

*Executive Directors:*

Mr. Lau Hing Tat Patrick  
Mr. Chan Yick Yan Andross  
Mr. Qiu Bin

*Non-executive Director:*

Mr. Ma Lida

*Independent Non-executive Directors:*

Ms. Tam Ip Fong Sin  
Mr. Wang Yuncai  
Mr. Liu Kwong Sang  
Mr. Tang Zhaodong

*Registered office:*

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Headquarters, head office and principal  
place of business in Hong Kong:*


11/F, COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong


27 January 2025


*To the Qualifying Shareholders and, for information only,  
the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(4) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS  
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE  
RECORD DATE ON A NON-UNDERWRITTEN BASIS; AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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Causeway Bay, Hong Kong

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 3 December 2024 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, Increase in Authorised Share Capital and the Rights Issue. The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang and Mr. Tang Zhaodong, to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, and as to the voting action therefor.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Consolidation and the Change in Board Lot Size; (ii) details of the Increase in Authorised Share Capital; (iii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (vi) other information required under the Listing Rules; and (vii) the notice of the EGM.

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$30,000,000, comprising of (i) HK\$20,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.01 each, of which 1,173,806,762 Shares have been allotted and issued as fully paid or credited as fully paid; and (ii) HK\$10,000,000 divided into 1,000,000,000 Preference Shares of par value HK\$0.01 each, of which 323,657,534 Preference Shares have been issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that no further Shares and Preference Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK\$30,000,000 comprising of (i) HK\$20,000,000 divided into 400,000,000 Consolidated Shares of par value of HK\$0.05 each and (ii) HK\$10,000,000 divided into 1,000,000,000 Preference Shares of par value HK\$0.01 each, of which 234,761,352 Consolidated Shares has been in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

Other than the expenses incurred and to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

The Company does not propose any share consolidation on the issued and unissued Preference Shares. Upon the Share Consolidation becoming effective, the number of issued and unissued Preference Shares and their par value shall remain unaffected.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 26 March 2025, being the second Business Day after the fulfilment of the above conditions.

### **Closure of register of members for the EGM**

The register of members of the Company will be closed from Tuesday, 18 March 2025 to Monday, 24 March 2025 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

### **Application of listing of the Consolidated Shares**

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

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance

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

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

A supplemental listing application will also be made by the Company to NYSE regarding the Share Consolidation and the Rights Share(s) with respect to the ADS.

#### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder. The ratio of Shares to ADS is as 20 original Shares representing 1 ADS. After the Share Consolidation, the ratio of Shares to ADS will remain the same ratio as 20 Consolidated Shares representing 1 ADS. No fractional ADSs will be allocated. The fractional ADSs, if any, will be sold and the net proceeds will be distributed to the ADS holders that held a fractional interest on the basis of their respective fractional interests.

#### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit share certificates for Shares to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

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

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Tuesday, 6 May 2025 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of five (5) Shares for one (1) Consolidated Share.

The new share certificates for the Consolidated Shares will be issued in green colour in order to distinguish them from the existing share certificates in blue colour.

The Depository will notify NYSE American and all market participants that it will effect a reverse split of the ADSs to mirror the consolidation of the ordinary shares. As a result, old ADSs under the existing CUSIP number will be exchanged for new ADSs under new CUSIP number. Holders of ADSs holding ADSs in a brokerage account or registered holders holding ADSs in direct registration system will automatically be exchanged from their old ADSs to the new ADSs. Registered holders holding ADSs in certificated form, will receive instructions from the Depository as to how they may surrender their old certificates in exchange for new certificates.

#### **Other securities of the Company**

As at the Latest Practicable Date, there are Outstanding Share Options for subscription of an aggregate of 9,677,692 Shares under the 2014 Share Option Scheme.

As at the Latest Practicable Date, the number of shares that may be issued in respect of the share awards granted under the 2023 Share Award Scheme is 14,628,072 Shares.

As at the Latest Practicable Date, the Company has 5,842,311 outstanding convertible notes with aggregate principal value of US\$490,000, which was equivalent to approximately HK\$3,797,500 at the fixed exchange rate of HK\$7.75:US\$1 as stipulated in the subscription agreement dated 19 January 2021 with Lexinter International Inc..

As at the Latest Practicable Date, the Company has 89,423,076 warrants outstanding. Each warrant entitles the registered holder the rights to subscribe one Share at the exercise price of HK\$0.65 per Share, subject to adjustment, at any time commencing on the grant date.

As at the Latest Practicable Date, 12,901,336 ADS representing a total of 258,026,720 underlying Shares are in issue. Pursuant to the Deposit Agreement, an ADS Holder has the right to surrender the ADS and convert into corresponding Shares which are being held by the Depository or the custodian in accordance with the provisions of the Deposit Agreement.

Save as abovementioned, as at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Shares or Consolidated Shares, as the case may be.

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

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

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in the board lot size of 2,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.043 per Share (equivalent to the theoretical closing price of HK\$0.215 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the value of each existing board lot of Shares is HK\$86; (ii) the value of each board lot of 2,000 Consolidated Shares would be HK\$430 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$2,150 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

For the avoidance of doubt, if the Share Consolidation is not approved at the EGM, the proposed Change in Board Lot Size will not become effective and the Shares will continue to be traded on the Stock Exchange in board lot of 2,000 Shares.

#### **Odd lot arrangements and matching services**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation and the Change in Board Lot Size, the Company has appointed Cheong Lee Securities Limited to stand in the market and provide matching services on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Thursday, 10 April 2025 to 4:00 p.m. on Tuesday, 6 May 2025 (both days inclusive). Shareholders who wish to take advantage of this service should contact Ms. Yu of the Cheong Lee Securities Limited at Unit B, 16/F., Bank of East Asia Harbour View Center, 56 Gloucester Road, Wanchai, Hong Kong or at telephone number (852) 3426 6338 during office hours of such period.

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Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements.

**Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation and the Change in Board Lot Size; (ii) odd lot arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price.**

## **REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited has further stated that (i) the market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the fact that the share price of the Company has been trading at a price approaching or below HK\$0.1 for the past three months, and the closing price of the Shares as at the Latest Practicable Date was HK\$0.043 per Share. The value of each existing board lot of 2,000 Shares was HK\$86, which was less than HK\$2,000. Based on the above, the Board resolved to propose the Share Consolidation and the Change in Board Lot Size, resulting in HK\$0.215 per Consolidated Share and HK\$2,150 per board lot of 10,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules.

The Directors consider that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Furthermore, the Share Consolidation and the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

As at the Latest Practicable Date, the Company has (i) no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and Change in Board Lot Size; and (ii) does not have any agreement, arrangement, understanding or negotiation (either concluded or in process) on any potential fund-raising activities which will involve issue of shares of the Company and save for the Rights Issue, the Company has no intention or plan to conduct other equity

fund-raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund-raising exercises to support such future developments of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

In addition, the Board considers that the Share Consolidation and the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the Shares from a broader range of institutional and professional investors and thus would help to further broaden the shareholder base of the Company and improve the value of the Shares in the long run.

In view of the above reasons, the Company considers the Share Consolidation and Change in Board Lot Size are justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

#### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase the authorised share capital of the Company from HK\$30,000,000 divided into 2,000,000,000 Shares and 1,000,000,000 Preference Shares to HK\$100,000,000 divided into 9,000,000,000 Shares (or 1,800,000,000 Consolidated Shares after the Share Consolidation becoming effective) and 1,000,000,000 Preference Shares. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

In order to accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds from the Rights Issue, the Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

Subject to the passing of such ordinary resolution, the Increase in Authorised Share Capital will become effective on the date of the EGM in any event regardless the result of other resolutions in the EGM.



## PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three Rights Shares for every one Consolidated Share held on the Record Date at the Subscription Price of HK\$0.170 per Rights Share, to raise approximately HK\$119.7 million by issuing 704,284,056 Rights Shares to the Qualifying Shareholders. The Rights Issue is only available to Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders:

### Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.170 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,173,806,762 Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	234,761,352 Consolidated Shares (assuming there is no further allotment and issue or repurchase of Shares up to the effective date of the Share Consolidation)
Maximum number of Rights Shares	:	704,284,056 Rights Shares (assuming there is no other change in the total number of issued Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$35,214,202.80 (assuming no change in the number of Shares in issue on or before the Record Date)
Total Consolidated Shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed)	:	939,045,408 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum gross proceeds to be raised from the Rights Issue	:	Approximately HK\$119.7 million

Assuming there is no change in the number of issued Shares on or before the Record Date, 704,284,056 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 300% of the total number of issued Consolidated Shares upon the Share

Consolidation becoming effective; and (ii) approximately 75% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares.

### **The Subscription Price**

The Subscription Price is HK\$0.170 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 20.93% to the adjusted closing price of HK\$0.215 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date, assuming Share Consolidation has become effective;
- (ii) a discount of approximately 32.00% to the adjusted closing price of HK\$0.250 per Consolidated Share based on the closing price of HK\$0.050 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 28.27% to the average of the closing prices of approximately HK\$0.237 per Consolidated Share based on the average closing price of approximately HK\$0.047 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 51.73% to the average of the closing prices of approximately HK\$0.352 per Consolidated Share based on the average closing price of HK\$0.070 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 10.53% to the theoretical ex-rights price of approximately HK\$0.190 per Consolidated Share based on the closing price of HK\$0.250 per Consolidated Share as quoted on the Stock Exchange for the Last Trading Day;
- (vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.00%, represented by the theoretical diluted price of approximately HK\$0.190 per Consolidated Share to the benchmarked price of approximately HK\$0.250 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into 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 date of this circular and adjusted for the effect of the Share Consolidation); and

(vii) a discount of approximately 87.88% to the consolidated net asset value per Consolidated Share of approximately HK\$1.402 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$329.2 million and the total number of issued Consolidated Shares after the Share Consolidation and before the Rights Issue, which will be 234,761,352).

The Subscription Price was determined by Company with reference to the amount of fund raising targeted by the Company under the Rights Issue, the market price of the Shares under the prevailing market conditions, the current business performance and financial position of the Group and the reasons for the Rights Issue and the intended use of proceeds as set out in this circular. The Company therefore intends to raise funds in the range of HK\$119.7 million to invest in business development and strengthen the balance sheet position as well as to replenish the general working capital for the Group's business and operation. Further, as illustrated above, the Subscription Price of HK\$0.170 was set at a discount to the recent trading prices of Shares of approximately 51.73% when compared to the average of the closing price of approximately HK\$0.352 per Consolidated Shares based on the average closing price of HK\$0.070 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day. Furthermore, the Subscription Price represents (i) a discount of theoretical diluted price per Consolidated Share to the benchmarked price per Consolidated Share as defined under Rule 7.27B of the Listing Rules and (ii) a significant discount to the consolidated net asset value per Share as at 31 December 2023. Given that the market capitalisation of the Group consistently fell considerably short of its net asset value from 4 November 2024 to 3 December 2024, being the past month prior to and including the Last Trading Day, where the market capitalisation of the Group during the Review Period ranged from approximately HK\$96.3 million to approximately HK\$58.7 million, which represented a discount of approximately 70.77% and 82.17%, respectively to the then audited consolidated net asset value attributable to the Shareholders. This substantial disparity reflects the level of market confidence in the Group's financial performance, position, and future prospects. The Directors are of the view that the market value of the Shares no longer accurately reflects the underlying net asset value. Hence, after considering all above factors, the Company believes that it is fair and reasonable to set the Subscription Price at a discount to the recent market price and the net asset value of the Company as at 30 June 2024 of the Shares (taking into account the effect of the Share Consolidation) in order to attract Shareholders and investors to participate in the Rights Issue.

In view of the above, the Directors (including the members of the Independent Board Committee) consider that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Shares with an objective to encourage Qualifying Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each Rights Share will have a par value of HK\$0.05. The aggregate nominal value of the maximum number of Rights Shares will be HK\$35,214,202.80.

## **Non-underwritten Basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance 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.

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.

## **Status of the Rights Shares**

The Rights Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

## **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the avoidance of doubt, unless Qualifying Shareholders submit their requests in writing to the Company for printed copies of the Prospectus, the Company will send the Prospectus to Qualifying Shareholders in electronic form, while the PAL will be sent in printed copies. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them in electronic form for their information only, but no PAL will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

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.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than the Latest Lodging Time.

The last day of dealing in the Consolidated Shares on cum-rights basis is Wednesday, 26 March 2025. The Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 27 March 2025.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company.

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

### **Rights of Overseas Shareholders**

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

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company have made necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders. The Rights Share(s) may not be offered or sold in the United States, to any U.S. Person as defined by the Securities Act, or to any of the holders of the American Depositary Shares that are listed for trading on the NYSE American unless there is a registration of such securities under the Securities Act or an exemption from the registration requirements of the Act is available. The Company does not intend to make any such registration.

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. As at the Latest Practicable Date, save for the ADS Holders, there was no Non-Qualifying Shareholders.

It should be remarked that, if a Shareholder resides outside Hong Kong and/or any other overseas resident (including both individuals and companies) wish to invest in the Rights Shares (whether in nil-paid or fully-paid form), he/she/it shall be responsible for complying with the relevant laws of the relevant territory or jurisdiction. The Company will

not be responsible for verifying the legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses or damages due to non-compliance with the laws of the relevant territory or jurisdiction by any such Shareholder and/or resident, the Company shall not be obliged to issue the Rights Shares (whether in nil-paid or fully-paid form) to any such Shareholder and/or resident, if issuing the Rights Shares (whether in nil-paid or fully-paid form) to them is not compliant with the relevant laws or requirements of the relevant territory or jurisdiction.

As at the Latest Practicable Date, there are 111 Overseas Shareholders holding 2,086,000 Shares (representing approximately 0.1777% of the issued share capital of the Company as at the Latest Practicable Date) with registered address situated in the PRC, 56 Overseas Shareholders holding 150,000 Shares (representing approximately 0.0128% of the issued share capital of the Company as at the Latest Practicable Date) with registered address located in Philippines, 6 Overseas Shareholders holding 22,622,104 Shares (representing approximately 1.9272% of the issued share capital of the Company as at the Latest Practicable Date) with registered address located in the U.S., 2 Overseas Shareholders holding 6,976,438 Shares (representing approximately 0.5943% of the issued share capital of the Company as at the Latest Practicable Date) with registered address located in Canada, 1 Overseas Shareholder holding 6,500,000 Shares (representing approximately 0.5538% of the issued share capital of the Company as at the Latest Practicable Date) with registered address in Cyprus and 1 Overseas Shareholder holding 200,000 Shares (representing approximately 0.0170% of the issued share capital of the Company as at the Latest Practicable Date) with registered address situated in British Virgin Islands. The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on legal advice provided by the legal advisers as to the law in the PRC, Philippines and British Virgin Islands engaged by the Company and having considered the circumstances, the Board is of the opinion that the relevant legal restrictions and requirements of the relevant body in the PRC, Philippines and British Virgin Islands or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered address in the PRC, Philippines and British Virgin Islands from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the jurisdiction of the PRC, Philippines and British Virgin Islands. However, the Company is of the opinion that it would be necessary or expedient, on account of the legal restrictions or prohibitions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory body or stock exchange in such jurisdictions and/or the expenditures or time needs to be incurred, not to offer the Rights Shares to the relevant Overseas Shareholders in the U.S., Canada and Cyprus (the “**Excepted Shareholders**”), no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to Excepted Shareholders due to the time and cost involved in the compliance with the applicable legal or regulatory requirements or special formalities in these jurisdictions if the Rights Shares were to be lawfully made to such Excepted Shareholders. Accordingly, the Excepted Shareholders will be regarded as Non-Qualifying Shareholders and will not qualify for the Rights Issue.

## **Arrangements for the NQS Rights Shares**

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. 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 Compensatory 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.**

## **Closure of register of members for the Rights Issue**

The register of members of the Company will be closed from Tuesday, 18 March 2025 to Monday, 24 March 2025 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. The register of members of the Company will be closed from Monday, 31 March 2025 to Monday, 7 April 2025 for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

## **Basis of provisional allotment**

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

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

## **Fractional entitlement to the Rights Shares**

On the basis of provisional allotment of three Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Arrangement on Odd Lot Trading**

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue, the Company will arrange odd lot trading services during Thursday, 10 April 2025 to Tuesday, 6 May 2025 (both days inclusive). Shareholders who wish to take advantage of this service should contact Cheong Lee Securities Limited at Unit B, 16/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed.

### **Stamp duty and other applicable fees**

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

### **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses at their own risk on or before Thursday, 22 May 2025. If the Rights Issue is terminated, refund cheques in respect of the applications for Rights Shares are expected to be posted on or before Thursday, 22 May 2025 by ordinary post to the applicants at their own risk.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

### **Application for listing**

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both 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.

Pursuant to the Change in Board Lot Size, the nil-paid Rights Shares and the fully-paid Rights Shares shall be traded in the board lot of 10,000 Consolidated Shares.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both 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 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 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 HKSCC and HKSCC 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.

### **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. 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.

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 Monday, 12 May 2025, 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.

## **THE PLACING AGREEMENT**

### **Principal terms of the Placing Agreement are summarised as below**

On 3 December 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Date	:	3 December 2024 (after trading hours of the Stock Exchange)
Placing Agent	:	Cheong Lee Securities Limited
		As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties
Placing Commission	:	The Company shall pay the Placing Agent a placing commission, being 1.5% 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.

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 Period : The period from Tuesday, 6 May 2025 up to 4:00 p.m. on Monday, 12 May 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

The Unsubscribed Rights Shares are expected to be placed to investors who (or the case may be, their ultimate beneficial owner(s)) are Independent Third Parties.

Condition Precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon:

- (i) the Share Consolidation and the Increase in Authorised Share Capital becoming effective;
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Placing Shares;
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent shall, on a best effort basis during the Placing Period, seek to procure placees who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Parties to subscribe for the Unsubscribed Rights Shares 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 Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 after the Placing and the Rights Issue, after the Placing Period, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after completion of the Placing and Rights Issue, further announcement will be made by the Company.

The Compensatory 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 placing commission of the rights issue transactions announced in the Stock Exchange over the period from 4 September 2024 to 3 December 2024, being three months prior and up to the Last Trading Day, ranged from 0% to 3.50%, with the average and median of approximately 1.55% and 1.50%, respectively. Therefore, the Board is of the view the commission rate of 1.5% is on normal commercial terms, fair and reasonable in light of such rate being within the aforesaid range of the recent commission rate of the rights issue transactions in the market.

The Company considers that the Compensatory 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 Compensatory 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:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;

- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (c) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date; and
- (e) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed.

#### **Undertaking**

The Company has not received, as at the Latest Practicable Date, any 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.

#### **AMERICAN DEPOSITARY SHARES**

The Rights Issue and the Right Shares of the Company issuable upon the exercise of such share rights have not been registered under the Securities Act of, or any securities laws of any state in, the United States. No securities of the Company may be offered or sold in the United States or to, or for the benefit of, U.S. persons absent registration or an applicable exemption from such registration requirements. As provided in registration statement on Form F-1 that was filed by the Company with the U.S. Securities and Exchange Commission and declared effective on 16 August 2022, and under the terms and conditions of the Deposit Agreement, the Company may exclude the ADS Holders for newly issued Rights Shares. The Company does not intend to offer the Rights Issue to the ADS Holders.

As provided in the Deposit Agreement, the Depositary may to the extent deemed by it to be lawful and practical sell the nil-paid rights and distribute the net proceeds of that sale to the ADS Holders entitled to those proceeds. The Depositary will use reasonable efforts to sell the

nil-paid rights in proportion to the number of ADS held by the applicable ADS Holders and pay the net proceeds to such ADS Holders otherwise entitled to the nil-paid rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such ADS Holders because of exchange restrictions or the date of delivery of any ADS or otherwise. The Depositary may enter into any arrangements with the Company or persons acting on behalf of the Company to effect the orderly disposal of such nil-paid rights. There is no assurance that the nil-paid rights may be sold at a price greater than the related expenses allocable to ADS Holders. To the extent the nil-paid rights are not disposed of, the Depositary shall permit the nil-paid rights to lapse unexercised and the ADS Holders will not be entitled to any compensation or distribution. An ADS Holders that is not a U.S. person that would like to participate in the Rights Issue and invest in the Right Share(s) (whether in nil-paid or fully-paid form) would need to convert their ADS to Shares or Consolidated Shares (as the case may be) prior to the record date for the Rights Issue specified in this circular.

## **REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS**

The Company is an investment holding company. The principal activities of the Group are development and processing of graphene products, in particular, graphite anode material for lithium-ion batteries used in electric vehicles, energy storage systems and other applications. The Group is also engaged in landscape architecture and design businesses.

As disclosed in the annual report of the Company for the year ended 31 December 2023, on 19 July 2023 the Company entered into the Cooperation Agreement with the Nanshu Town Government pursuant to which the Company and the Nanshu Town Government intended to have a cooperation in the “Graphite Anode Material Project” in Laixi City Nanshu Town New Material Industrial Park (the “**Park**”) which is situated in Nanshu Town, Laixi City, Shandong Province, the PRC (the “**Project**”). Subject to obtaining all approval from the PRC government, the Company will set up the factory plants for the manufacturing of lithium-ion battery anode materials in the Park. The Company can apply for the relevant policy subsidies of “Several Preferential Measures for Investment Promotion in Laixi City (Trial)” (Xifa [2023] No. 1) after meeting the relevant requirements. The Project will be carried out in different phases, and the Company’s total investment in the first phase of the Project (the “**Phase 1 Project**”) is estimated around RMB1 billion. Pursuant to the announcements of the Company dated 10 January 2024 and 18 November 2024, the Phase 1 Project has been delayed mainly due to power supply issue and the Company has been actively negotiating with the local power supply authorities, a local power engineering company, the landlord and Nanshu Town Government in order to resolve the issue. Further update to the Phase 1 Project, will be made by the Company by way of announcement(s) in relation thereto as and when appropriate in accordance with the Listing Rules.

Meanwhile, the Company and the Nanshu Town Government planned to conduct another cooperation in promoting the second phase of the Project (the “**Phase 2 Project**”) in Nanshu Town to further promote the development of Nanshu Town’s lithium battery new energy industry. The Directors noted that the Phase 2 Project can be carried out without being affected by the progress of Phase 1 Project and the condition of power supply in Nanshu Town. The

estimated investment amount of the Phase 2 Project is RMB2 billion and the Phase 2 Project is mainly engaged in the production and processing of lithium battery anode materials. Being the cooperation partner, the Group shall make investments to the Phase 2 Project and pay taxes to Nanshu Town Government in return. As at the Latest Practicable Date, the Company is in progress to acquire land in Nanshu Town (the “Land”) through public tender, auction or listing-for-sale process. Based on the best estimation of the Board, tentatively the Company intends to construct a factory with total area of about 50,000 square meters on the Land for the production and processing of lithium battery anode materials. Based on the estimation of the Directors, the Land can be put out for bidding and auction within 6 months after all relevant plans and approval are ready. Currently, the Company is negotiating with the local government on the investment terms and conditions of the Phase 2 Project. The Company estimates the construction of the Phase 2 Project will start within four to six months after the land auction if the Land has been granted to the Company by public tender, auction and listing-for-sale. Alternatively the Company may apply for other available land parcels inside the Park through the land application list in case the auction for the Land is not successful. Currently, based on the information on hands, there are at least three vacant land parcels located in the Park which is also available for auction. In light of the financial performance of the Group for the year ended 31 December 2023, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to facilitate its future development and maintain its competitiveness in the market.

In addition, as disclosed in the interim report of the Company for the six months ended 30 June 2024, the Group recorded unaudited current liabilities and non-current liabilities of approximately HK\$367.8 million and HK\$142.2 million respectively, in particular interest-bearing loans of approximately HK\$150.1 million to be repayable within one year. As the Group had unaudited cash and cash balances of approximately HK\$10.4 million as at 30 June 2024, the Company will be left with very limited cashflow should it use its cash to satisfy the relevant payables. Having considered the prevailing market condition and low level of cash on hand available to the Group, the Directors are of the view that the Rights Issue could provide sufficient funds at no borrowing costs for the Group to make partial repayment of the borrowings and to support the strategic development and general working capital of the Group.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue are expected to be approximately HK\$119.7 million. The net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$4.0 million) are estimated to be approximately HK\$115.7 million. The estimated net subscription price per Rights Shares after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.164.

The Company intends to apply the net proceeds from the proposed Rights Issue of approximately HK\$115.7 million as follows: as to (i) approximately HK\$57.9 million or 50.0% of the maximum net proceeds for the implementation of the Phase 2 Project in Laixi City, the PRC including (a) approximately HK\$25.0 million or 21.6% of the maximum net proceeds for the purchase of Land or any of the other available land parcels inside the Park; (b) approximately HK\$26.3 million or HK\$22.7% of the maximum net proceeds for the purchase of production equipment; and (c) approximately HK\$6.6 million or 5.7% of the maximum net

proceeds for the factory construction works on the land is purchased. The Director expected the aforesaid land auction is expected to be conducted around the second quarter of 2025. The factory construction works will start within four to six months after the land is granted as mentioned earlier and be completed in three to four months while the purchase of production equipment will start after the architectural design is approved which would be conducted in three months after the land is granted; (ii) approximately HK\$34.7 million or 30.0% of the maximum net proceeds for repayment of loans and interests of the Group; and (iii) approximately HK\$23.1 million or 20.0% of the maximum net proceeds as general working capital of the Group including salary and rental payments for the coming nine to twelve months. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be allocated and utilised in accordance to the same proportion to the above uses. The Group is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs.

The Company has considered (i) placing of new shares; (ii) debt financing; (iii) disposal of assets; and (iv) open offer as fund raising alternatives in comparison to the Rights Issue. However, placing would only be available to certain places and debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board also considered that debt financing cannot address the high gearing ratio of the Group, and the disposal of assets is not a viable solution to the Group due to the absences of liquid and valuable assets that can generate significant cashflow to improve the financial position of the Group within short time interval. On the other hand, the Board considered that the fundraising by way of the Rights Issue will improve the financial position of the Group immediately. The Board has also considered that open offer is less favorable to the Shareholders compared to the Rights Issue due to the flexibility of the Shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the Rights Issue.

The Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Shareholders who do not participate in the Rights Issue to which they are entitled should note that their shareholding interest in the Company will be diluted.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.



## ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS UNDER THE 2014 SHARE OPTION SCHEME

According to the rules of the 2014 Share Option Scheme, if there is any alteration in the capital structure of the Company whether by way of, among others, capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, while any options remains exercisable, corresponding alteration shall be made to the exercise price and/or the number of Shares to be issued upon exercise of the Outstanding Share Options under the 2014 Share Option Scheme.

The Company will notify the holders of such Outstanding Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made pursuant to the terms of the 2014 Share Option Scheme and such adjustment will be certified by an Independent Financial Adviser or auditors of the Company (as the case may be).

As at the Latest Practicable Date, there are Outstanding Share Options for subscription of an aggregate of 9,677,692 Shares under the 2014 Share Option Scheme.

For illustrative purposes only, set out below is the preliminary adjustment in relation to the Outstanding Share Options upon the effective of the Share Consolidation and the completion of Rights Issue, using the market price of the Share as at the Latest Practicable Date:

As at the Latest Practicable Date		For illustrative purposes only			
		Immediately upon the effectiveness of the Share Consolidation		Immediately upon the completion of the Rights Issue	
Number of Outstanding Share Options	Exercise price per Share (HK\$)	Adjusted exercise price per Share (HK\$)	Adjusted number of Shares issuable in full of the Outstanding Share Options	Adjusted exercise price per Share (HK\$)	Adjusted number of Shares issuable in full of the Outstanding Share Options
9,677,692	0.65	3.25	1,935,538	2.740	2,295,948

The exact adjustment of the Outstanding Share Options will be certified by the Independent Financial Adviser and disclosed in the EGM poll results announcement on Monday, 24 March 2025 and the results announcement of the Rights Issue in due course.

## ADJUSTMENT TO THE NUMBER OF SHARES SUBJECT TO THE 2023 SHARE AWARD SCHEME

According to the rules of the 2023 Share Award Scheme, if there is any alteration in the capital structure of the Company whether by way of, among others, capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, while any awarded shares remain outstanding, corresponding alteration shall be made to the number of Shares subject to a share award.

The Company will notify the holders of such share award and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made pursuant to the terms of the share award and such adjustment will be certified by an Independent Financial Adviser or auditors of the Company (as the case may be).

As at the Latest Practicable Date, the number of Shares that may be issued in respect of the share awards granted under the 2023 Share Award Scheme is 14,628,072 Shares.

For illustrative purposes only, set out below is the preliminary adjustment in relation to the Share Awards upon the effective of the Share Consolidation and the completion of Rights Issue, using the market price of the Share as at the Latest Practicable Date:

As at the Latest Practicable Date		For illustrative purposes only			
		Immediately upon the effectiveness of the Share Consolidation		Immediately upon the completion of the Rights Issue	
Number of Share Awards	Exercise price per Share (HK\$)	Adjusted exercise price per Share (HK\$)	Adjusted number of Share Awards	Adjusted exercise price per Share (HK\$)	Adjusted number of Share Awards
14,628,072	N/A	N/A	2,925,614	N/A	3,470,383

The exact adjustment of the share awards will be certified by the Independent Financial Adviser and disclosed in the EGM poll results announcement on Monday, 24 March 2025 and the results announcement of the Rights Issue in due course.

## ADJUSTMENT TO THE OUTSTANDING CONVERTIBLE NOTES

The Share Consolidation and the Rights Issue will lead to adjustments to be made to the conversion price and/or the number of Consolidated Shares to be issued upon exercise of the conversion rights under the Outstanding Convertible Notes.

The Company will notify the holder(s) of such Outstanding Convertible Notes and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made pursuant to the terms of the Outstanding Convertible Notes.

As at the Latest Practicable Date, the Company has 5,842,311 outstanding convertible notes with aggregate principal value of US\$490,000 (“**Outstanding Convertible Notes**”), which was equivalent to approximately HK\$3,797,500 at the fixed exchange rate of HK\$7.75:US\$1 as stipulated in the subscription agreement dated 19 January 2021 with Lexinter International Inc. The conversion price of the Outstanding Convertible Notes is HK\$0.65.

According to the terms and conditions of the convertible notes, in the event that outstanding Shares are combined into a smaller number of Shares the conversion price in effect immediately prior to the effectiveness of such combination shall be proportionately increased.

In addition, if and whenever the Company shall issue or sell any Shares or Share equivalent at a price (“**New Rights Issue Price**”) that is less than the conversion price, the conversion price shall be reduced to equal the New Rights Issue Price.

For illustrative purposes only, set out below is the preliminary adjustment in relation to the Outstanding Convertible Notes upon the effective of the Share Consolidation and the completion of Rights Issue, using the market price of the Share as at the Latest Practicable Date:

Date of Grant	As at the Latest Practicable Date		For illustrative purposes only			
	Outstanding amount	Initial conversion price per Share (HK\$)	Immediately upon the effectiveness of the Share Consolidation		Immediately upon the completion of the Rights Issue	
			Adjusted conversion price per Share (HK\$)	Adjusted number of conversion shares	Adjusted conversion price per Share (HK\$)	Adjusted number of conversion shares
24 August 2021	US\$290,000	0.65	3.25	691,538	0.17	13,220,588
10 January 2022	US\$200,000	0.65	3.25	476,923	0.17	9,117,647

The exact adjustment of the conversion price of the convertible notes will be certified by the Independent Financial Adviser and disclosed in the EGM poll results announcement on Monday, 24 March 2025 and the results announcement of the Rights Issue in due course.

#### **ADJUSTMENT TO THE OUTSTANDING WARRANTS**

The Share Consolidation and the Rights Issue will lead to adjustments to be made to the subscription price of the outstanding warrants may be adjusted in accordance with the terms and conditions of the warrants.

The Company will notify the holder(s) of such outstanding warrants and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made pursuant to the terms and conditions of the warrants and such adjustment will be certified by an Independent Financial Adviser or auditors of the Company (as the case may be).

As at the Latest Practicable Date, the Company has 89,423,076 warrants outstanding (“**Outstanding Warrants**”). Each warrant entitles the registered holder the rights to subscribe one Share at the exercise price of HK\$0.65 per Share, subject to adjustment, at any time commencing on the grant date.

According to the terms and conditions of the warrants, in the event that outstanding Shares are combined into a smaller number of Shares the exercise price in effect immediately prior to the effectiveness of such combination shall be proportionately increased.

In addition, if and whenever the Company shall issue or sell any Shares or Share equivalent at a price that is less than the exercise price, the exercise price shall be reduced to equal the New Rights Issue Price.

For illustrative purposes only, set out below is the preliminary adjustment in relation to the Outstanding Warrants upon the effective of the Share Consolidation and the completion of Rights Issue, using the market price of the Share as at the Latest Practicable Date:

Date of Grant	For illustrative purposes only					
	As at the Latest Practicable Date		Immediately upon the effectiveness of the Share Consolidation		Immediately upon the completion of the Rights Issue	
	Outstanding amount	Initial exercise price per Share (HK\$)	Adjusted exercise price per Share (HK\$)	Adjusted number of warrant shares	Adjusted exercise price per Share (HK\$)	Adjusted number of warrant shares
10 September 2021	US\$4,045,000	0.65	3.25	9,645,769	0.17	184,404,411
10 January 2022	US\$3,455,000	0.65	3.25	8,238,846	0.17	157,507,325

The exact adjustment of the exercise price of the outstanding warrants will be certified by the Independent Financial Adviser and disclosed in the EGM poll results announcement on Monday, 24 March 2025 and the results announcement of the Rights Issue in due course.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save and except for the equity fund raising activity set out below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of initial announcement	Equity fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
26 March 2024	Issue of 2,400,000 shares to Maxim Group LLC at HK\$0.179 per share	US\$55,077 (or HK\$429,600)	To set off US\$55,077 general consulting and related services to the Company in the United States	Set off US\$55,077 general consulting and related services to the Company in the United States. Completion on 8 May 2024
20 June 2024	Subscription of 43,689,383 new Shares at approximately HK\$0.125 per subscription Shares	HK\$5,461,000	To set off US\$700,000 owed by the Company to Chen Stephen Hing Ming under a loan	Setting-off US\$700,000 owing to Chen Stephen Hing Ming at completion of the subscription on 28 June 2024
17 October 2024	Placing of 185,480,000 new Shares at approximately HK\$0.066 per subscription Shares	HK\$12.24 million (gross proceeds); HK\$11.97 million (net proceeds)	To be used for the development of the graphene business, repayment of borrowings and general working capital of the Group	Used for the development of the graphene business, repayment of borrowings and general working capital of the Group. Completion on 8 November 2024

## EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; (iii) immediately after completion of the Share Consolidation and the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Issue in full; and (iv) immediately after completion of the Share Consolidation and the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after completion of the Share Consolidation and the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Immediately after completion of the Share Consolidation and the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full	
	Number of Shares	Approximately	Number of Consolidated Shares	Approximately	Number of Consolidated Shares	Approximately	Number of Consolidated Shares	Approximately
Chan Yick Yan Andross	98,610,887	8.40%	19,722,177	8.40%	78,888,708	8.40%	19,722,177	2.10%
PBLA Limited	75,123,669	6.40%	15,024,734	6.40%	60,098,936	6.40%	15,024,734	1.60%
Lau Hing Tat Patrick	55,895,444	4.76%	11,179,089	4.76%	44,716,356	4.76%	11,179,089	1.19%
Qiu Bin	680,000	0.06%	136,000	0.06%	544,000	0.06%	136,000	0.01%
<b>Public Shareholders</b>								
Placees	-	-	-	-	-	-	704,284,056	75.00%
Other public Shareholders	943,496,762	80.38%	188,699,352	80.38%	754,797,408	80.38%	188,699,352	20.10%
<b>Total</b>	<b>1,173,806,762</b>	<b>100.00%</b>	<b>234,761,352</b>	<b>100.00%</b>	<b>939,045,408</b>	<b>100.00%</b>	<b>939,045,408</b>	<b>100.00%</b>

*Notes:*

1. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
2. Shareholders and public investors should note that the above shareholding scenarios 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 acceptances of the Rights Issue.

## **LISTING RULES IMPLICATIONS**

### **Share Consolidation**

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

### **Rights Issue**

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this circular, the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and 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 resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company does not have any controlling shareholder. Mr. Chan Yick Yan Andross, an executive Director and the Chief Executive Officer of the Company, holds 4,894,000 Shares by himself and 93,716,887 Shares through CYY Holdings Limited, a company wholly owned by him, representing 8.40% of the total issued Shares; Mr. Lau Hing Tat, Patrick, the chairman and an executive Director of the Company, holds 9,892,000 Shares by himself and 46,003,444 Shares through LSBJ Holdings Limited, a company wholly owned by him, representing 4.76% of the total issued Shares and Mr. Qiu Bin, an executive Director of the Company, holds 680,000 Shares by himself representing 0.06% of the total issued Shares. Therefore, Mr. Chan Yick Yan Andross, Mr. Lau Hing Tat Patrick and Mr. Qiu Bin and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules at the EGM. Apart from the above mentioned, no shareholders shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

As at the Latest Practicable Date, the Company has no treasury shares.

## **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder. The register of members of the Company will be closed from Tuesday, 18 March 2025 to Monday, 24 March 2025 (both days inclusive) for determining the Shareholders' entitlement to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:30 p.m. (Hong Kong time) on Monday, 17 March 2025.

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

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang and Mr. Tang Zhaodong, has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

## **DESPATCH OF THE PROSPECTUS DOCUMENTS**

Subject to, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder respectively having been approved by the Independent Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only but the Company will not send the PAL to the Non-Qualifying Shareholders.

## **EGM**

A notice convening the EGM to be held at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Monday, 24 March 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. At the EGM, resolutions will be proposed to approve, *inter alia*, the Share Consolidation, the Increase in Authorised Share Capital of the Company, the Rights Issue and the transactions contemplated thereunder. A proxy form for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.graphexgroup.com](http://www.graphexgroup.com)).



Shareholders recorded on the Company's register of members as of the close of business on the Share Record Date (Hong Kong Time) are cordially invited to attend the EGM in person. Whether or not you propose to attend and vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as promptly as possible and before the prescribed deadline if you wish to exercise your voting rights. Tricor Investor Services Limited must receive the proxy form by no later than 48 hours before the time appointed for holding the EGM, i.e. Saturday, 22 March 2025 at 11:00 a.m. (Hong Kong time), 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 or any adjournment thereof should you so desire. In the event that a Shareholder having lodged a proxy form attends the EGM, his proxy form will be deemed to have been revoked.

### **VOTING BY ADS HOLDERS**

The Company has set the close of business on Monday, 10 February 2025 (EST) as the record date for the purpose of determining the ADS Holders entitled to vote at the EGM.

ADS Holders are cordially invited to submit your voting instructions to The Bank of New York Mellon (the "**Depository**") if the ADSs are held directly by the ADS Holders on the books and records of the Depository or to the ADS Holder's bank, brokerage or other securities intermediary if the ADSs are held by any of them on behalf of the ADS Holders. You are requested to complete your voting instructions to the Depository if you hold your ADSs directly on the books and records of the Depository or to your bank, brokerage, or other securities intermediary if you hold your ADSs indirectly through any of them, as the case may be (for ADS Holders) as promptly as possible and before the prescribed deadline if you wish to exercise your voting rights and The Bank of New York Mellon must receive your voting instructions by the time and date specified in the ADS voting instruction card to enable the votes attaching to the Shares represented by your ADSs to be cast at the EGM.

### **RECOMMENDATIONS**

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang and Mr. Tang Zhaodong, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue 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. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 48 to 49 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 50 to 73 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

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

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraphs headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed.

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 paragraph headed “Conditions of the Rights Issue” in this circular. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

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.

Accordingly, the Directors also recommend the Shareholders to vote in favour of such resolution to be proposed at the EGM.

**ADDITIONAL INFORMATION**

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

For and on behalf of  
**Graphex Group Limited**

A handwritten signature in black ink, appearing to read 'Lau Hing Tat Patrick', is written over the printed name.

**Lau Hing Tat Patrick**

*Chairman*