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

If you have sold or transferred all your shares in Artgo Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3313)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Diligent Capital Limited

Placing Agent to the Company



Open Securities Limited

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



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

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 27 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 49 of this circular.

It should be noted that dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 3 October 2023 to Tuesday, 10 October 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled on or before 5:00 p.m. on Monday, 30 October 2023 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and/or any dealings in the Rights Shares in their nil-paid form between Tuesday, 3 October 2023 to Tuesday, 10 October 2023 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

A notice convening the EGM to be held at Units 5906-12, 59/F, The Center, 99 Queen's Road Central, Hong Kong on Thursday, 14 September 2023 at 11:00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

The Rights Issue is on a non-underwritten basis. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" in this circular. If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

25 August 2023

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EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is for indicative purposes only and is subject to change. It has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

Events	Date and Time
Latest time for lodging transfers of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 7 September 2023
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive).....	Friday, 8 September 2023 to Thursday, 14 September 2023
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 12 September 2023
Record date for attendance and voting at the EGM	Thursday, 14 September 2023
Expected date and time of the EGM to approve the proposed Rights Issue.....	11:00 a.m. on Thursday, 14 September 2023
Announcement of poll results of the EGM	Thursday, 14 September 2023
Register of members of the Company re-opens.....	Friday, 15 September 2023

The following events are conditional on the fulfilment of the conditions relating to the implementation of the Rights Issue and therefore the dates are tentative only:

Events	Date and Time
Last day of dealings in the Shares on a cum-rights basis	Monday, 18 September 2023
First day of dealings in the Shares on an ex-right basis relating to the Rights Issue	Tuesday, 19 September 2023
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue.....	4:30 p.m. on Wednesday, 20 September 2023
Closure of register of members of the Company for determination of entitlements to the Rights Issue (both dates inclusive).....	Thursday, 21 September 2023 to Wednesday, 27 September 2023
Record Date for the Rights Issue	Wednesday, 27 September 2023

EXPECTED TIMETABLE

Register of members of the Company re-opens.....	Thursday, 28 September 2023
Expected despatch date of the Prospectus Documents.....	Thursday, 28 September 2023
First day of dealings in nil-paid Rights Shares (including the PAL and the Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only.....	Tuesday, 3 October 2023
Latest time for splitting of PAL.....	4:30 p.m. on Thursday, 5 October 2023
Last day of dealings in nil-paid Rights Shares	Tuesday, 10 October 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Friday, 13 October 2023
Latest time for acceptance and payment for the Rights Shares	4:00 p.m. on Friday, 13 October 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements.....	Thursday, 19 October 2023
Commencement of the placing of Unsubscribed Rights Shares by the Placing Agent	Friday, 20 October 2023
Placing Long Stop Date.....	Friday, 27 October 2023
Announcement of the allotment results of the Rights Issue to be published on the websites of the Stock Exchange and the Company	Friday, 3 November 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	Monday, 6 November 2023
Despatch of refund cheques, if any, if the Rights Issue is terminated.....	Monday, 6 November 2023
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 7 November 2023
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any).....	Monday, 13 November 2023

EXPECTED TIMETABLE

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

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

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no.8 or above, or “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance 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 does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement issued by the Company dated 28 July 2023 in relation to, among others, the Rights Issue and the Increase in Authorised Share Capital
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	ArtGo Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 3313)
“Completion”	completion of the Rights Issue and the Placing
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital from HK\$100,000,000 divided into 500,000,000 Shares to HK\$300,000,000 divided into 1,500,000,000 Shares by creating an additional 1,000,000,000 unissued Shares
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, has been established by the Board for the purpose of advising the Independent Shareholders on the Rights Issue and as to voting
“Independent Financial Adviser”	Silverbricks Securities Company Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Rights Issue and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and any of its connected persons or any of their respective associates
“Last Trading Day”	4 August 2023, being the last trading day for the Shares on the Stock Exchange immediately prior to the publication of the Supplemental Announcement
“Latest Practicable Date”	21 August 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on 13 October 2023 (or such other time or date as may be determined by the Company), being the latest time for acceptance of the offer of and payment for, the Rights Shares, as described in the Prospectus Documents
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) pursuant to the Unsubscribed Arrangements
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Right Shares (whether partially or fully) in their assured entitlements, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	the 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 restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholders”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares on a best effort basis by the Placing Agent to the independent placee(s) during the Placing Period on the terms and conditions set out in the Placing Agreement

DEFINITIONS

“Placee(s)”	professional, institutional, corporate or other investor(s), procured by the Placing Agent to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing Agent”	Open Securities Limited, a licensed corporation carrying out type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 28 July 2023 (after trading hours of the Stock Exchange) entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements and as amended by the Side Letter, pursuant to which the Placing Agent has agreed to procure placees on a best effort basis to subscribe for the Unsubscribed Rights Shares
“Placing Long Stop Date”	27 October 2023, or such other date as may be agreed between the Company and the Placing Agent as the latest date for placing, and payment for, the Unsubscribed Rights Shares under the Placing Agreement
“Placing Period”	the period from 20 October 2023 up to 27 October 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
“Placing Price”	the placing price of the unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process
“Posting Date”	28 September 2023 or such other date as the Company may announce, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and the PAL

DEFINITIONS

“Qualifying Shareholders”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	27 September 2023, (or such other date as the Company may announce, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) existing 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 Prospectus Documents
“Rights Share(s)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of two Rights Shares for every one existing Share in issue on the Record Date, being 617,249,750 Shares based on the Company’s issued share capital as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Side Letter”	the side letter dated 4 August 2023 executed by the Company and the Placing Agent and expressed to be supplemental to the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.20 per Rights Share
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Supplemental Announcement”	the supplemental announcement issued by the Company dated 4 August 2023 in relation to, among others, the revision of the Subscription Price and the Placing Price
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Arrangements”	arrangements to place the Unsubscribed Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.21(1)(b) of the Listing Rules
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“%”	per cent.

LETTER FROM THE BOARD



ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3313)

Executive Directors:

Ms. Wu Jing (*Chairman and Acting Chief Executive Officer*)
Mr. Gu Weiwen (*Vice Chairman*)
Mr. Zhang Jian
Mr. Wan Jian

Non-executive Director:

Mr. Gu Zengcai

Independent Non-executive Directors:

Ms. Lung Yuet Kwan
Mr. Hui Yat On
Mr. Zhai Feiquan

Registered office:

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

Headquarter and principal place of business in the PRC:

Room E, 6/F
No. 728 Yan'an West Road
Changning District
Shanghai, PRC

New Material Industrial Park
Teng Tian Town, Yongfeng County
Ji'an City, Jiangxi Province, China

Principal place of business in Hong Kong:

Unit 1302, 13/F, Golden Centre
188 Des Voeux Road Central
Hong Kong

25 August 2023

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement and the Supplemental Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Rights Issue; (ii) further details of the Increase in Authorised Share Capital; (iii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice convening the EGM.

1. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 500,000,000 Shares of par value of HK\$0.20 each. As at the Latest Practicable Date, 308,624,875 Shares are in issue and 191,375,125 Shares are authorised but unissued.

In order to accommodate the growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposes to increase the authorised share capital of the Company to HK\$300,000,000 divided into 1,500,000,000 Shares by creating an additional 1,000,000,000 Shares. Such new Shares, upon issue, shall *rank pari passu* in all respects with the existing Shares.

The Board believes that the Increase in Authorised Share Capital is in the interest of the Company and the Shareholders as a whole.

2. PROPOSED RIGHTS ISSUE

Conditional upon the Increase in Authorised Share Capital becoming effective, the Board proposes to implement the Rights Issue with the details of the Rights Issue Statistics set out as below:

Rights Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as the close of business on the Record Date
Subscription Price:	HK\$0.20 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	308,624,875 Shares
Number of Rights Shares:	Up to 617,249,750 Rights Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Gross proceeds from the Rights Issue:	Up to approximately HK\$123.45 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

LETTER FROM THE BOARD

Assuming there is no change to the total issued share capital of the Company on or before the Record Date, 617,249,750 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon Completion.

As at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue as at the Latest Practicable Date.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only and the Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date be registered on the registers of members of the Company, and not be the Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Wednesday, 20 September 2023.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The last day of dealing in the Shares on cum-rights basis is Monday, 18 September 2023. The Shares will be dealt with on an ex-rights basis from Tuesday, 19 September 2023.

LETTER FROM THE BOARD

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.

Closure of register of members

The register of members of the Company will be closed from Friday, 8 September 2023 to Thursday, 14 September 2023 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM.

The register of members will be closed from Thursday, 21 September 2023 to Wednesday, 27 September 2023 (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

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

Subscription Price

The Subscription Price of HK\$0.20 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 11.89% to the closing price of HK\$0.2270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.76% to the closing price of HK\$0.2100 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 5.93% to the average closing price of approximately HK\$0.2126 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.90% to the average closing price of approximately HK\$0.2323 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 0.42% to the theoretical ex-rights price of approximately HK\$0.2008 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.2100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 6.50%, which is calculated based on the theoretical diluted price of approximately HK\$0.2072 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of

LETTER FROM THE BOARD

the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Date); and

- (vii) a discount of approximately 95.17% to the audited net asset value per Share of approximately HK\$4.14 (equivalent to RMB3.66) based on the latest audited consolidated net asset value Group of approximately HK\$1,278,137,798 (equivalent to RMB1,129,746,000) as at 31 December 2022 and the number of Shares in issue as at the Last Trading Day (i.e. 308,624,875 Shares).

The Subscription Price was arrived at after arm's length negotiation with reference to, among other things, the prevailing market price of the Shares and the financial conditions of the Group.

As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the members of Independent Board Committee whose opinion will be set forth in this circular after having been advised by the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the 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.

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) 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.

Rights of the 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.

LETTER FROM THE BOARD

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account of either the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The basis for excluding the Non-Qualifying Shareholder(s), if any, from the Rights Issue will be set out 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.

Arrangements will be made for the 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 dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

No fractional entitlement

On the basis of the entitlement to subscribe two (2) Right Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

LETTER FROM THE BOARD

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 10,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

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 respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates 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 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 licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

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

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 6 November 2023.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched on or before Monday, 6 November 2023 by ordinary post at the respective Shareholders' own risk.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

LETTER FROM THE BOARD

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

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

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 28 July 2023, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Friday, 27 October 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

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

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

LETTER FROM THE BOARD

The Placing Agreement

Principal terms of the Placing Agreement are summarized as below.

Date : 28 July 2023
Issuer : The Company
Placing Agent : Open Securities Limited

As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period : The period from 20 October 2023 up to 4:00 p.m. on 27 October 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.

Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.

Placing commission : Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 1.0% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.

Placees : The Placing Agent shall procure that not less than six placees will take up the Placing Shares. The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

In any event if the number of placee(s) is less than six, the Company shall complete the Placing and disclose the identity of such placee(s) in accordance with the applicable Listing Rules.

LETTER FROM THE BOARD

- Ranking of the Unsubscribed Rights Shares : The placed Unsubscribed Rights Shares ((when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:
- (i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
 - (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
 - (iii) Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

The Company shall use its best endeavour to procure the fulfilment of the conditions to the Placing and undertakes to inform the Placing Agent promptly of any matter or circumstance which comes to the attention of it and indicating that any of such conditions being unable or fail to fulfil. If any of such conditions have not been fulfilled by the Placing Long Stop Date (as defined below) or become incapable of being fulfilled (unless extended by mutual consent of the Company and the Placing Agent), then all respective rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement and none of the parties thereto shall have any claim against any other in respect of the Placing.

LETTER FROM THE BOARD

- Termination : If any of the following events occur at any time prior to 6:00 p.m. on the first Business Day after the last day of the Placing Period (the “**Placing Long Stop Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the date of completion of the Placing provided that such notice is received by the Company prior to 6:00 p.m. on the Placing Long Stop Date, terminate the Placing Agreement without liability to the other parties and, subject to clauses in the Placing Agreement which survives termination, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:
- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
 - (b) 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 matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material breach of any of the representations and warranties by the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

LETTER FROM THE BOARD

- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

The Unsubscribed Arrangements are in compliance with the requirements under Rule 7.21(1)(b) under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Placing Agent confirms that it is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions:

- (1) the passing of ordinary resolution(s) by the Shareholders at the EGM approving the Increase in Authorised Share Capital;
- (2) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares);

LETTER FROM THE BOARD

- (3) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange of a certificate authorizing registration of the Prospectus Documents with the Hong Kong Companies Registry, and the filing and registration with the Hong Kong Companies Registry one duly certified copy of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (4) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (5) the grant of listing of the Rights Shares by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil paid Rights and the Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked);
- (6) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (7) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 5:00 p.m. on Monday, 30 October 2023 (or such later date as the Company may determine), the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The net proceeds of the Rights Issue are estimated to be up to approximately HK\$121.15 million after the deduction of all estimated expenses (assuming full acceptance of the Rights Issue and assuming that no new Shares will be allotted or issued on or before the Record Date).

The Company intend to apply the net proceeds as follows: as to (i) approximately HK\$110.00 million for repayment of loans and other payables of the Group; and (ii) approximately HK\$11.15 million as general working capital of the Group, in which approximately HK\$4.10 million for salaries expenses, approximately HK\$4.10 million for purchase of raw materials, approximately HK\$2.05 million for professional fees and HK\$0.90 million for daily operation expenses. In the event that there is an under subscription of the Right Issue and Placing, the net proceeds of the Rights Issue and Placing will be allocated and utilised in accordance with the same proportion to the above basis.

The Directors consider fund-raising for additional working capital is key although, on 13 June 2023, a total of 46,000,000 new Shares were successfully allotted and issued at the subscription price of HK\$0.280 per subscription share (the “**Subscription**”) and the net proceeds from Subscription, after deducting commission and other expenses incidental to the Placing, amounted to approximately HK\$12.83 million which were intended to be used for repayment of part of the Group’s current debt, where to the extent that any part of the net proceeds is not applied for such purpose, such proceeds are intended to be applied for general working capital of the Group and/or any investment opportunities in payment related business as identified by the Group from time to time.

As disclosed in both the annual reports of the Company for the year ended 31 December 2021 and 31 December 2022, the Group had experienced a challenging operating environment in view of the impact from the COVID-19 pandemic and the severe political tension between the United States and the PRC which still continue creating a significant impact on the PRC economy. The Group’s marble stone products business is part of the supply chain of the real estate construction sector, which, to a large extent, has not been fully recovered from the pandemic (and so as the overall business of the Group). During the years of 2021 and 2022, property developers in the PRC were still facing severe liquidity problems. As such, instead of developing new projects, most property developers were focusing on clearing up their inventory by discounted sales, seeking new refinancing opportunities and negotiating with existing creditors for debt restructuring. Since the Group’s revenue was mostly derived from customers based in the PRC, these factors in aggregate led to a large extent of impact on the overall business performance of the Group.

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB15,762,000 and the interest-bearing bank and other borrowings of the Group amounted to approximately RMB344,224,000.

LETTER FROM THE BOARD

The above challenging operational environment had led to ongoing cash net outflow of the Group since 2020. Taking into account that the larger part of the proceeds from Subscription has already been used by the Group for repayment loans and other payables, the Directors consider it is prudent and in the interests of the Company and the Shareholders as a whole to raise additional fund for repayment of loans and other payables, and for general working capital of the Group, so that the Group has sufficient financial resources to meet the financial obligations when they fall due in the following 18–24 months from the date of the Announcement.

In the event that the proceeds raised by the Rights Issue or Placing is less than the aforesaid estimated net proceeds of approximately HK\$121.15 million, the Company will further evaluate options including amongst others, reducing the proposed amount of repayment of loans and other payables, renewing and/or refinancing existing loans or exploring other financing, and/or fund-raising alternatives. The Group's is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs.

Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date of relevant announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of the Announcement
5 May 2023 and 13 June 2023	Subscription of new shares under general mandate	HK\$12.83 million	Repayment of part of the Group's current debt, where to the extent that any part of the net proceeds is not applied for such purpose, such proceeds are intended to be applied for general working capital of the Group and/or any investment opportunities in payment related business as identified by the Group from time to time.	HK\$10.0 million utilised for repayment of the Group's current debt; and HK\$2.83 million will be utilised as intended in the 2nd half of 2023

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Rights Issue which are for illustrative purpose only.

LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Issue in full and there is no change to the total issued share capital of the Company on or before the Record Date; and (iii) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full and there is no change to the total issued share capital of the Company on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Ms. Wu Jing (Note 1)	2,188,850	0.71	6,566,550	0.71	2,188,850	0.23
Xu Xiaodong	46,000,000	14.90	138,000,000	14.90	46,000,000	4.97
Places	—	—	—	—	617,249,750	66.67
Other public Shareholders	<u>260,436,025</u>	<u>84.39</u>	<u>781,308,075</u>	<u>84.39</u>	<u>260,436,025</u>	<u>28.13</u>
Total	<u><u>308,624,875</u></u>	<u><u>100.00</u></u>	<u><u>925,874,625</u></u>	<u><u>100.00</u></u>	<u><u>925,874,625</u></u>	<u><u>100.00</u></u>

Notes:

- Ms. Wu Jing is an executive Director.
- This scenario is for illustrative purpose only. The Company has 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. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules. In the event that the Rights Issue would result in public float could not be maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 8.08 of the Listing Rules.

LETTER FROM THE BOARD

3. LISTING RULES IMPLICATION

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is conditional on minority Shareholders' approval at the EGM in accordance with the requirements of the Rule 7.19A of the Listing Rules.

Pursuant to Rule 7.27A(1) of the Listing Rules, where Shareholders' approval is required for a rights issue under rule 7.19A, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding 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.

As at the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules and Ms. Wu Jing, who is an executive Director, is beneficially interest in 2,188,850 Shares. Accordingly, Ms. Wu Jing is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

4. THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Rights Issue and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 73 to pages 76 of this circular. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

The register of members of the Company will be closed from Friday, 8 September 2023 to Thursday, 14 September 2023 (both days inclusive) for determine the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 7 September 2023.

In compliance with the Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

LETTER FROM THE BOARD

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), PAL(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 28 September 2023.

5. RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 27 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Silverbricks Securities Company Limited set out on pages 28 to 49 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors believe that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, and the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

6. ADDITIONAL INFORMATION

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

7. WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this letter.

Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed. Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

LETTER FROM THE BOARD

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

By order of the Board
ArtGo Holdings Limited
Wu Jing
Executive Director



ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3313)

25 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

We refer to the circular of the Company dated 25 August 2023 (this “**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.

We have been appointed by the Board to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Details of the Rights Issue are set out in the “Letter from the Board” on pages 7 to 26 of this Circular.

Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 28 to 49 of the Circular.

Having taken into account the terms of the Rights Issue, the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ms. Lung Yuet Kwan

Mr. Hui Yat On
Independent non-executive Directors

Mr. Zhai Feiquan

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Silverbricks Securities Company Limited, the Independent Financial Adviser, which sets out its advice to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



Unit 04–06, 10/F,
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

25 August 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 25 August 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the Announcement and the Supplemental Announcement. The Company proposed to raise gross proceeds of HK\$123.45 million (before expenses) by issuing up to 617,249,750 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.20, being the par value per Share, per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date.

Pursuant to Rule 7.27A(1) of the Listing Rules, where Shareholders’ approval is required for a rights issue under rule 7.19A, as the Rights Issue will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their 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 ordinary resolution to approve the Rights Issue at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules and Ms. Wu Jing, who is an executive Director, is beneficially interest in 2,188,850 Shares. Accordingly, Ms. Wu Jing is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Lung Yuet Kwan, Mr. Zhai Feiquan and Mr. Hui Yat On, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement, the Side Letter and the transactions contemplated respectively thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated respectively thereunder are fair and reasonable. We, Silverbricks Securities Company Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with pursuant to the Rule 13.84 of the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.80 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, we have been appointed as the independent financial adviser to the Company regarding the adjustments to the terms of the share options of the Company as a result of the share consolidation on the basis that every twenty (20) issues and unissued existing shares of par value of HK\$0.01 each be consolidated into one (1) consolidated share of HK\$0.20 each, which details were disclosed in the circular was dated 5 October 2022. We therefore are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. 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 information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. We will notify the shareholders of any material change of information in the circular up to the date of EGM.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement; (ii) Side Letter entered between the Company and the Placing Agent on 4 August 2023; (iii) loan details of approximately RMB353.8 million as at 30 June 2023; and (iv) annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue 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 regarding the Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the business of marble products in the PRC. Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”) as extracted from the 2022 Annual Report.

(a) Financial Performance of the Group

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
	(audited)	(audited)
Revenue	89,069	87,976
Loss for the year	(148,328)	(417,893)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial Position of the Group

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
	(audited)	(audited)
Cash and cash equivalents	15,762	23,088
Total assets	1,661,140	1,738,851
Total liabilities	531,394	475,618
Net assets	1,129,746	1,263,233

Audited consolidated results for the two years ended 31 December 2022

As disclosed in the 2022 Annual Report, revenue of the Group increased by approximately 1.24% from approximately RMB87.9 million for FY2021 to approximately RMB89.1 million for FY2022. Such increase was derived from taking a low-margin strategy and continually withheld the commodities trading. As a result of the increase in revenue and particularly decrease in share of loss of associates by RMB313.4 million, the loss for the Group decreased from approximately RMB417.9 million for FY2021 to approximately RMB148.3 million for FY2022.

In FY2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately RMB15.8 million, RMB1,661 million, RMB531.4 million and RMB1,130 million, respectively. The current ratio were approximately 1.10 times in FY2022 as compared to approximately 1.17 times in FY2021. The gearing ratio was approximately 29.1% in FY2022 as compared to approximately 20.8% in FY2021.

2. Reasons for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue are estimated to be up to approximately HK\$121.15 million after the deduction of all estimated expenses (assuming full acceptance of the Rights Issue and assuming that no new Shares will be allotted or issued on or before the Record Date).

The Company intend to apply the net proceeds as follows:

- (1) approximately HK\$110.00 million (or approximately 90.80% of the total net proceeds) for the repayment of loans and other payables of the Group; and
- (2) the remaining balance of approximately HK\$11.15 million (or approximately 9.20% of the total net proceeds) for general working capital of the Group, in which approximately HK\$4.10 million for salaries expenses, approximately HK\$4.10 million for purchase of raw materials, approximately HK\$2.05 million for professional fees and HK\$0.90 million for daily operation expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that there is an under subscription of the Right Issue and Placing, the net proceeds of the Rights Issue and Placing will be allocated and utilised in accordance with the same proportion to the above basis.

The Directors consider fund-raising for additional working capital is key although, on 13 June 2023, a total of 46,000,000 new Shares were successfully allotted and issued at the subscription price of HK\$0.280 per subscription share (the “**Subscription**”) and the net proceeds from Subscription, after deducting commission and other expenses incidental to the Placing, amounted to approximately HK\$12.83 million which were intended to be used for repayment of part of the Group’s current debt, where to the extent that any part of the net proceeds is not applied for such purpose, such proceeds are intended to be applied for general working capital of the Group and/or any investment opportunities in payment related business as identified by the Group from time to time.

As disclosed in both the annual reports of the Company for the year ended 31 December 2021 and 31 December 2022, the Group had experienced a challenging operating environment in view of the impact from the COVID-19 pandemic and the severe political tension between the United States and the PRC which still continue creating a significant impact on the PRC economy. The Group’s marble stone products business is part of the supply chain of the real estate construction sector, which, to a large extent, has not been fully recovered from the pandemic (and so as the overall business of the Group). During the years of 2021 and 2022, property developers in the PRC were still facing severe liquidity problems. As such, instead of developing new projects, most property developers were focusing on clearing up their inventory by discounted sales, seeking new refinancing opportunities and negotiating with existing creditors for debt restructuring. Since the Group’s revenue was mostly derived from customers based in the PRC, these factors in aggregate led to a large extent of impact on the overall business performance of the Group.

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB15,762,000 and the interest-bearing bank and other borrowings of the Group amounted to approximately RMB344,224,000.

The above challenging operational environment had led to ongoing cash net outflow of the Group since 2020. Taking into account that the larger part of the proceeds from Subscription has already been used by the Group for repayment of loans and other payables, the Directors consider it is prudent and in the interests of the Company and the Shareholders as a whole to raise additional fund for repayment of loans and other payables, and for general working capital of the Group, so that the Group has sufficient financial resources to meet the financial obligations when they fall due in the following 18–24 months from the date of the Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the proceeds raised by the Rights Issue or Placing is less than the aforesaid estimated net proceeds of approximately HK\$121.15 million, the Company will further evaluate options including amongst others, reducing the proposed amount of repayment of loans and other payables, renewing and/or refinancing existing loans or exploring other financing, and/or fund-raising alternatives. The Group's is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs.

Settlement of the Group's loans

According to the 2022 Annual Report, as at 31 December 2022, the interest-bearing bank and other borrowings of the Group amounted to approximately RMB344,224,000, with bearing interest at 1–24% per annum. Also, during FY2022, interest on bank loans and other borrowings amounted to approximately RMB23,015,000.

Having considered that (i) the interest payment for the Group for FY2022; (ii) the reduction of interest payment after the settlement of the Group's loan; (iii) the balance of cash and cash equivalents as at 31 December 2022; and (iv) the positive impact of increasing liquidity and reserving working capital brought by settlement of the Group's indebtedness, we concur with the Directors that the settlement of the Group's loans equip the Group with a timely and robust funding position and is for the commercial benefit of the Group.

Having considered the above, and (i) the state of the global and PRC economies that the business conditions remain challenging in PRC due to the impact from the COVID-19 pandemic and the severe political tension between the United States and the PRC, and (ii) the liquidity problems facing by the property developers in real estate construction sector in PRC, we concur with the Directors that the Group's ongoing operations and managing cash flow is a very critical aspect during a period of uncertainty, and the Rights Issue provides a good opportunity for the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for the Group's daily operation. We are of the view that the intended use of proceeds is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Alternative financing methods

As disclosed in the Letter from the Board, apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

After taking into account the benefits and potential cost of each of the alternatives such as bank borrowings, placing or an open offer, we are of the view and concur with the view of the Directors that (i) debt financing may not be achievable on favourable terms in a timely manner as debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group; (ii) placing of new Shares would only be available to certain places who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; and (iii) open offer does not allow qualifying shareholders to trade rights entitlements freely in the open market. We are of the view and concur with the view of the Directors that the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Rights Issue

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 617,249,750 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
		The aggregate nominal value of the Rights Shares will be HK\$123,449,950
Gross proceeds from the Rights Issue	:	Up to approximately HK\$123.45 million before expenses (assuming no change in the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

Assuming there is no change to the total issued shares capital of the Company on or before the Record Date, 617,249,750 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

Assessment on the principal terms of the Rights Issue

The Subscription Price

The Subscription Price of HK\$0.20 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 11.89% to the closing price of HK\$0.2270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.76% to the closing price of HK\$0.2100 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 5.93% to the average closing price of approximately HK\$0.2126 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.90% to the average closing price of approximately HK\$0.2323 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 0.42% to the theoretical ex-rights price of approximately HK\$0.2008 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.2100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 6.50%, which is calculated based on the theoretical diluted price of approximately HK\$0.2072 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Date); and
- (vii) a discount of approximately 95.17% to the audited net asset value per Share of approximately HK\$4.14 (equivalent to RMB3.66) based on the latest audited consolidated net asset value Group of approximately HK\$1,278,137,798 (equivalent to RMB1,129,746,000) as at 31 December 2022 and the number of Shares in issue as at the Last Trading Day (i.e. 308,624,875 Shares).

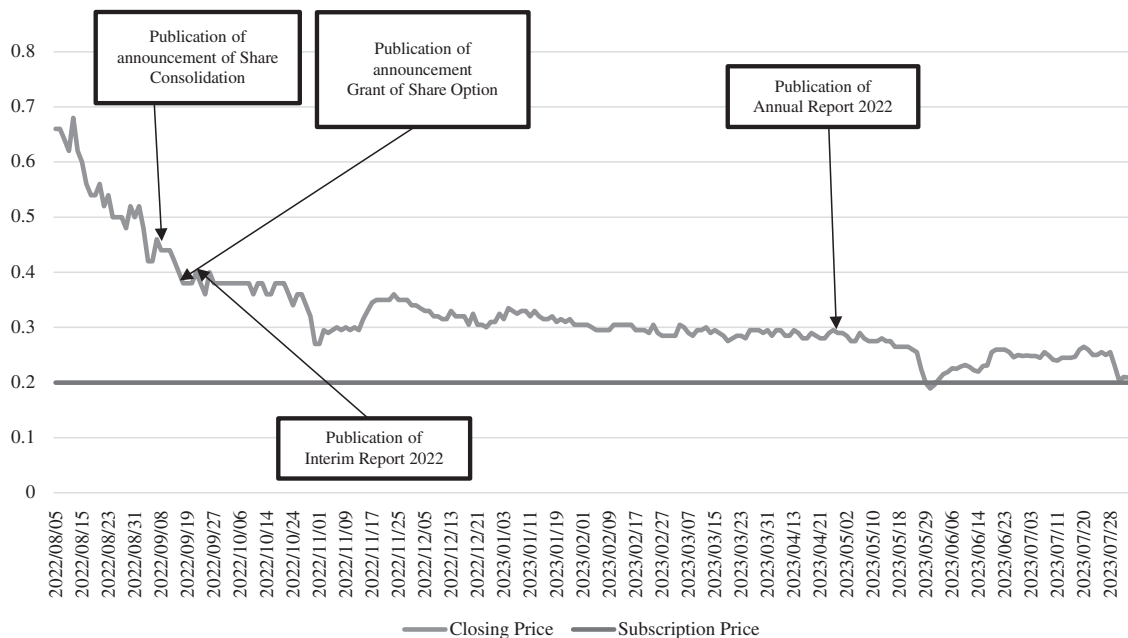
As disclosed in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation with reference to, among other things, the prevailing market price of the Shares and the financial conditions of the Group.

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Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 5 August 2022 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Share (“**Closing Price**”) versus the Subscription Price of HK\$0.20 per Rights Share during the Review Period:

27/04/2023 Publication of Annual Report 2022
21/09/2022 Publication of Interim Report 2022
16/09/2022 Publication of announcement Grant of Share Option
13/09/2022 Publication of announcement of Share Consolidation



Source: website of the Stock Exchange

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As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.32 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.189 per Share recorded on 30 May 2023 (the “**Lowest Closing Price**”) to HK\$0.68 per Share recorded on 11 August 2022 (the “**Highest Closing Price**”). We note that Shares were traded above the Subscription Price in the whole Review Period. The Subscription Price of HK\$0.20 represents (i) a discount of approximately 5.8% to the Lowest Closing Price; (ii) a premium of approximately 70.6% to the Highest Closing Price; and (iii) a premium of approximately 37.5% to the Average Closing Price. As discussed in the section headed “Comparison with recent rights issues transactions” below, we note that it is a common practice (21 out of 21 Comparables, excluding the outlier) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

There was a downtrend from 11 August 2022. The closing price of the Shares slightly fluctuated from approximately HK\$0.66 at the 5 August 2022 to the Highest Closing Price 11 August 2022. After reaching the Highest Closing Price, the closing price of the Shares then gradually decrease and hit the Lowest Closing Price on 30 May 2023, and became steadily till the Last Trading Day.

The reason for the substantial fall in Share price since 11 August 2022 (“**Downtrend Period**”) was unknown to us since:

- (i) the Management were not aware of any reason for such fall in Share price during the Downtrend Period; and
- (ii) we have reviewed all the announcements disclosed during the Downtrend Period, and we were not aware of any information which led to abrupt decrease of the Share prices during the Downtrend Period.

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Historical trading liquidity of the Shares

Month	Total volume of Shares traded Shares	Number of trading days days	Approximate average daily trading volume of the Shares Shares	Percentage of average daily trading volume to total number of issued shares as at the end of the month/period (Note 1)
2022				
August (from 5 August 2022)	23,284,500	19	1,225,500	0.03%
September	22,489,000	21	1,070,905	0.02%
October	6,953,250	20	347,663	0.13%
November	6,256,500	22	284,386	0.11%
December	4,201,400	20	210,070	0.08%
2023				
January	2,150,500	18	119,472	0.05%
February	2,226,700	20	111,335	0.04%
March	1,980,550	23	86,111	0.03%
April	1,601,500	17	94,206	0.04%
May	9,410,500	21	448,119	0.17%
June	5,224,000	21	248,762	0.08%
July	19,086,100	20	954,305	0.31%
August (up to Last Trading Day)	2,495,000	4	623,750	0.20%

Source: website of the Stock Exchange

Note:

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 86,111 Shares in September 2022 (from 5 August 2022) to 1,074,978 Shares in July 2023 (up to Last Trading Day) during the Review Period, representing 0.02% to approximately 0.03% of the total number of issued shares as at the end of the month/period, respectively. We noted that the approximate average daily trading volume of Shares was particularly high in September 2022 right before the share consolidation and subscription of new shares of the Group, which we should consider the result after the share consolidation and subscription of new

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shares as the percentage of average daily trading volume to total number of Shares in issue fluctuates from 0.03% to 0.31% in the subsequent months and have never exceeded 1%, which indicates a thin trading liquidity of the Shares during the Review Period.

Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing volatile market conditions under the uncertainty in local and global economy discussed in the earlier section headed “Reasons for and benefits of the Rights Issue and use of proceeds”; (iii) the share price of the Company has been trading below its par value for some time; and (iv) the fund-raising size intended by the Company after taking into consideration of the par value per Share.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on the Stock Exchange (excluding those terminated or lapsed or announced but not yet completed) within approximately 6 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 21 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We consider the Comparison Period of approximately 6 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. We consider that despite the terms of the Rights Issue depend on various factors, including (i) the dilution effect to shareholding; (ii) less than HK\$500 million having considered the estimated size of gross proceeds from the Rights Issue; (iii) discounts to share price, etc., they are often influenced by the recent market trends for rights issue. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as a general reference for the purpose of an assessment on the Subscription

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Price, as (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, the consolidated net asset value per share and theoretical dilution effect; (iii) the exclusion of rights issue transactions of A-Shares and H-Shares; and (iv) the Comparables were included without any artificial selection or filtering on our part thus they represented a general, true and fair view of the recent market trends for rights issue.

Table A

Date of announcement	Company (stock code)	Basis of entitlement	Gross Proceeds (HK\$, million)	Premium/(Discount) of subscription price over the closing price per share on the respective last trading day (%)	Premium/(Discount) of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue (%)	Premium/(Discount) of the subscription price over the consolidated NAV per share (%)	Theoretical dilution effect (Note 2) (%)	Excess Application	Fully underwritten	Placing Commission (%)	Underwriting commission (%)
7-Jun-23	GBA Holdings Limited (261)	4 for 5	52.90	(25.00)	(16.67)	(90.24)	(11.10)	No	Best Effort And Non-Fully Underwritten	3.50	4.00
30-May-23	Min Fu International Holding Limited (8511)	1 for 2	24.00	(8.26)	(5.66)	12.36	(3.30)	No	Non-Underwritten	4.00	N/A
29-May-23	Hao Bai International (Cayman) Limited (8431)	1 for 2	18.42	(5.66)	(3.85)	36.99	(3.83)	No	Non-Underwritten	1.60	N/A
25-May-23	China Investment Development Limited (204)	1 for 1	54.50	(41.18)	(26.11)	(83.05)	(20.39)	No	Non-Underwritten	N/A	N/A
25-May-23	Jimu Group Limited (8187)	2 for 1	14.40	15.60	4.70	0.17	0.00	Yes	Fully Underwritten	N/A	fixed commission fee of HK\$100,000
17-May-23	Crosstec Group Holdings Limited (3893)	1 for 2	17.28	(9.09)	(6.26)	N/A	(3.02)	Yes	Non-Underwritten	N/A	N/A
12-May-23	China Ruiifeng Renewable Energy Holdings Limited (527)	5 for 2	229.90	(28.00)	(10.00)	(34.23)	(20.00)	No	Non-Underwritten	(i) a fixed fee of HK\$70,000; and (ii) 1.50% of gross proceeds under the Rights Issue	N/A
5-May-23	China Medical & Healthcare Group Limited (383)	1 for 2	318.60	(15.40)	(11.10)	(59.10)	(5.70)	Yes	Fully Underwritten	N/A	2.50
28-Apr-23	Pt International Development Corporation Limited (372)	1 for 2	36.50	(69.20)	(60.00)	(87.30)	(23.10)	No	Fully Underwritten	0.25	0.50
14-Apr-23	Finet Group Limited (8317)	1 for 2	33.90	(52.40)	(42.20)	96.10	(17.97)	No	Fully Underwritten	fixed commission fee of HK\$20,000	0.00

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Date of announcement	Company (stock code)	Basis of entitlement	Gross Proceeds (HK\$, million)	Premium/(Discount) of subscription price over the closing price per share on the respective last trading day (%)	Premium/(Discount) of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue (%)	Premium/(Discount) of the subscription price over the consolidated NAV per share (%)	Theoretical dilution effect (Note 2) (%)	Excess Application	Fully underwritten	Placing Commission (%)	Underwriting commission (%)
13-Apr-23	Pinestone Capital Limited (804)	1 for 2	30.46	(40.79)	(31.47)	(62.97)	(13.60)	No	Non-Underwritten	1.50	N/A
11-Apr-23	China Wantian Holdings Limited (1854)	1 for 5	111.40	(41.94)	(37.61)	350.00	(6.99)	Yes	Fully Underwritten	N/A	7.07
6-Apr-23	Luk Hing Entertainment Group Holdings Limited (8052)	1 for 1	43.90	(5.88)	(3.03)	N/A	(2.94)	No	Fully Underwritten	3.00	3.00
6-Apr-23	Kingland Group Holdings Limited (1751)	1 for 2	14.92	(70.40)	(61.30)	262.75	(23.47)	No	Non-Underwritten	3.50	N/A
27-Mar-23	Sandmartin International Holdings Limited (482)	3 for 2	88.60	(16.67)	(7.41)	(22.38)	(10.00)	No	Fully Underwritten	2.00	1.00
16-Mar-23	Golden Power Group Holdings Limited (3919)	1 for 2	19.80	(19.70)	(14.06)	(87.07)	(9.00)	Yes	Fully Underwritten	N/A	4.00
6-Mar-23	Cbk Holdings Limited (8428)	5 for 1	20.61	(15.87)	(2.93)	(70.62)	(13.23)	No	Non-Underwritten	3.50	N/A
3-Mar-23	Diwang Industrial Holdings Limited (1950)	3 for 2	289.44	1.52	0.60	(37.44)	(6.76)	No	Non-Underwritten	0.50	N/A
17-Feb-23	State Innovation Holdings Limited (8275)	3 for 2	35.30	(26.50)	(12.50)	(64.74)	(16.00)	No	Non-Underwritten	2.50	N/A
10-Feb-23	Windmill Group Limited (1850)	2 for 1	130.56	(1.45)	0.00	(54.05)	(2.82)	No	Non-Underwritten	1.00	N/A
27-Jan-23	Alco Holdings Limited (328)	4 for 1	90.69	(25.00)	(6.25)	N/A	(20.00)	No	Non-Underwritten	0.50	N/A
		Maximum	318.60	15.60	4.70	350.00	0.00			4.00	7.07
		Minimum	14.40	(70.40)	(61.30)	(90.24)	(23.47)			0.25	
		Average	79.80	(23.87)	(16.81)	0.29	(11.51)			2.10	2.76
		Median	36.30	(19.70)	(10.00)	(45.75)	(10.55)			2.00	2.75
4-Aug-23	The Group	2 for 1	123.45	(4.76)	(0.42)	(95.17)	(6.50)	No	Non-underwritten	1.00	nil

Notes:

- In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions.
- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.
- N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

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Based on the Table A, we noted that:

- (i) the subscription prices to the closing price on the last trading days prior to the announcements of the Comparables ranged from a premium of approximately 15.60% to a discount of approximately 70.40% (the “**Comparable LTD Range**”), with an average and median of discounts of approximately 23.87% and 19.70% respectively. The discount of approximately 4.76% of the Company’s Subscription Price of HK\$0.20 per Share to the closing price of HK\$0.210 per Share on the Last Trading Day, which is within the Comparable LTD Range, close to and slightly higher than the average and the median discount of Comparable LTD Range;
- (ii) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to the announcements of the Comparables in relation to the respective ranged from a premium of approximately 4.7% to a discount of approximately 61.30% (the “**Comparable TERP Range**”), with an average and median of discounts of approximately 16.81% and 10.00% respectively. The discount of the Subscription Price to the theoretical ex-rights price of HK\$0.2008 per Share on the Last Trading Day of approximately 0.42% is within the Comparable TERP Range and with a lower discount than the average of Comparable TERP Range and a slightly higher than the median of Comparable TERP Range;
- (iii) the consolidated net asset value per share of the Comparables ranged from a premium of approximately 350.00% to a discount of approximately 90.24% (the “**Comparable NAV Range**”), with average premium and median of discounts of approximately 0.29% and 45.75% respectively. The Subscription Price represents a discount of approximately 95.17% to the net asset value of the Company of approximately HK\$4.14 per Share calculated based on the audited consolidated net asset value of the Company of approximately HK\$1,278,137,798 (equivalent to RMB1,129,746,000) as at 31 December 2022 and the number of Shares in issue as at the Last Trading Day (i.e. 308,624,875 Shares), which is the highest discount of the Comparable NAV Range; and
- (iv) the theoretical dilution effect of the Comparables ranged from approximately 0.0% to approximately 23.47% (the “**Comparable Dilution Range**”), with an average and median dilution effects of approximately 11.51% and 10.55%, respectively. The theoretical dilution effect of the Rights Issue of approximately 6.50% to the existing Shareholders if they elect not to participate in the Rights Issue is within the Comparable Dilution Range, being close to the average and median dilution effects of the Comparables. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B of the Listing Rules.

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Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 4.76% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount to the average Closing Price may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the share price of the Company has been trading below its par value for some time; (iv) the Subscription Price represents the par value per Share; (v) a review period of 6 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (vi) the Independent Shareholders may subscribe the Rights Share with the Subscription Price close to the price of HK\$0.227 on the Latest Practicable Date under the thin trading liquidity, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and the Independent Shareholders are advised to subscribe for the entitlements.

Absence of excess application arrangement

As mentioned in the Letter from the Board, Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Comparables, we noted that 16 out of 21 Comparables, did not offer excess application as part of the rights issue. On this basis, we considered the absence of excess application to be not uncommon market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Placing commission

As set out in the Letter from the Board, the terms of the Placing Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Placing Agent with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed "Placing Agreement" in the Letter from the Board. The Placing Agent to the Company will receive a 1% of the amount, which is equal to the placing price multiplied by the number of Placing Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. According to the Comparables as set out in Table A, the placing commission of the Comparables ranged from 0.25% to 4.00%, with the average and median of 2.10% and 2.00%, respectively. As the placing commission is in between the range of the Comparables, we consider that the placing commission of 1.0% borne by the

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Company in the Rights Issue is in line with market practice. Based on the above, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

4. Dilution effect of the Rights Issue on the shareholding of the Company

As at the Latest Practicable Date, the Company has 308,624,875 existing Shares in issue. The table below sets out the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately after the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders); and (c) immediately after the Rights Issue (assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Ms. Wu Jing (Note 1)	2,188,850	0.71	6,566,550	0.71	2,188,850	0.23
Xu Xiaodong	46,000,000	14.90	138,000,000	14.90	46,000,000	4.97
Placees	—	—	—	—	617,249,750	66.67
Other public Shareholders	<u>260,436,025</u>	<u>84.39</u>	<u>781,308,075</u>	<u>84.39</u>	<u>260,436,025</u>	<u>28.13</u>
Total	<u><u>308,624,875</u></u>	<u><u>100.00</u></u>	<u><u>925,874,625</u></u>	<u><u>100.00</u></u>	<u><u>925,874,625</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Ms. Wu Jing is an executive Director.
- (2) This scenario is for illustrative purpose only. The Company has 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. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules. In the event that the Rights Issue would result in public float could not be maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 8.08 of the Listing Rules.

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Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

All Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 66.7%.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and public Shareholders' interests in the Company will be not diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) shareholding dilution is inherent in rights issue in general; (iii) the imminent need of financial resources for the Company; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed "Possible Financial Effect of the Rights Issue" below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is justifiable.

5. Possible Financial Effect of the Rights Issue

Net tangible assets

According to the "Unaudited pro forma financial information of the Group" set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB533.12 million as at 31 December 2022; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB640.33 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

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Liquidity

According to the Annual Report 2022, as at 31 December 2022, the cash and cash equivalents of the Group was approximately RMB15.76 million and the Group had current assets of approximately RMB197.04 million, current liabilities of approximately RMB179.19 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December 2022 was approximately 1.10 times. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$121.15 million. The current ratio of the Group will be increased from approximately 1.10 times to 1.78 times approximately. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

After taking into consideration of the above, particularly, the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 December 2022 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2022 or any future date.

OPINION AND RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the proceeds from the Rights Issue for repayments of the Group's loans and other payables, and the Directors expectation to strengthen its general working capital structure without incurring debt financing cost and improve the financial position, under section headed "Reasons for and benefits of the Rights Issue and use of proceeds" above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents a more cost effective, efficient and beneficial mean to the Company and the Shareholders as a whole as compared to raising fund by other means as stated under the paragraph headed "Alternative financing methods" above in this letter;
- (iii) the Subscription Price represented a discount of approximately 4.76% and 5.93% to the closing price on the Last Trading Day, and the five (5) consecutive trading days up to and including the Last Trading Day, respectively;

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- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison with recent rights issue transactions” in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Note: Mr. Yau Tung Shing is licensed individual under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO. He is considered responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing possesses over 7 years of experience in the corporate finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 were disclosed in the annual reports of the Company for the years ended 31 December 2020 (pages 75 to 161), 2021 (pages 51 to 139) and 2022 (pages 50 to 131) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.artgo.cn). Please refer to the hyperlinks as stated below:

2020 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701976.pdf>

2021 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051200535.pdf>

2022 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702892.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Interest-bearing bank and other borrowings

	At 30 June 2023 <i>RMB'000</i>
Bank loans	
— Secured	15,000
— Guaranteed	<u>29,900</u>
	<u>44,900</u>
Other borrowings	
— Secured or guaranteed	12,628
— Unsecured	<u>296,320</u>
	<u>308,948</u>
Total	<u><u>353,848</u></u>

(b) Lease liabilities

At 30 June 2023, the Group had lease liabilities of approximately RMB586,000.

	At
	30 June
	2023
	<i>RMB'000</i>
	(Unaudited)
Amount payable — current portion	<u>586</u>

(c) Amount due to a director

At 30 June 2023, the amount due to a director of approximately RMB6,320,000 are unsecured, interest-free and have no fixed repayment terms.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into consideration the Group's present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the twelve (12) months from the date of this circular in the absence of any unforeseen circumstances.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the business of mining, processing and sale of marble stones, production and sale of calcium carbonate, and warehousing and logistics.

For the year ended 31 December 2022 (the “**Year 2022**”), the Group's revenue amounted to RMB89.07 million, representing an slight increase of approximately 1.24% when compared to that of approximately RMB87.98 million for last year. The sales of marble stone products contributed 38.7% or approximately RMB34.4 million (2021: 35.6% or approximately RMB31.2 million) to the Group's total revenue. And the sales of calcium carbonate products contributed 59.6% or approximately RMB53.1 million (2021: 62.6% or approximately RMB55.1 million) to the Group's total revenue.

The Year 2022 was a very tough and challenging year due to the COVID-19 pandemic situations and the severe political tension between China and US, both of which have been bringing a tremendous impact on people's lives and also on the global economy including China. The emergence of different new virus variants and the on-and-off unexpected lock-down of different districts and regions in the PRC during the Year 2022 have increased the challenge to the Group's overall business activities and its operating environments.

The Group's marble stone product business is part of the supply chain of the real estate construction sector, which, to a large extent, has not fully recovered from the pandemic (and so as the overall business of the Group). During the Year, property developers in the PRC were facing serious liquidity difficulties. As such, most property developers were focusing on inventory clearing and debt restructuring instead of developing new projects. Under such circumstances, the management of the Group has been operating its business very cautiously during the Year 2022.

Whilst the Group was continually experiencing a challenging time with its marble business in the Year 2022, by taking a low-margin strategy, our Group has managed to increase its overall revenue by approximately 1.2%. We had actively sought debt restructuring/refinancing opportunities with lower costs and/or longer terms (if available) from non-bank lenders/local partners in the PRC in order to focus more resources on our core business in Jiangxi Province as well as to improve the Group's overall liquidity and reduce financial costs. To improve its overall operation efficiency, we gradually downsized our operations in Xiamen and shifted them to Jiangxi Province (where our Group's largest marble mine, marble stone processing plant and calcium carbonate business were based).

Looking forward, with the launch of vaccines and medicines for COVID-19 and the easing of Covid-related restrictions by the Chinese central government since December 2022, all these brought new hope to the world and the Group believe the influence of the pandemic will be diminishing as the time goes. Although there are still uncertainties and challenges in the PRC and the global economy (especially from the potential impact of the war between Russia and Ukraine commenced in February 2022 and the banking sector crisis in US and Europe), the Group will formulate long term business plans with a goal to fully utilize its existing resources. The Group will keep monitoring its ever-changing business environment and adjust its business plans accordingly. It will seek out opportunities to monetise non-core assets (particularly the disposal of its Warehouse Logistic Business) where appropriate in order to generate immediate liquidity and to lower its debt level. Meanwhile, the Group will continue identifying any project or business which is beneficial to the Group and its shareholders as a whole.

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

The following is the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue <i>RMB'000</i>	Audited consolidated net tangible assets attributable to the owners of the Company per share before completion of the Rights Issue <i>RMB</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share after completion of the Rights Issue <i>RMB</i> <i>(Note 4)</i>
Based on 617,249,750 Right Shares to be issued at Subscription Price of HK\$0.20 per Rights Share				
<u>533,124</u>	<u>107,209</u>	<u>640,333</u>	<u>2.030</u>	<u>0.728</u>

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 is based on the consolidated net assets of the Group attributable to owners of the Company of approximately RMB1,129,746,000, after deducting intangible assets of approximately RMB596,622,000 as at 31 December 2022, extracted from the published annual report of the Group for the year ended 31 December 2022.
2. The estimated net proceeds from the Rights Issue of approximately HK\$121,146,000 (equivalents to RMB107,209,000) are based on 617,249,750 Rights Shares to be issued on the basis of two Rights Shares for every one existing shares held by the qualifying shareholders on the record date. The Rights Issue is only available to the qualifying shareholders and will not be available to non-qualifying shareholders at the Subscription Price of HK\$0.20 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,304,500 (approximately RMB2,039,380).
3. The consolidated net tangible assets of the Group attributable to the owners of the Company per share before the completion of the Rights Issue is determined based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 of approximately RMB533,124,000 as disclosed in note 1 above, divided by 262,624,875 Shares of the Company in issue as at 31 December 2022.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 for the Rights Issue of approximately RMB640,333,000 divided by Shares which comprise 262,624,875 Shares in issue as at 31 December 2022 and 617,249,750 Rights Shares to be issued immediately after the completion of the Rights Issue, assuming that no outstanding share options of the Company will be exercised.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2022.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the independent reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's Unaudited Pro Forma Financial Information for the purpose of inclusion in this circular.

TO THE DIRECTORS OF ARTGO HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ArtGo Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix II to the circular issued by the Company dated 25 August 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue as defined in the Circular on the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2022 as if the Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group's consolidated net tangible assets attributable to owners of the Company has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022, on which an auditor report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**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 Management

We have complied with the independence and other ethical requirements 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 behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the 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 plans and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 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 accountant's 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 Directors 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 4.29(1) of the Listing Rules.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 25 August 2023

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the Completion (assuming the Increase in Authorised Share Capital having been effective and there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion and full acceptance by Qualifying Shareholders) were as follows:

(a) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000</u> Shares of HK\$0.20 each	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
<u>308,624,875</u> Shares of HK\$0.20 each	<u>61,724,975</u>

(b) Immediately after the Completion (assuming the Increase in Authorised Share Capital having been effective and there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion and full acceptance by Qualifying Shareholders):

<i>Authorised:</i>	<i>HK\$</i>
<u>1,500,000,000</u> Shares of HK\$0.20 each	<u>300,000,000</u>
<i>Issued and fully paid:</i>	
308,624,875 Shares of HK\$0.20 each	61,724,975
<u>617,249,750</u> Rights Shares of HK\$0.20 each to be allotted and issued under the Rights Issue	<u>123,449,950</u>
<u>925,874,625</u>	<u>185,174,925</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* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which 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) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares interested (Note)	Approximate percentage of the total issued share capital of the Company
Ms. Wu Jing	Beneficial owner	2,188,850(L)	0.71%

Note: The letter “L” denotes the person’s long position in the Share.

(b) Interests of substantial Shareholders and other person

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, there is one person (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions 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 and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, who were, directly or indirectly, interested in 5% or more of the number of any class of share carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital, disclosed as follows:

Name	Capacity	Number of Shares interested (Note)	Approximate percentage of the total issued share capital of the Company
Xu Xiaodong	Beneficial Owner	46,000,000 (L)	14.90%

Note: The letter (“L”) denotes the person’s long position in the Share.

4. DIRECTORS’ INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, (a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited accounts of the Group were made up); and (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

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

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, controlling shareholder of the Company nor their respective close associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the Listing Rules.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (i) the conditional equity transfer agreement dated 7 September 2021 (the “**Equity Transfer Agreement**”) entered into between Mr. Wu Jun, ArtGo Investment Limited and Good Benefit Holdings Limited in respect of the disposal of 51% equity interest in Good Benefit Holdings Limited;
- (ii) the supplement agreement dated 15 November 2021 entered into between Mr. Wu Jun and ArtGo Investment Limited and expressed to be supplemental to the Equity Transfer Agreement;
- (iii) the subscription agreement dated 5 May 2023 entered into between the Company and Mr. Xu Xiaodong in relation of a subscription of 46,000,000 new Shares;
- (iv) the Placing Agreement; and
- (v) the Side Letter.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountant
Silverbricks Securities Company Limited	a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, the above experts have given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above experts confirmed that they (a) did not have any shareholding interest 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 securities in any member of the Group; and (b) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including placing commission and professional fees payable to financial advisers, legal adviser, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$2.30 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors****Executive Directors:**

Ms. Wu Jing (*Chairman and Acting Chief Executive Officer*)

Mr. Gu Weiwen (*Vice Chairman*)

Mr. Zhang Jian

Mr. Wan Jian

Non-executive Director:

Mr. Gu Zengcai

Independent Non-executive Directors:

Ms. Lung Yuet Kwan

Mr. Hui Yat On

Mr. Zhai Feiquan

Audit Committee:

Ms. Lung Yuet Kwan (*Committee Chairman*)

Mr. Hui Yat On

Mr. Zhai Feiquan

Remuneration Committee:

Mr. Hui Yat On (*Committee Chairman*)

Ms. Wu Jing

Ms. Lung Yuet Kwan

Nomination Committee:

Ms. Wu Jing (*Committee Chairman*)

Mr. Hui Yat On

Mr. Zhai Feiquan

Investment Committee:

Ms. Wu Jing (*Committee Chairman*)

Mr. Gu Weiwen

Mr. Hui Yat On

Registered office

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

Head office and principal place of business in the PRC	Room E, 6/F No. 728 Yan'an West Road Changning District Shanghai, PRC
	New Material Industrial Park Teng Tian Town Yongfeng County Ji'an City Jiangxi Province, China
Head office and principal place of business in Hong Kong	Unit 1302, 13/F Golden Centre 188 Des Voeux Road Central Hong Kong
Authorised representatives	Ms. Wu Jing Room A, 9/F, Block 1 Waterside Plaza No. 38 Wing Shun Street Tsuen Wan Hong Kong
	Mr. Gu Weiwen Room 801, No. 30, Alley 99 Jinhe Road Pudong New Area Shanghai, China
Company Secretary	Mr. Zhao Zhipeng
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

Principal bankers	Agricultural Bank of China Shanghai Changping Road Branch 818 Xikang Road Jing'an District Shanghai PRC
	China Citic Bank Xiamen Branch, Fushan Sub-branch No. 1222 Xiahe Road Siming District Xiamen PRC
	Bank of Communications Co., Ltd. Hong Kong Branch No. 20 Peddar Street Central Hong Kong
Legal adviser to the Company	Patrick Mak & Tse Solicitors Rooms 901–905, 9/F Wing On Centre 111 Connaught Road Central Hong Kong
Auditors	Elite Partners CPA Limited 10/F, 8 Observatory Road Tsim Sha Tsui, Kowloon Hong Kong
Independent Financial Adviser	Silverbricks Securities Company Limited

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

a) Biographical details of Directors

Executive Directors

Ms. Wu Jing (伍晶) (“Ms. Wu”), aged 37, has been appointed as the executive Director on 9 March 2016 and is currently chairman of the Board and acting chief executive officer of the Company. Ms. Wu is also responsible for promotion and marketing affairs of the Company. Ms. Wu has more than 10 years’ experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department

of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the “Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)”. She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). Save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

Mr. Gu Weiwen (顧偉文) (“Mr. Gu”), aged 53, has been appointed as the executive Director and chief executive officer of the Company on 9 March 2016, and re-designated as Vice Chairman of the Company on 1 December 2016. Mr. Gu has more than 30 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商廈有限公司). From October 1994 to October 2000, Mr. Gu served as the general manager of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商廈有限公司). As of the Latest Practicable Date, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. Zhang Jian (張健) (“Mr. Zhang”), aged 48, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has more than 16 years' experiences in stone

exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manager of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the Latest Practicable Date, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

Mr. Wan Jian (萬堅) (“Mr. Wan”), aged 46, has been appointed as the executive Director on 15 January 2021. Mr. Wan has extensive experience in the construction industry particularly in the construction material field. He was also familiar with stone products processing and their related application on construction projects. Mr. Wan does not hold any other position with the Company and/or other members of the Company and its subsidiaries. As of the Latest Practicable Date, save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

Non-executive Directors

Mr. Gu Zengcai (顧增才), aged 60, has been appointed as non-executive Director of the Company on 8 June 2016. Mr. Gu Zengcai graduated in the profession of industrial accounting school from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1986. Mr. Gu Zengcai worked as the director of audit department and vice manager of finance department in Zhuhai Port Co., Ltd. (珠海港股份有限公司) (formerly known as Zhuhai Fuhua Group Co., Ltd. (珠海富華集團股份有限公司)) (a company listed as A share with stock code 000507) from October 1993 to August 1994. From September 1994 to April 2002, Mr. Gu Zengcai worked in China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行) (formerly known as Zhuhai Commercial Bank) (the “CR Bank”) and served as the deputy director of Zhuhai Huayin City Credit Cooperatives (珠海華銀城市信用社), the branch president of CR Bank, and the manager of the capital department, finance department and credit department in the headquarter of the CR Bank. Mr. Gu Zengcai was also appointed as the executive director of the Zhuhai Holdings Investment Group Limited (a company listed on The Stock Exchange with stock code 00908) (formerly known as Jiuzhou Development Company Limited) from October 2003 to August 2012 and the deputy chairman of the board of directors in the same company from August 2006 to August 2012. Mr. Gu Zengcai obtained the certificate of the accountant and auditor in the year of 1992 and the certificate of Chinese Public Accountant in 1993. As of the Latest Practicable Date, save as disclosed above, Mr. Gu Zengcai did not hold any directorship in the past 3 years in any other listed companies.

Independent non-executive Directors

Ms. Lung Yuet Kwan (龍月群) (“**Ms. Lung**”), aged 57, has been appointed as independent non-executive Director of the Company on 1 June 2017. Ms. Lung has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Ms. Lung joined as executive vice president of the finance department of Ground International Development Limited (formerly known as “China Motion Telecom International Limited”, a company listed on the Stock Exchange with stock code 0989) since December 2005 and acted as the chief financial officer, company secretary and the authorised representative of Ground International Development Limited for the period from November 2013 to February 2016. Ms. Lung holds a bachelor degree in business from Monash University, Australia. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Save as disclosed above, Ms. Lung did not hold any directorship in the past 3 years in any listed companies.

Mr. Hui Yat On (許一安) (“**Mr. Hui**”), aged 63, has been appointed as independent non-executive Director of the Company on 8 June 2016, and is chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants in December 1986. He is also a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has previously served as the executive director and senior executive of several Hong Kong listed companies. He was appointed as an independent non-executive director of Enterprise Development Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 1808, in the period of 11 January 2021–20 September 2021. He was appointed on 10 June 2021, as an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange with stock code 2312. Save as disclosed above, Mr. Hui did not hold any directorship in the past 3 years in any other listed companies. Mr. Hui has more than three decades of experiences in the field of corporate finance and financial services.

Mr. Zhai Feiquan (翟飛全) (“**Mr. Zhai**”), aged 43, has been appointed as independent non-executive Director of the Company on 20 July 2020. Mr. Zhai holds a bachelor’s degree in marketing from Guangxi University. Mr. Zhai has more than 20 years’ experience in stone products sales and export as well as mines operations and processing of marble stone. He has rich experience in marketing and brands building of a variety of marble stones. Mr. Zhai does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

b) Biographical details of Senior Management

Mr. Zhao Zhipeng (“**Mr. Zhao**”) has been appointed as the company secretary of the Company since June 2016. Mr. Zhao holds the Bachelor degree of laws (PRC Law) awarded by The East China University of Political Science and Law. He was awarded the Master of Laws in Common Law by The Chinese University of Hong Kong in 2007 and the Juris Doctor degree by the City University of Hong Kong in 2009 respectively. Further, in 2011, Mr. Zhao was awarded the Postgraduate Certificate in Laws by the City University of Hong Kong. In December 2013, Mr. Zhao became a practicing solicitor in Hong Kong when he was admitted as a solicitor of the High Court of Hong Kong. Mr. Zhao’s practice focuses mainly on the reorganization and mergers and acquisitions of listed companies. He also assists companies in their listing process in the Hong Kong Stock Exchange and Listing Rules compliance issues.

Mr. Nie Zhiqiang (聶志強) (“**Mr. Nie**”), aged 55, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on 18 June 2012, and has over 25 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd. from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd., responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd., responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. Zhang Jivan (張繼燕), aged 51, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has more than 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fujian Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang Jivan obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang Jivan joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang Jivan has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang Jivan formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. Qiu Yuyuan (邱宇元) (“Mr. Qiu”), aged 45, is currently in charge of the Group's financial planning, financial budget and management issues. Mr. Qiu joined the Group in September 2011, and has more than 10 years of experience in financial management. Prior to joining the Group, Mr. Qiu worked in Xiamen Overseas Chinese Electronic Co., Ltd., Xiamen Tsann Kuen Corporation Limited, and Lenovo Mobile Communication Technology Limited from August 2000 to February 2005, from March 2005 to March 2006, and from March 2006 to April 2010, respectively, and was in charge of relative financial auditing, business process reengineering, credit management and financial analysis in those companies. Mr. Qiu obtained the qualification of National Intermediate Accountant in 2004.

Mr. Jiang Shikui (蔣世奎) (“**Mr. Jiang**”), aged 42, is currently the Chief Operation Officer of the Company. Mr. Jiang joined the Group in 2016 and he has over 10 years of experience in stone industry, including the field of mining processing, production management, quality control, technology development, market development and marketing management

c) Business address of the Directors and the senior management of the Company

The business address of the Directors, the senior management and authorized representatives is the same as the Company’s head office and principal place of business in Hong Kong located at Unit 1302, 13/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Ms. Lung Yuet Kwan, Mr. Hui Yat On and Mr. Zhai Feiquan. The Audit Committee is chaired by Mr. Lung Yuet Kwan. The Audit Committee is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.artgo.cn) for 14 days from the date of this circular:

- (i) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 respectively;
- (ii) the material contracts disclosed in the paragraph under the heading “8. Material Contracts” in this Appendix to this circular;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 27 of this circular;
- (iv) the letter of advice from Independent Financial Adviser, the text of which is set out on pages 28 to 49 of this circular;
- (v) the independent reporting accountants’ assurance report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular; and
- (vi) the written consents of the experts referred to in the section headed “9. Experts and Consents” in this Appendix.

15. MISCELLANEOUS

- a. As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- b. As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- c. The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

NOTICE OF EXTRAORDINARY GENERAL MEETING



ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3313)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of ArtGo Holdings Limited (the “Company”) will be held at Units 5906–12, 59/F, The Center, 99 Queen’s Road Central, Hong Kong on Thursday, 14 September 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**:
 - (a) the authorised share capital of the Company be and is hereby increased from HK\$100,000,000 divided into 500,000,000 Shares of HK\$0.20 each to HK\$300,000,000 divided into 1,500,000,000 Shares by the creation of an additional 1,000,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum and articles of association of the Company (the “**Increase in Authorised Share Capital**”); and
 - (b) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Increase in Authorised Share Capital.”
2. “**THAT** conditional upon: (i) the passing of the resolution numbered 1 as set out above; (ii) The Stock Exchange of Hong Kong Limited 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 of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (iii) the Placing Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (a) the issue by way of rights issue (the “**Rights Issue**”) of up to 617,249,750 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.20 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of two (2) Rights Shares for every one (1) share of the Company then held on the Record Date at the subscription price of HK\$0.20 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;
- (b) the placing agreement (the “**Placing Agreement**”) dated 28 July 2023, as amended by the side letter dated 4 August 2023, entered into among the Company and Open Securities Limited (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) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) not offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Placing Agreement, the exercise or enforcement of any of the Company's rights under the Placing Agreement and to make and agree to make such variations of the terms of the Placing Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder."

By order of the Board
ArtGo Holdings Limited
Wu Jing
Executive Director

Hong Kong, 25 August 2023

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the circular of the Company dated 25 August 2023 (the "**Circular**") shall have the same meanings when used in this notice.
2. Voting at the EGM will be taken by poll as required under the Listing Rules.
3. The register of members of the Company will be closed from Friday, 8 September 2023 to Thursday, 14 September 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 September 2023.
4. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
6. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

8. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. The English text of this notice shall prevail over the Chinese text in case of inconsistency.
10. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company’s website at www.artgo.cn and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
11. As at the date hereof, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Mr. Wan Jian and Ms. Wu Jing, the non-executive Director is Mr. Gu Zengcai, and the independent non-executive Directors are Ms. Lung Yuet Kwan, Mr. Zhai Feiquan and Mr. Hui Yat On.