stated in the above section headed “Comparison with other rights issue exercise” (“**Comparable Placing Commissions**”). The Placing Commission of the Rights Issue of 2.5% falls above the range of the Comparable Placing Commissions from 1% to 2%.

We have also compared the minimum placing commission fee of the Rights Issue of HK\$400,000 (the “**Minimum Placing Commission**”) with 2 of the Comparable Transactions that involved a minimum placing commission or fixed placing commission as stated in the above section headed “Comparison with other rights issue exercise” (“**Comparable Minimum Placing Commissions**”). The Minimum Placing Commission of HK\$400,000 falls above the Comparable Minimum Placing Commissions of HK\$100,000.

Although the principal businesses, market capitalisations and financial positions of the companies of the Comparable Placing Commission and Comparable Minimum Placing Commissions may be different from those of the Company, we consider that the Comparable Transactions were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong for the Independent Shareholders.

The Placing Commission and Minimum Placing Commission are both higher than that of the Comparable Transactions, however since (1) the Subscription Price represents a smaller discount to the closing prices of the Shares compared to the Comparable Transactions as mentioned in the section headed “Comparison with other rights issue exercises”; (2) the Company has recorded net current liabilities as at 30 September 2021; and (3) the Company has been loss-making for the past two financial years (thus no P/E comparison was conducted in the section headed “Comparison with other rights issue exercises”), the Right Shares may appear less attractive to placees, it is difficult for the Company to identify placing agent with a placing commission that is comparable to placing commissions used in the Comparable Transactions.

Despite the Placing Commission and Minimum Placing Commission are higher than that of the Comparable Transactions, taking into account:

- (i) the Company is in need of funds as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this letter;

## LETTER FROM DONVEX CAPITAL

- (ii) the reasons for and benefits of the Rights Issue in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds”, which is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and
- (iii) under the Compensatory Arrangement, the Placing Agreement is required in order to conduct the Rights Issue in accordance with Rule 10.31(1)(b) of the GEM Listing Rules.

we are of the view that the Placing Commission and Minimum Placing Commission is acceptable and is in the interest of the Company and/or the Independent Shareholders.

### 8. Connected transaction in relation to the Underwriting Agreement

#### *The Underwriting Agreement*

Details of the Underwriting Agreement are as follows:

Date	:	2 November 2021 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Underwriter	:	Mr. Ma, a substantial Shareholder, owns 200,730,224 Existing Shares, representing approximately 13.41% of the issued Existing Shares as at the Latest Practicable Date
Number of Rights Shares underwritten by the Underwriter	:	The Rights Issue will be underwritten by the Underwriter and up to 3,664,916,784 Rights Shares being the maximum number of Rights Shares issuable (assuming the Capital Reorganisation has become effective and no further issue of new Shares or repurchase of Shares on or before the Record Date and excluding then 602,190,672 Rights Shares that have been undertaken to be subscribed by Mr. Ma pursuant to the Irrevocable Undertakings and subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue), are underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement.

## LETTER FROM DONVEX CAPITAL

Assuming the Underwriter takes up the maximum amount of 3,664,916,784 Underwritten Shares, the Underwriter will hold 4,467,837,860 Shares upon completion of the Rights Issue, representing approximately 74.62% of the total issued share capital of the Company as enlarged by the Rights Shares (i.e. 5,987,128,640 Shares, assuming no change in the issued share capital of the Company on or before the Record Date).

In the event that there is nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Ma who has provided Irrevocable Undertakings) and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not placed to any Placees and to be taken up by the Underwriter, 892,956,096 Rights Shares will not be issued for the purpose of maintenance of the minimum Public Float Requirement upon completion of the Rights Issue. As such the size of the Rights Issue shall be reduced to 3,597,390,384 Rights Shares and the maximum number of Rights Shares issuable and to be underwritten by the Underwriter shall be 2,995,199,712 Rights Shares. Under such scenario, the Underwriter will hold 3,798,120,608 Shares upon completion of the Rights Issue, representing approximately 74.56% of the total issued share capital of the Company as enlarged by the Rights Shares (i.e. 5,094,172,544 Shares, assuming no change in the issued share capital of the Company on or before the Record Date). For further illustration on effect of the Rights Issue on the shareholding structure of the Company, please refer to the section headed "Shareholding Structure of the Company" in this circular.

If upon completion of the Rights Issue and Compensatory Arrangements and after discharging the underwriting obligations in accordance with the Underwriting Agreement, the Underwriter and/or parties acting in concert with it in aggregate, hold more than 50% of the Company's voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for Shares.



## LETTER FROM DONVEX CAPITAL

Underwriting commission	:	The Underwriter will not receive any underwriting commission
Public float	:	The Underwriter will take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares unless as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter, as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. As such, the gross proceeds and net proceeds from the Rights Issue will also be reduced and the intended application of net proceeds on the general working capital of the Group as set out in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” in the letter from the Board in this Circular will be reduced accordingly.

### *Our View*

As at the Latest Practicable Date, the Underwriter and parties acting in concert with him or presumed to be acting in concert with him are in aggregate, interested in 223,239,024 Existing Shares, representing approximately 14.91% of the issued Existing Shares.

Pursuant to the Underwriting Agreement, the actual number of Rights Shares to be taken up by the Underwriter will depend on the level of subscriptions by the Qualifying Shareholders, and the results of the placing pursuant to the Placing Agreement. To assess the fairness and reasonableness of the Underwriting Agreement, we have considered the following:

### *Underwritten Shares*

As set out in the Letter from the Board, Mr. Ma, being a substantial Shareholder and the Underwriter of the Rights Issue, has provided irrevocable and unconditional undertakings to the Company that (i) all the above Shares held by him will continue to be beneficially owned by him on the Record Date; and (ii) he will accept and pay for all the Rights Shares to be provisionally allotted to him under the Rights Issue, being 602,190,672 Rights Shares, pursuant to the terms and conditions of the Prospectus Document. As such, apart from the Underwritten Shares, Mr. Ma is committed to support the Rights Issue with cash of no less than approximately HK\$21.1 million.

## LETTER FROM DONVEX CAPITAL

Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis. However, if the Placing Agent is unable to place all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, Mr. Ma is committed to subscribe for a certain number of the Rights Shares pursuant to the Underwriting Agreement. Depending on the level of subscriptions by the Qualifying Shareholders, Mr. Ma shall underwrite not more than 3,664,916,784 Rights Shares, representing approximately HK\$128.3 million.

Considering (i) the Company is in need of fund as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this letter; and (ii) the appointment of Mr. Ma as the Underwriter can provide certainty of funding to the Company as Mr. Ma will underwrite the Underwritten Shares on a firm commitment basis regardless of the participation level from Qualifying Shareholders, we concur with the Directors that the entering into of the Underwriting Agreement and Mr. Ma’s committed Underwritten Shares, is in the interests of the Company and Independent Shareholders as a whole.

### *Underwriting Commission*

Pursuant to the Underwriting Agreement, Mr. Ma will not receive any commission for underwriting the Underwritten Shares. The Company is not required to pay or reimburse any other fees or expenses under the Underwriting Agreement. Furthermore, as discussed with the Directors, the Company would like to save commission related expenses in relation to underwriting. Given the current market standards, it is highly unlikely to identify a suitable underwriter to underwrite the Rights Issue at no cost to the Company.

### *Conclusion*

Taking into consideration of the above, we are of the view that although the appointment of Mr. Ma as the Underwriter with no commission is not in the usual and ordinary course of business, it is on normal commercial terms or better, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. As such we recommend Independent Shareholders to vote in favour of the Underwriting Agreement.

## **9. Financial impacts of the Rights Issue**

### *Gearing ratio*

For illustrative purpose, following the completion of the Rights Issue, assuming all the Rights Shares will be issued in full and the use of proceeds is utilized as intended, the loans and borrowings of the Company as at 30 September 2021 will be lowered by approximately HK\$113.4 million, improving the gearing ratio from approximately 51.5% to approximately 39.8%.

## LETTER FROM DONVEX CAPITAL

### *Finance costs*

For illustrative purpose, following the completion of the Rights Issue, assuming all the Rights Shares will be issued in full and the use of proceeds is utilized as intended, the repayment of loans will save the Company an aggregate finance costs of approximately HK\$4.62 million annually.

### *Net current liabilities and current ratio*

For illustrative purpose, following the completion of the Rights Issue, assuming all the Rights Shares will be issued in full and the use of proceeds is utilized as intended on 30 September 2021, the net current liabilities of approximately HK\$190.0 million as at 30 September 2021 will be lowered to approximately HK\$105.5 million, which will improve the current ratio from approximately 14.0% to 34.9%.

### *Liquidity*

As stated in the Letter from the Board, the cash and cash equivalents of the Company was approximately HK\$10.1 million as at 30 September 2021, and the net proceeds from the Rights Issue will be applied to repay loans and serve as general working capital, which will improve the Company's liquidity upon completion of the Rights Issue.

### *Conclusion*

Although the aforementioned analysis is for illustrative purpose and do not represent how the financial position of the Group will be upon completion of the Rights Issue, we are of the view that the improvement in the liquidity and financial position of the Group upon completion of the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

## **10. Whitewash Waiver**

With reference to the Letter from the Board, as at the Latest Practicable Date, Mr. Ma as the Underwriter and parties acting in concert with him or presumed to be acting in concert with him are in aggregate, interested in 223,239,024 Existing Shares as at the Latest Practicable Date, representing approximately 14.91% of the issued Existing Shares.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ma pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, subject to the minimum Public Float Requirement under the GEM Listing Rules and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Ma will be required to take up 2,995,199,712 Rights Shares. In such circumstances, Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him, taken together, will in aggregate, hold 3,820,629,408 Shares, representing approximately 75.00% of the issued share capital of the Company as enlarged by the Rights Shares.

## LETTER FROM DONVEX CAPITAL

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares to be taken up by the Underwriter is subject to the Company satisfying the minimum Public Float Requirement under the Rule 11.23(7) of GEM Listing Rules upon the completion of the Rights Issue. The Underwriter will not take up all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares if as a result of which the Company will fall below the minimum Public Float Requirement upon completion of the Rights Issue. Any of the Rights Shares which remain untaken by the Underwriter as a result of the maintenance of the minimum Public Float Requirement upon completion of the Rights Issue, will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Accordingly, such increase of voting rights of the Company of Mr. Ma would therefore trigger an obligation of Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him under Rule 26 of the Takeovers Code), unless the Whitewash Waiver is granted by the Executive.

An application will be made by Mr. Ma to the Executive for the Whitewash Waiver, in respect of the maximum of 3,664,916,784 Rights Shares to be underwritten by the Underwriter, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder.

### *Our view*

With reference to the Letter from the Board, the underwriting of Rights Shares may trigger mandatory offer under Rule 26 of the Takeovers Code. As disclosed in the Letter from the Board in the Circular, obtaining the Whitewash Waiver is a condition precedent to the Rights Issue and Underwriting Agreement. As such, in the event the Whitewash Waiver is not granted, the Rights Issue will not proceed.

In order to implement the Rights Issue and ensure the Company would have sufficient funds to improve the financial health of the Company, (i) the Company has engaged the Placing Agent for the Placing, which is on a best-effort basis; and (ii) Mr. Ma will then underwrite the Unsubscribed Rights Shares following the Placing.

As advised by the management of the Company, we understand that Mr. Ma may not have sufficient capital to make a mandatory offer to the Independent Shareholders after underwriting the Rights Issue. In addition, he is only willing to underwrite the Rights Issue if part of the proceeds from the Rights Issue, which Mr. Ma has undertaken to participate to contribute capital in cash as a Shareholder and the Underwriter, are used to repay the shareholder's loan from Ms. Zhao, the spouse of Mr. Ma. The repayment of the shareholder's loan from Ms. Zhao constitutes a special deal under Rule 25 of the Takeovers Code that will be further discussed in the section headed "Special Deal"

below. Since (1) Mr. Ma may only have enough fundings for either (i) participate in the Rights Issue as a Shareholder and Underwriter; or (ii) make a mandatory offer; (2) in the event Mr. Ma make a mandatory offer, the offer price will only equal to the Subscription Price of the Rights Issue which is below the recent closing prices of the Shares and net asset value per Share as at 30 September 2021; and (3) the Rights Issue provides additional capital for the Company by injecting funds directly to the Company which in turn improves the net asset value of the Shares of the Company including those held by Independent Shareholders, the Rights Issue may be a better choice for the Company and the Independent Shareholders when comparing to a mandatory offer.

Based on our analysis of the terms of the Rights Issue, reasons for and benefits of the Rights Issue and the use of proceeds of the Rights Issue as set out above, we consider that the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of the Company and/or the Independent Shareholders. Given that all Qualifying Shareholders will be provided with an equal opportunity to take up the Rights Shares in accordance with their provisional entitlements under the Rights Issue and their respective interests in the Company will not be diluted if they elect to take up in full of their provisional allotments under the Rights Issue, we are of the opinion that, for the purposes of implementing the Rights Issue as discussed above, the grant of the Whitewash Waiver is in the interests of the Company and/or the Independent Shareholders.

## **11. Special Deals**

As of the Latest Practicable Date:

- (i) The 2017 CB holder owns the 2017 CB with outstanding principal amount of HK\$30,095,357, and holds 13,333,332 Shares (representing approximately 0.89% of the total issued Shares of the Company);
- (ii) Ms. Zhao, being the spouse of Mr. Ma (the Underwriter and a substantial of the Company) holds 22,508,800 Shares (representing approximately 1.50% of the total issued Shares of the Company) and the Company is indebted to Ms. Zhao a shareholder's loan amounted to approximately HK\$54.6 million;

Under the Takeovers Code, the use of the proceeds from the Rights Issue to repay the indebtedness owed to the aforementioned Shareholders would constitute a favourable condition not extended to all Shareholders and therefore a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Executive's consent, if granted, will be conditional upon (i) the Independent Financial Adviser to the Independent Board Committee publicly giving an opinion that the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Independent Shareholders of the Special Deals at a shareholders' meeting by way of poll. The Company will seek the consent of the Executive to the Special Deals under Note 5 to Rule 25 of the Takeovers Code.

*Our view*

*Repayment of the 2017 CB*

As for the 2017 CB, the Company entered into an agreement with the 2017 CB Holder where the 2017 CB Holder had undertaken to the Company not to exercise the conversion rights prior to completion of the agreement and the Company shall prioritize to apply part of the proceeds from the Rights Issue to repay the outstanding 2017 CB and relevant outstanding interest.

With reference to section headed “Appendix V — General information — 9. Litigations” in the Circular, we note that there is an ongoing litigation case between the Company and the 2017 CB Holder for the repayment of the 2017 CB. The litigation is still ongoing and no judgement has been handed down yet. Nevertheless, given that the proceeds of HK\$30.1 million from the Rights Issue will be used for the repayment of the 2017 CB, the ongoing litigation case with the 2017 CB Holder may be resolved.

*Repayment of the shareholder’s loan from Ms. Zhao*

As discussed in the section headed “Whitewash Waiver” above, we understand that as Mr. Ma and Ms. Zhao may not have sufficient capital to perform a mandatory offer, Mr. Ma and Ms. Zhao are only willing to underwrite the Rights Issue if part of the proceeds from the Rights Issue, which Mr. Ma has undertaken to participate to contribute capital in cash as a Shareholder and the Underwriter, are used to repay the shareholder’s loan owing to them.

Given (i) Mr. Ma has irrevocably undertaken to subscribe for 602,190,672 Rights Shares pursuant to the Irrevocable Undertakings; and (ii) Mr. Ma agreed to underwrite up to 3,664,916,784 Rights Shares pursuant to the Underwriting Agreement, it is expected that Mr. Ma shall contribute to the Company no less than approximately HK\$21.1 million and up to a maximum of HK\$128.3 million based on the Subscription Price of HK\$0.035 per Rights Shares. Accordingly, the repayment of the shareholder’s loan due to Ms. Zhao merely represented a debt restructuring transaction for the shareholders’ loan in converting the cash borrowed by Ms. Zhao to the Company from debt to equity, reducing the gearing ratio from approximately 51.5% to 44.1%.

Taking into account that (i) for the purposes of implementing the Rights Issue, Mr. Ma is only willing to underwrite the Rights Issue if part of the proceeds from the Rights Issue, which Mr. Ma will contribute capital in cash as a Shareholder and the Underwriter, are used to repay the loan from Ms. Zhao; (ii) the Rights Issue is in the interest of the Company and its Independent Shareholders as a whole with reference to the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” above; (iii) the repayment of loan to Ms. Zhao merely represents a debt restructuring for her loans by way of converting debt to equity; (iv) the Company entered into an agreement to repay the outstanding 2017 CB and relevant outstanding interest and potentially resolve a litigation between the Company and the 2017 CB Holder; and (v) only Independent

## LETTER FROM DONVEX CAPITAL

Shareholders are entitled to voting on the relevant resolution(s) at the EGM, we are of the view that the respective terms of the Special Deals are fair and reasonable and are in the interest of the Company and/or the Independent Shareholders.

### RECOMMENDATION

Having taken into account the above principal factors and reasons discussed above, we are of the opinion that:

- (i) the Rights Issue, the Placing Agreement, the Special Deals, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and in the interest of the Company and/or its Independent Shareholders; and
- (ii) the Underwriting Agreement is on normal commercial terms, and the terms of the Underwriting Agreement is fair and reasonable and in the interest of the Company and/or its Independent Shareholders, despite the transaction contemplated under the Underwriting Agreement is not in the Company's ordinary and usual course of business.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals and the Whitewash Waiver at the EGM.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Sy Wai Shuen**  
*Director*

*Ms. Sy Wai Shuen is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 19 years of experience in corporate finance industry.*



## 1. FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended 31 March 2019, 31 March 2020 and 31 March 2021 and the six months ended 30 September 2021 are disclosed in the annual reports and interim report of the Company which have been published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.grandtg.com>):

- (i) the unaudited financial information of the Group for the six months ended 30 September 2021 is disclosed in the interim report 2021 (“**2021 Interim Report**”) of the Company published on 12 November 2021, from pages 2 to 25.

(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1112/2021111202436.pdf>);

- (ii) the audited financial information of the Group for the year ended 31 March 2021 is disclosed in the annual report 2020/2021 (“**2020/2021 Annual Report**”) of the Company published on 29 June 2021, from pages 63 to 172

(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0629/2021062901824.pdf>);

The consolidated financial statements for the year ended 31 March 2021 were audited by McM (HK) CPA Limited.

- (iii) the audited financial information of the Group for the year ended 31 March 2020 is disclosed in the annual report 2019/2020 of the Company published on 2 July 2020, from pages 63 to 184

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0702/2020070202255.pdf>); and

The consolidated financial statements for the year ended 31 March 2020 were audited by McM (HK) CPA Limited.

- (iv) the audited financial information of the Group for the year ended 31 March 2019 is disclosed in the annual report 2018/2019 of the Company published on 28 June 2019, from pages 68 to 176

(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628119.pdf>).

The consolidated financial statements for the year ended 31 March 2019 were audited by GI CPA Limited.

The following is the summary of the consolidated financial information of the Group for each of the years ended 31 March 2019, 2020 and 2021 which were extracted from the Company's annual reports for the years ended 31 March 2019, 2020 and 2021 respectively:

	<b>For the year ended 31 March</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>RESULTS</b>			
Revenue	<u>163,829</u>	<u>69,643</u>	<u>99,807</u>
(Loss)/profit before tax	15,610	(39,229)	(17,116)
Income tax (expense)/credit	<u>(7,849)</u>	<u>453</u>	<u>549</u>
(Loss)/profit for the year	<u>7,761</u>	<u>(38,776)</u>	<u>(16,567)</u>
Attributable to:			
Equity holders of the Company	33	(35,239)	(17,974)
Non-controlling interests	<u>7,728</u>	<u>(3,537)</u>	<u>(1,407)</u>
	<u>7,761</u>	<u>(38,776)</u>	<u>(16,567)</u>
<b>Total comprehensive expense for the year</b>	<u>(16,223)</u>	<u>(62,698)</u>	<u>11,525</u>
Attributable to:			
Owners of the Company	(24,903)	(58,174)	9,001
Non-controlling interests	<u>8,680</u>	<u>(4,524)</u>	<u>2,524</u>
	<u>(16,223)</u>	<u>(62,698)</u>	<u>11,525</u>
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
<b>Loss per share attributable to owners of the Company (HK cents)</b>			
Basic	<u>(1.20)</u>	<u>(2.35)</u>	<u>—*</u>
Diluted	<u>(1.20)</u>	<u>(2.35)</u>	<u>—*</u>

\* Represent amount less than HK\$ cents 0.01

**Dividends**

The Company did not recommend any final dividend for each of the years ended 31 March 2019, 2020 and 2021.

With reference to the 2020/2021 Annual Report, as at 31 March 2021, the Group had cash and cash equivalents and net assets of approximately HK\$5.9 million and HK\$249.1 million respectively. The Group's gearing ratio was approximately 0.52 as at 31 March 2021 (31 March 2020: approximately 0.52).

As disclosed in the annual reports of the Company for the financial years ended 31 March 2019, 2020 and 2021, the auditors of the Company for each of the three financial years ended 31 March 2019, 2020 and 2021 set out in their respective independent auditor's reports that the consolidated financial statements of the Group indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The opinion of the auditors in respect of each of the three financial years ended 31 March 2019, 2020 and 2021 were not modified in respect of this matter.

Relevant extracts of the independent auditor's reports for the financial years ended 31 March 2019, 2020 and 2021 as disclosed in the annual reports of the Company for the financial years ended 31 March 2019, 2020 and 2021 are reproduced below:

**For the financial year ended 31 March 2019**

*(The Group's auditors: GI CPA Limited)*

*“Material Uncertainty Related to Going Concern*

We draw attention to note 1 of the consolidated financial statements, as at 31 March 2019, the Group's net current liabilities is approximately HK\$103,735,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome as set forth in note 1 to the consolidated financial statements. Our opinion is not modified in respect of this matter.”

**For the financial year ended 31 March 2020**

*(The Group's auditors: McM (HK) CPA Limited)*

*“Material uncertainty related to going concern*

We draw attention to note 1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK\$38,776,000 for the year ended 31 March 2020 and as at 31 March 2020, the Group had net current liabilities of approximately HK\$175,300,000. In addition, the Group's promissory notes, bonds and convertible bonds of approximately HK\$12,500,000, HK\$19,107,000 and HK\$21,396,000

respectively are subject to repayable on demand as disclosed in notes 26, 25 and 27 to the consolidated financial statements respectively. Based on the current liquidity position of the Group, the Group might have financial uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 1 to the consolidated financial statements to meet its overdue financial obligations from time to time. Our opinion is not modified in respect of this matter."

**For the financial year ended 31 March 2021**

*(The Group's auditors: McM (HK) CPA Limited)*

*"Material uncertainty related to going concern*

We draw attention to note 1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK\$16,567,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net current liabilities of approximately HK\$169,120,000. In addition, the Group's bonds and convertible bonds of approximately HK\$13,337,000 and HK\$24,717,000 respectively could become repayable on demand subject to the court ruling, as disclosed in notes 26 and 28 to the consolidated financial statements respectively. Based on the current liquidity position of the Group, the Group might have financial uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 1 to the consolidated financial statements to meet its overdue financial obligations from time to time. Our opinion is not modified in respect of this matter."

Save as disclosed above, no modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the independent auditor's reports of the Company for each of the financial years ended 31 March 2019, 2020 and 2021.

## **2. INDEBTEDNESS**

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Circular, the details of the Group's indebtedness are as follows:

### **(a) Other Borrowings**

As at 30 November 2021, the Group had unsecured interest-free other borrowings of approximately HK\$156.5 million and unsecured other borrowings of approximately HK\$365.3 million, which bear interest at the 4.35% per annum. The Group had a secured interest-bearing borrowing of approximately HK\$5.6 million, which is secured by the equivalent amount of Group's rights of collection from its customers and bears interest at the 4.35% per annum;

**(b) Bonds**

As at 30 November 2021, the Group had outstanding bonds amounting to approximately HK\$13.7 million, which are unsecured and unguaranteed;

**(c) Convertible bonds**

As at 30 November 2021, the Group had outstanding convertible bonds amounting to approximately HK\$30.3 million, which are unsecured and unguaranteed;

**(d) Lease liabilities**

As at the close of business on 30 November 2021, the Group had no lease liabilities;

**(e) Contingent liabilities**

As at 30 November 2021, save as the litigation matters as disclosed in the section headed “Appendix V — General Information — 9. Litigations” in this Circular, the Group had no contingent liabilities.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables, as at 30 November 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds, available facilities and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its requirements for at least the next twelve months from the date of this circular.

Reference is made to the Company’s 2020/2021 Annual Report. According to the 2020/2021 Annual Report”, the auditor’s report on the Group’s financial statements for the year ended 31 March 2021 contained a paragraph relating to “Material Uncertainty Related to Going Concern” and the audit opinion was not modified in respect of this matter.

**4. MATERIAL CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 5. TRADING AND FINANCIAL PROSPECTS OF THE GROUP

The year ended 31 March 2021 was proven to be an exceptional challenge to the Group. The sudden outbreak of the coronavirus (COVID-19) epidemic earlier in 2020 had its impacts not only lasting longer than expected but also profoundly affecting our business operations as well as affecting our customers, shareholders, potential investors and other stakeholders. The production had been halted for a prolonged period of time, discussion on potential investments had been suspended and most of the face-to-face meetings had been cancelled. The regulatory environmental protection measures at the Group's mine sites were enhanced, and we had been requested to relocate most of site workers' facilities from the mine sites to a nearby village, about 5 km away and our workers now have to report duty through shutter bus. While we wholeheartedly support the environmental protection measures and the national strategy of sustainable development, such measures has increased our operating pressure and production costs. And the trade war between China and the US had been escalating through the Year and creating a high level of uncertainty to business operations in general.

Notwithstanding those challenges, the Group have made substantial efforts to maintain mine production activities to the extent possible. As mentioned in the 2020/2021 Annual Report, the Group had in fact managed to increase the revenue and gross profit and to narrow the consolidated loss of the Group as compared to the previous year. The Company has also resolved some long lasting debt disputes, which is a breakthrough for the Company towards its plan to gradually resolve all disputes and litigations inherited long before the trading resumption and to improve the business environment in which the Company operates. During the year ended 31 March 2021, our operating subsidiary had also made smooth relocation of the mining workers at our mine sites, and reclaimed the land previously occupied by site facilities through plantation, ensured full compliance of the latest regulatory requirements for environmental protection.

Looking forward to 2021, in the backdrop of the economy uncertainties by the China-US trade dispute, the continual effect of COVID-19 epidemic, ever tightening regulatory environmental protection requirements in the PRC and other macroeconomic and policy factors, the Group is expected to face a number of challenges ahead in the forthcoming year. The Group will continue with utmost effort to control and minimise unfavourable factors to its operations, and be prepared for execution of the business development plan and growth of business. The Company will strive to improve the Company's asset scale and quality as well as financial performance over time. In addition to organic growth from the company existing business, the Group will look for new potential growth opportunities in a very diligent manner through merger and acquisition, business integration and expansion.

## 1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue, which involves the issue of up to 4,490,346,480 Rights Shares at the Subscription Price of HK\$0.035 per Rights Share on the basis of three Rights Shares for every one Adjusted Shares in issue held on the Record Date, on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 30 September 2021.

The Unaudited Pro Forma Financial Information of the Group is prepared by the director based on the unaudited consolidated statement of financial position of the Group as at 30 September 2021, extracted from the published interim report of the Group for the six months ended 30 September 2021, with adjustments described below.

– II-1 –



*Notes:*

1. Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2021 is calculated as follows:

	<i>HKD'000</i>
Unaudited consolidated net assets of the Group as at 30 September 2021	250,595
Less:	
Intangible assets	(54,006)
Non-controlling interests	<u>(36,597)</u>
	<u>159,992</u>

2. The estimated net proceeds of approximately HK\$149,700,000 from the Rights Issue are based on the 4,490,346,480 Rights Shares to be issued at a Subscription Price of HK\$0.035 per Rights Share after deduction of the estimated related expenses, including among others, placing fee up to approximately HK\$3.9 million assuming all Rights Shares are fully placed by the Placing Agent, professional fees, financial adviser fees and accountancy charges of approximately HK\$0.5 million, printing and translation fees of approximately HK\$0.3 million, legal and general advisory fees of approximately HK\$2.45 million, share registrar charges of approximately HK\$0.3 million, application fee for approximately HK\$0.05 million, which are directly attributable to the Rights Issue.
3. The calculation of unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on the unaudited consolidated net tangible assets as at 30 September 2021 and the number of shares of 1,496,782,160 as at the Latest Practicable Date.
4. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after the completion of the Rights Issue is based on 5,987,128,640 Shares which comprise 1,496,782,160 Shares in issue as the Latest Practicable Date and 4,490,146,480 Rights Shares to be issued.
5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

**2. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from McM (HK) CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*



24th Floor  
Siu On Centre  
188 Lockhart Road  
Wan Chai  
Hong Kong

26 January 2022

The Board of Directors of  
Grand T G Gold Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grand T G Gold Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2021 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 26 January 2022 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section 1 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of one rights share for each existing share at the subscription price of HK\$0.035 per rights share (the “**Rights Issue**”) on the Group's consolidated financial position as at 30 September 2021 as if the Rights Issue had taken place on 30 September 2021. As part of this process, information about the Group's net tangible assets as at 30 September 2021 has been extracted by the directors from the Group's consolidated statement of financial position as at 30 September 2021, included in the results announcement of the Group for the year ended 30 September 2021.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and performs procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the director of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

**McM (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent property valuer, in connection with its valuation of the fixed assets of the Group as at 30 November 2021. Terms defined in this appendix applies to this appendix only.*



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Wan Chai, Hong Kong  
T: (852) 2811 1876  
F: (852) 3007 8501  
W: [www.raviagroup.com](http://www.raviagroup.com)  
E: [general@raviagroup.com](mailto:general@raviagroup.com)

26 January 2022

**Grand T G Gold Holdings Limited**

Room A-B, 8th Floor,  
Centre Mark II,  
305–313 Queen's Road Central,  
Sheung Wan, Hong Kong

Dear Sir/Madam,

**RE: Valuation of Fixed Assets (including structures, machinery, equipment and construction in progress) held by 潼關縣太洲礦業有限責任公司 located at Tongyu-Haochayu Gold Mines, Tongguan County, Weinan City, Shaanxi Province, the People's Republic of China**

In accordance with your instructions for us to value the fixed assets held by Grand T G Gold Holdings Limited (the "**Company**"), and together with its subsidiaries, the "**Group**") located in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the fixed assets as at 30 November 2021 (the "**Date of Valuation**") for the purpose of incorporation in the Circular of the Company dated 26 January 2022.

**1. BASIS OF VALUATION**

Our valuation of the fixed assets is our opinion of the market values of the concerned fixed assets which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

## 2. VALUATION METHODOLOGY

For the structures of the fixed assets, due to the specific purpose for which most of the structures have been constructed for satisfying the mining needs of the Company and are tailored made, primarily due to the varying conditions of underground mining pits, there are no readily identifiable market comparables. Thus, the structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value, due to the lack of market comparables available.

Cost approach is applied for the machinery and equipment. The cost approach considers the cost to reproduce or replace in new condition the fixed assets appraised in accordance with current market prices for similar fixed assets, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for fixed assets without known used market.

Construction in progress of the fixed assets is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

## 3. TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuation, we have relied upon the advice given by the Group’s PRC legal adviser, Zhi Zheng Law Firm, regarding the titles of the fixed assets located in the PRC.

## 4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the fixed assets in the market in their existing states without the benefit of deferred term contracts, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such fixed assets. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the fixed assets and no allowance has been made for the fixed assets to be sold in one lot or to a single purchaser.

**5. SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

**6. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of structures, as well as some of the machinery and equipment. No structural survey has been made in respect of the structures. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the structures are free from rot, infestation or any other structural defects. No tests were carried out on any of the fixed assets.

We have not carried out on-site measurement to verify the site / floor areas of the structures under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the structures nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the structures are free from any unusual or onerous covenants, restrictions, encumbrances or outgoing which could affect their values.

We have performed inspection of the fixed assets and we assumed that the fixed assets are in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the appraised assets from fixed assets of like kind in new condition were noted and made part of our judgment in arriving at the values.

The situation being such, we have to a substantial extent relied upon our best judgment, while giving full consideration to the local condition.

We did not investigate any financial data pertaining to the present or prospective revenue generating capacity of the operation in which the fixed assets are used. It was assumed that prospective revenue would provide a reasonable return on the appraised value of the fixed assets, plus the value of any assets not included in the valuation, and adequate net working capital.



It must be noted that our valuation is relied on the information supplied by the Group that the fixed assets are in reasonable operating conditions. We did not attempt to operate or test the fixed assets. In addition, our valuation has been prepared based upon the assumptions that the fixed assets will continue in the existing use and the fixed assets will be used in the existing state with the benefit of continuity of the tenure of the fixed assets in the foreseeable future.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the fixed assets. Also no investigation was conducted as to whether the operation of specific pieces of fixed assets complied with the relevant environmental standard and ordinances; we have assumed that the fixed assets continue and will continue to comply with the current environmental standards and ordinances. We have made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have made no investigation and assume no responsibility for titles or liabilities against the fixed assets.

In the course of our site inspection, we have complied with and considered the said inspections carried out are credible and can be relied on without adversely affecting the credibility of our valuation opinion in compliant with Rule 7.1.9 of The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

In the course of our valuation, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission and The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong and as advised by the Company, the potential tax liabilities which may arise from the sale of the fixed assets if they were to be sold at the amount of the valuation are as follows:

As confirmed by the Company as at the Date of Valuation, the Company has no intention to sell the fixed assets yet and therefore there is no likelihood of any tax liability crystallising.

As advised by the Company, the potential tax liabilities which would arise on the direct disposal of the fixed assets held by the Company at the amounts valued by us mainly comprise enterprise income tax at 25% on the gain.

**7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (RMB).

Our Valuation Certificate is attached.

Yours faithfully,  
For and on behalf of  
**RAVIA GLOBAL APPRAISAL ADVISORY LIMITED**

**Dr. Alan Lee**  
*PhD(BA) MFin BCom(Property)*  
*MHKIS RPS(GP) AAPI CPV CPV(Business)*  
*Director*

*Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 17 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.*

## VALUATION CERTIFICATE

Fixed Assets	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 November 2021
Fixed Assets (including mining structures, machinery and equipment and construction in progress) held by 潼關縣太洲礦業有限責任公司 located at Tongyu-Haochayu Gold Mines, Tongguan County, Weinan City, Shaanxi Province, the PRC	The subject industrial mining complex comprises various mining structures together with 25 tunnels for gold mining use completed between 1995 and 2021, as well as construction in progress of mining structures, machinery and equipment. As advised by the Company, the total gross floor area of the structures is approximately 5,902.03 sq.m.. For details of ownership, please refer to Note No.3 for mining structures, machinery and equipment and construction in progress of the fixed assets.	As advised by the Company, the mining structures and construction in progress of the fixed assets were occupied by the Company and the machinery and equipment of the fixed assets were used by the Company as at the Date of Valuation for mining use.	RMB3,770,000 (Please refer to Note No.3)

*Notes:*

1. Pursuant to a Mining License No.C6100002014084120135479 dated 17 November 2020, the approval of mining of gold was granted to 潼關縣太洲礦業有限責任公司 for a term commencing on 17 November 2020 and expiring on 17 April 2022.
2. As advised by the Company, further to the public notification period between 6 December 2021 and 17 December 2021 as per Notice No. Shaan Cai Ping Gong Shi 2021-71 (陝採評公示2021-71), the Company is in the process of renewing the mining license for mining of gold.
3. The machinery and equipment of the fixed assets are owned by the Company and their market values as at the Date of Valuation are RMB3,770,000. We have attributed no commercial value to the mining structures and construction in progress of the fixed assets which have not obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the mining structures and construction in progress of the fixed assets (exclusive of the machinery and equipment) is in the sum of RMB736,197,000.
4. The inspection was performed by Wei Linchang, a member of National Certification of Construction Cost Estimator Qualification, and Zhao Jianping, an engineer of Aviation Industry Corporation of China, Ltd., in December 2021.

5. We have been provided with a legal opinion on the fixed assets prepared by the Group's PRC legal adviser Zhi Zheng Law Firm, which contains, inter alia, the following information:
  - a. 潼關縣太洲礦業有限責任公司 is the beneficial owner of the fixed assets; and
  - b. The ownership of and the right to occupy and use the fixed assets is not subject to any disagreement, legal dispute or restrictions.
6. 潼關縣太洲礦業有限責任公司 is an indirect 72%-owned subsidiary of the Company.

*The following is the text of a letter received from the independent financial adviser to the Company, Donvex Capital Limited, addressed to the Board and prepared for the sole purpose of inclusion in this circular.*



26 January 2022

**Grand T G Gold Holdings Limited**

Room A–B, 8th Floor  
Centre Mark II  
305–313 Queen’s Road Central  
Sheung Wan, Hong Kong

Attention: The Board of Directors

Dear Sirs/Madams,

We refer to the valuation report (the “**Valuation Report**”) of the fixed asset of the Group (“**Target Assets**”) prepared by Ravia Global Appraisal Advisory Limited (the “**Valuer**”) as set out in appendix III to this Circular, of which this letter forms part. We are required to report on the qualifications and experiences of the Valuer to prepare the Valuation Report under Rule 11.1(b) of the Takeovers Code. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have reviewed the Valuation Report and discussed with the management of the Group and the Valuer regarding the qualifications and experiences of the Valuer in relation to the preparation of the Valuation Report and the Valuation Report, including the bases and assumptions set out therein. We have also conducted reasonable check to assess the qualifications and experience of the Valuer and Dr. Alan Lee (“**Mr. Lee**”, the executive director of the Valuer) for compiling the Valuation Report, including reviewing the supporting documents on the qualifications of the Valuer and Mr. Lee and discussed with the representatives of the Valuer and Mr. Lee on their qualifications and experience, particularly in relation to the valuation of the Target Assets. We have also reviewed the relevant track record of Mr. Lee to assess his knowledge, skills and understandings necessary to conduct the valuation of the Target Assets.

We have relied on the information and materials supplied, and the opinions expressed to us, by the management of the Group and the Valuer which we have assumed to be true, accurate, complete and not misleading in all material aspects at the relevant time they were supplied or expressed. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided.

Our work does not constitute any valuation of the Target Assets. Our opinion in this letter has been given for the sole purpose of compliance with Rule 11.1(b) of the Takeovers Code. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deals or the Whitewash Waiver. Shareholders are recommended to read all information as set out in the Circular.

On the basis of the foregoing, we are of the opinion that the Valuation prepared using the bases and assumptions set out in the Valuation Report, for which the directors of the Company are solely responsible, have been made by the Valuer after due care, consideration and objectivity, and on a reasonable basis. We are also satisfied that the Valuer and Mr. Lee have the qualifications and experience together with sufficient current PRC knowledge and skills and understanding necessary to compile the Valuation Report competently.

For and on behalf of  
**Donvex Capital Limited**

**Sy Wai Shuen**  
*Director*

## 1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company

### (i) As at the Latest Practicable Date

<i>Authorised:</i>		HK\$
<u>2,666,666,666</u>	Shares of HK\$0.06 each	<u>160,000,000.00</u>
<i>Issued and fully-paid:</i>		
<u>1,496,782,160</u>	Shares of HK\$0.06 each	<u>89,806,929.60</u>

### (ii) Immediately following the Capital Reorganisation having become effective (assuming no change in the number of issued Shares)

<i>Authorised:</i>		HK\$
<u>160,000,000,000</u>	Adjusted Shares of HK\$0.001 each	<u>160,000,000.00</u>
<i>Issued and fully-paid:</i>		
<u>1,496,782,160</u>	Adjusted Shares of HK\$0.001 each	<u>1,496,782.16</u>



- (iii) *Immediately following the allotment and issue of the Rights Shares (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)*

*Authorised:*

HK\$

<u>160,000,000,000</u>	Adjusted Shares of HK\$0.001 each	<u>160,000,000.00</u>
------------------------	-----------------------------------	-----------------------

*Issued and fully-paid:*

<u>1,496,782,160</u>	Adjusted Shares immediately following the Capital Reorganisation	<u>1,496,782.16</u>
<u>4,490,346,480</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>4,490,346.48</u>
<u>5,987,128,640</u>	Adjusted Shares of HK\$0.001 each	<u>5,987,128.64</u>

All the Existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Adjusted Shares then in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Since 31 March 2021 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

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

As at the Latest Practicable Date, save as the 2017 CB, the Company (i) had no other outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Existing Shares; (ii) there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option; and (iii) there were no arrangements under which future dividends were waived or agreed to be waived.

### 3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 May 2021	0.045
30 June 2021	0.036
30 July 2021	0.051
31 August 2021	0.039
30 September 2021	0.040
29 October 2021	0.042
2 November 2021 (being the Last Trading Day)	0.041
30 November 2021	0.041
31 December 2021	0.040
Latest Practicable Date	0.039

The lowest and highest closing prices per Share as quoted on the Stock Exchange during the period commencing on 1 May 2021 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.036 on 30 June 2021 and HK\$0.051 on 30 July 2021, respectively

### 4. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules; or (iv) to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Substantial shareholders' interests and short positions in shares and underlying shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

***Long Positions in Shares and Underlying Shares of the Company***

Name	Capacity	Number and class of securities		Approximate % of the issued Shares
		Shares	Underlying Shares	
Mr. Ma	Beneficial owner	200,730,224	—	13.41%
	Interest of spouse	22,508,800 (Note 1)	—	1.50%
Ms. Zhao	Beneficial Owner	22,508,800	—	1.50%
	Interest of spouse	200,730,224 (Note 1)	—	13.41%
Lee Shing	Interest in a controlled corporation	106,893,333 (Note 2)	—	7.14%
Yong Li Investments Limited	Beneficial owner	106,893,333	—	7.14%
Wang Dong	Interest in a controlled corporation	86,244,800 (Note 3)	—	5.76%
Midway International Holdings Limited	Beneficial owner	86,244,800	—	5.76%

Name	Capacity	Number and class of securities		Approximate % of the issued Shares
		Shares	Underlying Shares	
Zhou Yong	Beneficial owner	116,666,666	—	7.79%
Leung Heung Ying	Beneficial owner	13,333,332	—	0.89%
		—	100,317,856 (Note 4)	6.70%

*Notes:*

1. Mr. Ma is the spouse of Ms. Zhao Yuebing. Mr. Ma and Ms. Zhao is accordingly deemed to be interested in the Shares beneficially owned by each other under the SFO.
2. Those Shares were held by Yong Li Investments Limited, a company wholly and beneficially owned by Mr. Lee Shing.
3. Those Shares were held by Midway International Holdings Limited, a company wholly and beneficially owned by Ms. Wang Dong.
4. The 100,317,856 underlying Shares represents the maximum number of new Shares to be issued at the conversion price upon exercise of the conversion rights attached to the 2017 CB issued to Mr. Leung Heung Ying on 17 July 2017 pursuant to a convertible bonds subscription agreement dated 10 April 2017.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group; or to be disclosed under the Takeovers Code.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) had entered into or proposed to enter into any service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**8. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES****Arrangements in connection with the Rights Issue**

As at the Latest Practicable Date:

- (i) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between Mr. Ma or parties acting concert with him and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Irrevocable Undertakings, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver;
- (ii) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Irrevocable Undertakings, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver;
- (iii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Irrevocable Undertakings, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver.

- (iv) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by Mr. Ma in which any Director has a material personal interest; and
- (v) there was no agreement, arrangement or understanding pursuant to which the Rights Shares to be issued to Mr. Ma or parties acting concert with him under the Rights Issue or may be issued to Mr. Ma pursuant to the fulfillment of his obligations under the Underwriting Agreement would be transferred, charged or pledged to any other persons.
- (vi) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by Mr. Ma as set out in the sub-section headed “Conditions of the Rights Issue” under the section headed “THE UNDERWRITING AGREEMENT” of the letter from the Board in this Circular, neither the Underwriter nor any parties acting in concert with him has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;

**Shareholdings of and Dealings in the Securities of the Company and Mr. Ma and Parties Acting in Concert with It**

As at the Latest Practicable Date:

- (i) Other than the 14.91% interest in the total issued share capital of the Company owned by Mr. Ma and parties acting in concert with him and the transactions contemplated under the Rights Issue and as disclosed in this circular:
  - (a) Mr. Ma and parties acting in concert with him did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company and none of them have dealt for value in any such securities of the Company during the Relevant Period;
  - (b) Mr. Ma and parties acting in concert with him did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
  - (c) Mr. Ma and parties acting in concert with him had not dealt in any relevant securities of the Company in the Relevant Period;
  - (d) save for the Underwriting Agreement and the Irrevocable Undertaking, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Mr. Ma and parties acting in concert with him during the Relevant Period;

- (e) neither Mr. Ma and parties acting in concert with him or presumed to be acting in concert with him has received any irrevocable commitment to vote in favour of or against the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver.
- (ii) None of the Directors, or chief executive of the Company and their respective associates owned or controlled any Shares, warrants, options, derivatives or convertible securities of the Company and had dealt in any relevant securities of the Company in the Relevant Period. None of the Directors intends, in respect of his/her own beneficial shareholding, to vote for or against the resolutions with respect to the Rights Issue, the Placing Agreements, the Underwriting Agreement, the Special Deals and the transactions contemplated thereunder and Whitewash Waiver.
- (iii) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (iv) None of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.
- (v) No Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.
- (vi) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.



**Intentions of the Underwriter regarding the Group**

As at the Latest Practicable Date, the Underwriter intends to continue the existing business of the Group and the continued employment of the employees of the Group and the Underwriter has no intention to introduce any major changes to the existing operation and business of the Company or redeployment of any of the fixed assets of the Group.

**9. LITIGATION**

As at the Latest Practicable Date, the Group has the following litigations:

**(i) HCA 397 of 2011 (the “HCA 397 Action”)**

The HCA 397 Action was issued by Charm Master Enterprises Limited (“**Charm Master**”) against the Company for payments allegedly due to the former under (1) a Promissory Note D issued by the Company dated 29 January 2010 for a sum of HK\$7,500,000 due and payable on 30 April 2010; and (2) a Promissory Note E issued by the Company dated 1 June 2010 for a sum of HK\$5,000,000 due and payable on 20 June 2010. The Company’s opposed the claim on the basis that the condition precedents for payment of such sums of money had not been satisfied, such that it is not liable to pay Charm Master.

J. Thomson Asset Investment Ltd (“**J. Thomson**”) was subsequently joined as a 2nd Defendant to the HCA 397 Action. J Thomson claimed that it is in fact entitled to the sums of money due and payable under Promissory Notes D and E to the extent of HK\$12,000,000 by virtue of an alleged arrangement it entered into with Charm Master on or around 29 April 2008. Accordingly, it counterclaimed the sum of HK\$12,000,000 against both Charm Master and the Company.

J. Thomson subsequently applied for summary judgment against the Company, or alternatively, an interim payment in the sum of HK\$12,000,000 into Court. By the Order of Deputy High Court Judge Raymond Leung SC on 12 November 2020, the Company was ordered to make payment of HK\$12,000,000 into Court as condition to defend the counterclaim of J. Thomson. The said payment was made on 14 January 2021.

By the Order of Deputy High Court Judge Raymond Leung SC on 26 February 2021, the Company was allowed to interplead for the total sum of money payable under Promissory Notes D and E, and thereupon be excused from any future proceedings in the HCA 397 Action until the determination of issues of interest and cost as between the parties, which shall take place after trial. Pursuant to the said court orders dated 12 November 2020 and 26 February 2021, the Company made two payments totalling \$12,500,000 into the Court on 14 January 2021 and 22 March 2021, respectively, being the full amount claimed by the plaintiff under HCA 397 Action. Promissory Notes D and E carry no interest and no claims are made other than the principal sum of money of the Promissory Notes D and E under HCA 397 Action. As the Company has fulfilled its payment obligation under HCA 397 Action, no provision has been made. The HCA 397 Action has since proceeded as between Charm Master and J. Thomson without the participation of the Company.

The directors of the Company are of the opinion that the abovesaid issue was already reflected in the Group's consolidated financial statements as at 31 March 2021, pursuant to notes 27 and 39 to the consolidated financial statements.

**(ii) HCMP 1398 of 2018 (the “HCMP 1398 Action”) and HCCW 194 of 2020 (the “HCCW Action”)**

The HCMP 1398 Action was commenced by Mayson Associates Ltd (“**Mayson**”) against the Company to seek, inter alia, that Mayson is the legal owner of Convertible Bond No. 54 (“**Bond No. 54**”) issued by the Company.

The amount due under Bond No. 54 has been fully satisfied. Pursuant to the Order of Madam Justice Linda Chan of 31 July 2020, Mayson has withdrawn HCMP 1398 with no order as to costs.

The HCCW Action was commenced by Lee Sing Leung Robin against the Company to seek, inter alia, an order for the winding up of the Company on, inter alia, that the Company has failed to pay the amount due and Convertible Bond No. 54, ie. the same bond which is the subject made of HCMP 1398 Action and equitable grounds.

Pursuant to the Order of Master Lai on 28 August 2020, the HCCW Action has been withdrawn with no order as to costs between Lee Sing Leung Robin and the Company by consent.

**(iii) HCA 1885 of 2018 (the “HCA 1885 Action”)**

The HCA 1885 Action was commenced by the 2017 CB Holder against the Company to seek payment under the 2017 CB totalling HK\$30,095,357.00 and the interest accrued thereon. This legal action is still on-going but no hearing date has been fixed. Pursuant to the agreement dated 28 October 2021 entered into between 2017 CB Holder and the Company in relation to redemption of the outstanding 2017 CB, the parties agreed to discontinue HCA 1885 Action upon repayment of the consideration under the said agreement and all outstanding interests under the 2017 CB by the Company.

**(iv) HCMP 1869 of 2020 (the “HCMP 1869 Action”)**

The HCMP 1869 Action was commenced by the Company against the Company's previous legal representatives, D.S. Cheung & Co. by way of Originating Summons on 27 October 2020. The Company sought an order that the nine invoices delivered to the Company in the HCA 397 Action, HCMP 1398/2018 and HCA 1885/2018 actions (“the Invoices”), be taxed pursuant to Section 67 of the Legal Practitioners Ordinance. Pursuant to the Order of Master Lai of 1 June 2021, the Invoices have been referred to taxation and the Company has been ordered to pay HK\$570,000 as security for the taxation by 22 June 2021. The taxation hearing will be fixed in due course. The Company has paid the abovesaid amount of HK\$570,000 into court on 21 June 2021. A maximum of approximately HK\$1.7 million of the proceeds from the Rights Issue under

the limb of expected net proceeds usage of “repayment of other indebtedness of the Group” is expected to be used to repay liabilities under the HCMP 1869 Action. No provision has been made for such contingent liabilities.

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

## 10. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
McM (HK) CPA Limited	Certified Public Accountants
Donvex Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Ravia Global Appraisal Advisory Limited	qualified independent valuer in Hong Kong

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) 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.

**11. MATERIAL CONTRACTS**

The following contract (not being contracts in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and are or may be material:

- (a) the Underwriting Agreement;
- (b) the Placing Agreement; and
- (c) an agreement dated 28 October 2021 entered into between 2017 CB Holder and the Company in relation to redemption of the outstanding 2017 CB with principal amount of HK\$30,095,357.

**12. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$7.5 million, which are payable by the Company.

**13. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room A-B, 8th Floor, Centre Mark II, 305-313 Queen's Road Central Sheung Wan, Hong Kong
Authorised representatives	Dr. Li Dahong Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong  Ms. Lee Eva Unit 1601 & 03 Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
Company secretary	Ms. Lee Eva
Compliance officer	Ms. Ma Xiaona

Underwriter	Mr. Ma Qianzhou Unit 64–65 4/F Sino Industrial Plaza 9 Kai Cheung Road Kowloon Hong Kong
Legal advisers to the Company	Khoo & Co. 15th & 16th Floor Tern Centre Tower 2 251 Queen's Road Central Hong Kong  WE LAWYERS Unit 1601 & 03 Fairmont House 8 Cotton Tree Drive Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Donvex Capital Limited Unit 2502, 25th Floor, Carpo Commercial Building 18–20 Lyndhurst Terrace Central Hong Kong
Placing Agent	Cinda International Capital Limited 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Auditor	McM (HK) CPA Limited <i>Certified Public Accountants</i> 3rd Floor, Parklane Building, 233 Queen's Road Central, Hong Kong
Principal bankers	Shanghai Commercial Bank Limited G/F & 1/F Southland Building 48 Connaught Road Central Central, Hong Kong  OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong

Principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

#### 14. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Name	Correspondence Address
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*Executive Directors*

Dr. Li Dahong ( <i>Chairman</i> )	Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong
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Ms. Ma Xiaona	Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong
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*Independent non-executive Directors*

Mr. Guo Wei	Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong
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Mr. Lam Albert Man Sum	Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong
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Mr. Cheung Wai Hung	Room A-B, 8/F, Centre Mark II, 305-313 Queen's Road Central, Sheung Wan, Hong Kong
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*Senior Management*

Mr. Ma Qianzhou	Unit 64–65, 4/F, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon, Hong Kong
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Ms. Eva Lee	Unit 1601 & 03, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
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**Executive Directors*****Dr. Li Dahong (“Dr. Li”)***

Dr. Li, aged 63, joined the Company as an executive Director on 24 February 2016 and is also the chairman and the authorized representative of the Company. Dr. Li also serves as a director of SSC Mandarin Mining Investment Limited and T G Mining Asia Limited, all being subsidiaries of the Company. He has over 20 years of experience in investment banking, mergers and acquisitions and other financial activities. Dr. Li was graduated from Tsinghua University in civil and environmental engineering and received a degree in Doctor of Philosophy in Civil Engineering from the University of Toronto, Canada.

***Ms. Ma Xiaona (“Ms. Ma”)***

Ms. Ma, aged 46, was appointed as a non-executive Director of the Company on 24 March 2016 and is a member of the remuneration committee and nomination committee of the Company. Ms. Ma was re-designated as an executive Director and the compliance officer of the Company on 13 September 2017, and was also appointed as a director of SSC Mandarin Mining Investment Limited and T G Mining Asia Limited, wholly-owned subsidiaries of the Company. Ms. Ma graduated from East China University of Science and Technology in Shanghai with a Bachelor’s degree in International Trade. She has more than 20 years of experience in project financing, joint ventures and mergers and acquisitions in China and Hong Kong, involving in industries such as gold mining, other resources mining, traditional manufacturing, and high-tech industry.

**Independent Non-Executive Directors*****Mr. Guo Wei (“Mr. Guo”)***

Mr. Guo, aged 66, was appointed as an independent non-executive director of the Company on 28 April 2016. He is also the chairman of the nomination committee and remuneration committee and a member of the audit committee of the Company. Mr. Guo graduated from Beijing Institute of Economic Research, majoring in Chinese Language and Literature (undergraduate) in 1999. Since 2004, he has been served as the chairman of the board of 浙江瑞豐投資有限公司 (Zhejiang Ruifeng Investment Company Limited\*). He worked in the 浙江省郵電勘察設計院 (Survey and Design Institute of Post and Telecommunications in Zhejiang Province\*) from 1977 to 1987. He worked in the Zhejiang Provincial Government Office in Guangzhou and 大東南集團公司 (Grand Southeast Group Corporation\*) from 1988 to 1994. He worked as the general manager of 杭州南王國際大酒店 (Hangzhou Nanwang International Hotel\*) and the chairman of the board of 杭州五雲投資公司 (Hangzhou Wuyun Investment Company\*) from 1995 to 2004. Mr. Guo has been engaged in management for more than 30 years, including 20 years as the head of enterprises, during which he gains extensive management experience and strong coordination ability.



***Mr. Lam Albert Man Sum (“Mr. Lam”)***

Mr. Lam, aged 65, joined the Company as an independent non-executive Director on 8 December 2017. He is also the chairman of the audit committee of the Company, a member of the nomination committee and remuneration committee of the Company. He is a member of the Institute of Chartered Accountants in England & Wales, Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, the Hong Kong Securities Institute, Society of Chinese Accountants & Auditors, Australia • New Zealand Institute of Chartered Accountants, Taxation Institute of Hong Kong and Certified Tax Adviser. Mr. Lam holds a Bachelor Degree in Arts (Economics) from the University of Manchester, the United Kingdom. Mr. Lam is currently an independent non-executive director of Macrolink Capital Holdings Limited (formerly known as Junefield Department Store Group Limited) (Stock Exchange Stock Code: 758). He was an independent non-executive director of OCI International Holdings Limited (Stock Exchange Stock Code: 329) from 28 April 2010 to 7 May 2018. Mr. Lam currently is a partner of Grand Thornton Hong Kong Limited. Mr. Lam had been head of department in Southwest Securities International Securities Limited (Stock Exchange Stock Code: 812). He was the former director and Chief Executive Officer and is the shareholder of Jonten Hopkins CPA Limited (the merger of former Aoba CPA Limited\* (青葉會計師事務所) and Albert Lam & Co. CPA). Mr. Lam was also the Managing Partner and Founder of Albert Lam & Co. CPA.

***Mr. Cheung Wai Hung (“Mr. Cheung”)***

Mr. Cheung, aged 40, joined the Company as an independent non-executive Director on 27 August 2018. He is also a member of the audit committee of the Company. He is a certified tax adviser of the Taxation Institute of Hong Kong, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Cheung graduated from The Hong Kong Polytechnic University with an honours degree in bachelor of arts in accountancy. He worked in Jonten Hopkins CPA Limited from July 2004 to March 2014 and his last position was audit manager. He is currently appointed as the chief financial officer of Wai Chi Holdings Company Limited (Stock Exchange Stock Code: 1305). Mr. Cheng was appointed as an independent non-executive director of Ye Xing Group Holdings Limited (Stock Exchange Stock code: 1941) on 17 February 2020.

**Senior Management*****Mr. Ma Qianzhou (“Mr. Ma”)***

Mr. Ma, aged 63, has more than 30 years of senior management experience in gold mining, exploration, ore processing, refining and merger and acquisitions of mining companies in China. Mr. Ma is currently a member of People’s Congress of Tongguan County, Shaanxi Province, the PRC. Mr. Ma is the general manager and director of Taizhou Mining. He had served as director of China Gold Association and executive director of Gold Association of Shaanxi Province. He had held senior management positions as the director of the Small and Medium Entrepreneurs Association, Shaanxi

Province, PRC, the President of the Small and Medium Entrepreneurs Association of Weinan City, Shaanxi Province, the PRC and the President of Gold Association of Tongguan County, Weinan City, Shaanxi Province, the PRC.

***Ms. Eva Lee (“Ms. Lee”)***

Ms. Lee was appointed as the company secretary of the Company on 20 February 2020. She is admitted as a solicitor in Hong Kong and focusing on capital markets and corporate finance work. Ms. Lee graduated from the London School of Economic and Political Science with Masters of Laws (Distinction).

**15. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Lee Eva, who is a practising solicitor in Hong Kong.
- (b) The audit committee of the Board was established with written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the audit committee are to review the financial information of the Company, oversee the financial reporting process and risk management and internal control systems of the Group, maintain an appropriate relationship with the Company’s auditors and provide advice and comments to the Board. The audit committee consists of three independent non-executive Directors, namely, Mr. Lam Albert Man Sum (chairman of the committee), Mr. Guo Wei and Mr. Cheung Wai Hung.
- (c) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**16. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Company (<http://www.grandtg.com>), the Stock Exchange (<http://www.hkexnews.hk>) and the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the last three years ended 31 March 2019, 31 March 2020 and 31 March 2021 and the interim report of the Company for the six months ended 30 September 2021;
- (c) the unaudited pro forma financial information of the Group, the text of which is set out in appendix II to this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 49 to 50 of this circular;

- (e) the letter of advice from Donvex Capital, the text of which is set out on pages 51 to 88 of this circular;
- (f) the valuation report prepared by Ravia Global Appraisal Advisory Limited, the text of which is set out in Appendix III to this circular;
- (g) the letter from Donvex Capital to report on the qualification and experience of Ravia Global Appraisal Advisory Limited to prepare the valuation report of the fixed assets of the Group, the text of which is set out in appendix IV to this circular;
- (h) the written consents of the experts as referred to in the section headed “Qualifications and consents of experts” in this appendix;
- (i) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (j) the Irrevocable Undertaking; and
- (k) this circular.

## NOTICE OF EGM



### GRAND T G GOLD HOLDINGS LIMITED

### 大唐潼金控股有限公司\*

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

**(Stock code: 8299)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders of Grand T G Gold Holdings Limited (the “**Company**”) will be held at Unit 1603–1604, 16th Floor, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong, on Wednesday, 16 February 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as special and ordinary resolutions (as the case may be) of the Company:

#### **SPECIAL RESOLUTIONS**

1. **“THAT** subject to and conditional upon (i) an order being made by the Grand Court of the Cayman Islands (the “**Court**”) confirming the Capital Reduction (as defined below); (ii) compliance with any conditions which the Court may impose in relation to the Capital Reduction; (iii) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and (iv) the GEM Listing Committee (the “**GEM Listing Committee**”) of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) arising from the Capital Reorganisation (as defined below), with effect from the date on which these conditions are fulfilled (the “**Effective Date**”):
  - (a) the par value of each of the issued shares (the “**Existing Share(s)**”) of the Company be reduced from HK\$0.06 to HK\$0.001 per issued Existing Share by cancelling the paid up share capital to the extent of HK\$0.059 per issued Existing Share by way of a reduction of capital, so as to form issued shares (the “**Adjusted Share(s)**”) of the Company with par value of HK\$0.001 each (the “**Capital Reduction**”);

\* For identification purpose only

## NOTICE OF EGM

- (b) the credits arising from the Capital Reduction be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws, the memorandum and articles of association of the Company and as the board of directors (the “**Directors**”) of the Company considers appropriate, including without limitation, setting off the accumulated losses of the Company;
  - (c) immediately following the Capital Reduction, each of the authorised but unissued shares of the Company of HK\$0.06 each be subdivided into sixty (60) authorized but unissued Adjusted Shares (the “**Share Sub-division**”, together with the Capital Reduction, the “**Capital Reorganisation**”);
  - (d) immediately following the Capital Reorganisation, the authorised share capital of the Company shall be HK\$160,000,000 divided into 160,000,000,000 Adjusted Shares of HK\$0.001 per value each;
  - (e) each of the Adjusted Shares arising from the Capital Reorganisation shall rank *pari passu* in all respects and the Adjusted Shares will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company; and
  - (f) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things and to take such steps as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Capital Reorganisation and the transactions contemplated thereunder.”
2. “**THAT** the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to the Underwriter pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a general offer for all the issued Shares not already owned by Mr. Ma Qianzhou (“**Mr. Ma**”) and the parties acting in concert with him or presumed to be acting in concert with him as a result of the underwriting of the Rights Shares by Mr. Ma pursuant to the Underwriting Agreement (defined hereinbelow) be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

## ORDINARY RESOLUTIONS

3. “**THAT** conditional upon: (i) resolutions 1, 2, 4 and 5 as set out in this notice being passed by the shareholders of the Company (the “**Shareholders**”); (ii) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the Shareholders pursuant to the terms and

## NOTICE OF EGM

conditions of the Rights Issue (as defined below); and (iii) the underwriting agreement (the “**Underwriting Agreement**”) dated 2 November 2021 and entered into between the Company and Mr. Ma becoming unconditional and not being terminated in accordance with its terms:

- (a) the issue by way of rights (the “**Rights Issue**”) of up to 4,490,346,480 new shares of HK\$0.001 each in the share capital of the Company and (each a “**Rights Share**”) to the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on the date (the “**Record Date**”) by reference to which entitlements to the Rights Issue are to be determined (excluding those shareholders (the “**Non-Qualifying Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the Board consider it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places), in the proportion of three (3) Rights Shares for every one (1) Adjusted Share then held on the Record Date at the subscription price of HK\$0.035 per Rights Share and otherwise on the terms and conditions set out in the circular of the Company dated 26 January 2022 (the “**Circular**”, a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) be and is hereby approved, and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 2 November 2021 entered into between the Company and Cinda International Capital Limited (the “**Placing Agreement**”) in relation to the placing of the Rights Shares that are not subscribed by the Qualifying Shareholders (the “**Unsubscribed Rights Shares**”) at the placing price of not less than the Subscription Price per Unsubscribed Rights Share on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the EGM signed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the Board or a committee thereof be and is hereby authorised to allot and issue the Rights Shares (in both nil-paid form and fully-paid form) pursuant to or in connection with the Rights Issue in accordance with the terms set out in the Circular, notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient 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 applicable to the Company; and

## NOTICE OF EGM

- (c) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things and to take such steps as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder.”

4. **“THAT:**

- (a) the entering into of the Underwriting Agreement (a copy of which has been produced to the EGM marked “C” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified; and
- (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Underwriting Agreement and the transactions contemplated thereunder.”

5. **“THAT** subject to the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) pursuant to Rule 25 of the Code on Takeovers and Mergers of Hong Kong (the “**Takeovers Code**”) and any conditions that may be imposed thereon, the use of the proceeds from the Rights Issue for redemption of the 2017 CB where the 2017 CB Holder is a Shareholder and the repayment of certain Shareholders loan (the “**Special Deals**”) be and is hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Special Deals.”

Yours faithfully,  
By Order of the Board  
**Grand T G Gold Holdings Limited**  
**Li Dahong**  
*Chairman*

Hong Kong, 26 January 2022



## NOTICE OF EGM

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Room A-B, 8th Floor,  
Centre Mark II,  
305-313 Queen's Road Central  
Sheung Wan, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
3. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) should they so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.
4. Where there are joint registered holders of any share(s) of the Company, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall be accepted to the exclusion of the votes of the other joint holders.
5. A form of proxy for use at the EGM is published on the website of the GEM website ([www.hkgem.com](http://www.hkgem.com)) and the website of the Company (<http://www.grandtg.com>).

*As at the date of this notice, the executive Directors are Dr. Li Dahong and Ms. Ma Xiaona; the independent non-executive Directors are Mr. Guo Wei, Mr. Lam Albert Man Sum and Mr. Cheung Wai Hung.*

*This notice will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the website of the Company at <http://www.grandtg.com>.*