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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Graphex Group Limited (formerly known as Earthasia International Holdings Limited) (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# GRAPHEX

## GRAPHEX GROUP LIMITED

### 烯石電動汽車新材料控股有限公司

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

(Stock Code: 6128)

## PROPOSED ISSUE OF CONVERTIBLE NOTES AND WARRANTS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Gram Capital Limited  
嘉林資本有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A notice convening the EGM to be held at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 21 July 2021 at 11:00 a.m. is set out on pages 58 to 60 of this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

30 June 2021

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 pandemic and in accordance with the recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (i) compulsory body temperature checks will be conducted on all persons attending the EGM. Any person with a body temperature of 37 degrees Celsius or above or who has any flulike symptoms, or is otherwise apparently unwell will not be admitted to the EGM venue;
- (ii) all attendees must wear face masks at all times inside the EGM venue and maintain a safe distance between seats. Any person who does not comply with this requirement will be required to leave the EGM venue;
- (iii) seating at the EGM venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
- (iv) no refreshment or drinks will be served at the EGM; and
- (v) no guest will be allowed to enter the EGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong.

Any person who does not comply with above requirements may be denied entry into the EGM venue or be required to leave the EGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of other attendees at the EGM. In our case, denied entry to the EGM venue also means that person will not be allowed to attend the EGM.

The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on the relevant resolution at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

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## DEFINITIONS

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

“Adjusted Conversion Price”	HK\$0.57 per Conversion Shares, being the benchmarked price of the Shares under Rule 13.36(2) of the Listing Rules as of the date of the Subscription Agreement, subject to adjustment
“Announcements”	the announcements of the Company dated 19 January 2021, 28 January 2021, 29 January 2021, 1 February 2021, 1 March 2021, 5 March 2021, 15 March 2021, 12 April 2021, 26 April 2021, 10 May 2021, 24 May 2021, 27 May 2021 and 7 June 2021 with respect to the Subscription
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company from time to time
“Business Day”	a day (other than a Saturday or Sunday) on which commercial banks are open for business in Hong Kong
“Charged Company”	Think High Global Limited, an indirect wholly-owned subsidiary of the Company established under the laws of the British Virgin Islands, which indirectly holds 100% of the equity interests of the PRC Graphene HoldCo and the PRC Graphene NewCo
“Chargor”	Happy Growth Group Limited, a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands
“Closing(s)”	each and any of the First Note Closing, Other Initial Note Closings, the Initial Warrant Closing and the Subsequent Closings
“Closing Date”	each and any of the First Note Closing Date, the Other Initial Note Closing Dates, the Initial Warrant Closing Date and the Subsequent Closing Dates
“Closing Notice”	a written notice by either the Company or the Subscriber to the other party on or before the Long Stop Date to request a Closing (other than the First Note Closing and the Initial Warrant Closing) specifying the amount of the Closing and the Closing Date which shall be not less than 5 Business Days or more than 10 Business Days from the date of the notice unless otherwise agreed by the parties in writing

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## DEFINITIONS

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“Conditions Precedent”	the conditions precedent to the Closings pursuant to the Subscription Agreement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Convertible Notes”	collectively, the First Note, the Other Initial Notes and the Subsequent Notes
“Conversion Period”	the period commencing at any time from the issue date of the Convertible Notes up to the close of business in Hong Kong on the date falling one Business Day prior to the Maturity Date (both dates inclusive)
“Conversion Price”	the initial conversion price of the Convertible Notes of HK\$0.65 per Conversion Share, subject to adjustment in accordance with the terms and conditions of the Convertible Notes
“Conversion Rights”	the rights attached to the Convertible Notes to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares subject to and in accordance with the terms and conditions of the Convertible Notes
“Conversion Shares”	the Shares which may fall to be allotted and issued by the Company upon exercise of the Conversion Rights
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, passing the resolutions to approve the issue of the Subsequent Notes and the Warrants; the grant of Specific Mandate for the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights of the Subsequent Notes, the allotment and issue of the Warrant Shares; and the transactions contemplated thereunder
“EMA”	EMA Financial, LLC
“Expiration Date”	the date falling on the fifth (5th) anniversary of the issue of the Warrants
“First Note”	the Convertible Note dated 1 February 2021 in the First Note Amount issued by the Company to the Subscriber pursuant to the Subscription Agreement
“First Note Amount”	US\$500,000
“First Note Closing”	the issue of the First Note

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## DEFINITIONS

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“First Note Closing Date”	1 February 2021
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 15 June 2020 to allot, issue and deal with up to 96,458,000 Shares, representing 20% of the total number of issued Shares on the date of passing such resolution
“Graphene Business”	the business of processing and sale of graphite and graphene related products carried out by the Group
“Group”	the Company and its Subsidiaries, in each case from time to time and “Group Company” shall be construed accordingly
“HK Company”	Allied Apex Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by the Charged Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Initial Warrant”	the warrant in the principal amount of the Initial Warrant Amount to be issued by the Company at the Initial Warrant Closing to the Subscriber pursuant to the Subscription Agreement
“Initial Warrant Amount”	50% of the aggregate outstanding principal amount under the First Note and the Other Initial Notes
“Initial Warrant Closing”	the issue of Initial Warrant
“Initial Warrant Closing Date”	the day where the Initial Warrant Closing is taken place which should be on any Business Day on or before the Long Stop Date
“Initial Warrant Shares”	such numbers of Shares, calculated by dividing the Initial Warrant Amount by the Warrant Exercise Price

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## DEFINITIONS

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“Latest Practicable Date”	24 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“LOI”	The letter of intent dated 4 March 2021 entered into between the Company and Shenzhen KYSS in relation to the possible subscription of new shares to be issued by Shenzhen KYSS to the Company
“LOI Announcement”	the announcement of the Company dated 4 March 2021 relating to the LOI
“Long Stop Date”	31 December 2021
“Main Board”	the main board of the Stock Exchange
“Majority Noteholders”	at any time, any one or more holders holding the Convertible Notes or being proxies or representatives in respect of the Convertible Notes and representing, in the aggregate, more than 66.67% of the aggregate principal amount of all Convertible Notes then outstanding
“Masan Fund”	Masan Multi Strategy Fund SPC — Masan Hong Kong Equity Fund SP
“Material Adverse Change”	a material adverse effect on any of the following (i) the validity or enforceability of any of the Transaction Documents, (ii) the business, operations, assets, liabilities or condition (financial or otherwise) of the Group taken as a whole, (iii) the ability of the Company to perform its obligations under any of the Transaction Documents, or (iv) the rights and remedies of the Subscriber under any of the Transaction Documents
“Maturity Date”	the date falling on the second (2nd) anniversary of the date of issue of the Convertible Notes
“Next Qualified Debt Financing”	a debt offering with institutional investors for net proceeds to the Company in excess of US\$10 million after the First Note Closing
“Noteholder(s)”	holder(s) of the Convertible Notes from time to time

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## DEFINITIONS

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“Other Initial Notes”	the Convertible Notes in the principal amount of up to the Other Initial Note Amount to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Other Initial Note Amount”	the closing amount set forth in the Closing Notice for each Other Initial Note Closing, the aggregate of which under all Other Initial Note shall be up to US\$7,590,000
“Other Initial Note Closings”	the issue of the Other Initial Notes
“Other Initial Note Closing Dates”	the days when the Other Initial Note Closings are taken place which should be any day after the First Note Closing and prior to the satisfaction (waiver) of CP II
“PRC”	the People’s Republic of China excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Graphene HoldCo”	黑龍江省牡丹江農墾澳奧石墨烯深加工有限公司 (Heilongjiang Mudanjiang Agriculture Tanao Graphene Deep Processing Company Limited*), a limited liability company established under the laws of the PRC and is wholly owned by the Shanghai Company whose principal business is engaged in the provision of Graphene Business
“PRC Graphene NewCo”	黑龍江省烯石新材料科技有限公司 (Heilongjiang Province Graphex New Material Technology Company Limited*), a limited liability company established under the laws of the PRC on 22 February 2021 and is wholly owned by the Shanghai Company that is intended to increase the Group’s production capacity for spherical graphite
“SFC”	Securities and Futures Commission of Hong Kong
“Shanghai Company”	上海炭奧新材料科技有限公司 (Shanghai Tanao New Material Technology Company Limited*), a company established in the PRC with limited liability and is wholly owned by the HK Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company



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## DEFINITIONS

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“Share Charge”	the share charge dated 1 February 2021 entered into among the Chargor, the Subscriber as chargee and the Charged Company over all the shares held by the Chargor in the Charged Company as continuing security for the due and punctual performance and obligation due, or incurred under or in connection with the Transaction Document
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen KYSS”	深圳市開元盛世科技有限公司 (Shenzhen KYSS Technology Co., Limited*), a company established in the PRC with limited liability
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM in respect of the granting of the Warrants, the allotment and the issue of (i) the Conversion Shares upon the exercise of the Conversion Rights of the Subsequent Notes and (ii) the Warrant Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of Convertible Notes and subscription of Warrants pursuant to the Subscription Agreement
“Subscriber”	Lexinter International Inc., a company incorporated under the laws of the Province of Ontario, Canada, being an Independent Third Party
“Subscription Agreement”	the subscription agreement dated 19 January 2021 entered into between the Company and the Subscriber, as amended by the Supplemental Agreement, in respect of the Subscription
“Subsequent Closing Dates”	the days where the Subsequent Closings are taken place which should be any day after the Initial Warrant Closing and before the Long Stop Date
“Subsequent Closings”	the issue of the Subsequent Notes and Subsequent Warrants
“Subsequent Notes”	the Convertible Notes in the principal amount of up to Subsequent Notes Amount to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Subsequent Notes Amount”	the closing amount set forth in the Closing Notice of each of the Subsequent Closing of the Subsequent Notes, the aggregate of which under all Subsequent Notes shall be up to the amount calculated by subtracting the sum of First Note Amount and Other Initial Notes Amount from the Total Commitment

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## DEFINITIONS

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“Subsequent Warrants”	the warrant in the principal amount of up to Subsequent Warrants Amount to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Subsequent Warrants Amount”	the closing amount set forth in the Closing Notice for each of the Subsequent Closing of the Subsequent Warrants, the aggregate of which under all the Subsequent Warrants shall be up to the lower of (i) the amount permitted under Rule 15.02 of the Listing Rules, and (ii) 50% of the Subsequent Note Amount
“Subsidiary(ies)”	in respect of any person (the “ <b>first person</b> ”) at any particular time, any other person (the “ <b>second person</b> ”) whose affairs and policies the first person controls or has power to control, (directly or indirectly) whether by ownership of share capital, contract, the power to appoint or remove a majority of members of the governing body of the second person or otherwise
“Supplemental Agreement”	the supplemental agreement dated 24 May 2021 entered into between the Company and the Subscriber to amend certain terms and conditions of the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Total Commitment”	US\$15,000,000
“Transaction Document”	each of the Subscription Agreement, any Convertible Notes (including the note instrument and the terms and conditions thereof), the Warrants, the Share Charge, and any other instrument, document, agreement or certificate ancillary to the transactions contemplated under the Subscription Agreement
“United States”	the United States of America
“US\$”	United States dollars, lawful currency of the United States
“Warrants”	collectively the Initial Warrant and the Subsequent Warrants, and “Warrant” mean each and any of them
“Warrant Exercise Price”	the initial price of HK\$0.65 per Warrant Share (subject to adjustment) payable on exercise of the Warrant Subscription Rights
“Warrant Purchase Price”	US\$1.00

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## DEFINITIONS

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“Warrant Shares”	new Shares to be issued to the Warrantholder upon the exercise of the Warrant Subscription Rights
“Warrant Subscription Rights”	the rights attached to the Warrant to subscribe for the Warrant Shares pursuant to the terms and conditions of the Warrants
“Warrantholder(s)”	holder(s) of the Warrant(s)
“%”	per cent.

For the purpose of this circular, unless specified otherwise, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 to HK\$7.75. The exchange rate has been used, where applicable, for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or other rates or at all.

\* *For identification purposes only*

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LETTER FROM THE BOARD

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**GRAPHEX**

**GRAPHEX GROUP LIMITED**

**烯石電動汽車新材料控股有限公司**

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

**(Stock Code: 6128)**

*Executive Directors:*

Mr. Lau Hing Tat Patrick  
Mr. Chan Yick Yan Andross  
Mr. Tian Ming  
Mr. Yang Liu  
Mr. Qiu Bin

*Registered Office:*

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

*Non-executive Directors:*

Mr. Ma Lida  
Mr. Tu Wenzhe

*Head office and principal place of business:*

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

*Independent non-executive Directors*

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

30 June 2021

*To the Shareholders:*

Dear Sir or Madam,

**PROPOSED ISSUE OF CONVERTIBLE NOTES AND  
WARRANTS UNDER SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the Announcements in relation to, among others, the Subscription.

The purpose of this circular is to provide the Shareholders, among other things, further details of (i) the Subscription; (ii) the Specific Mandate; (iii) a notice to convene the EGM; and (iv) other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AGREEMENT

On 19 January 2021, the Company and the Subscriber entered into the Subscription Agreement for the Subscription. On 24 May 2021, the Company and the Subscriber entered into the Supplemental Agreement to amend certain terms and conditions of the Subscription Agreement. Principal terms of the Subscription Agreement, as amended by the Supplemental Agreement, are as follow:

**Date:** 19 January 2021 (Supplemental Agreement dated 24 May 2021)

**Parties:** (1) the Company; and  
(2) the Subscriber

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

### Conditions Precedent for the Closings of the Subscription of Convertible Notes and Warrants

Closings for the Subscription of the Convertible Notes and Warrants are conditional upon the following Conditions Precedents:

A. *At each Closing ("CP I"):*

- (i) the Stock Exchange having granted approval for (1) listing of, and permission to deal in, the Conversion Shares that may be issued upon conversion of the Convertible Note issued at such Closing, and (2) the Stock Exchange having approved the issue of the Convertible Notes, or the Company having not received any objection from the Stock Exchange to the issue of such Convertible Notes;
- (ii) the representations and warranties given by the Company under the Subscription Agreement remaining true, accurate and not misleading in all respects;
- (iii) the Company having performed all of its obligations under the Subscription Agreement;
- (iv) the Company having obtained all consents and approvals required (if any) on the part of the Company in relation to the Subscription Agreement and the issue of the applicable Convertible Notes and Warrants and all such consents and approvals shall remain valid up to such Closing;
- (v) since the date of the Subscription Agreement, there having been no Material Adverse Change;

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## LETTER FROM THE BOARD

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- (vi) the current listing of the Shares not having been cancelled or withdrawn and the Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to and including each Closing Date; and
- (vii) the Share Charge shall have been duly executed and delivered to the Subscriber and remain in full force and effect.

*B. In addition to the CP I, at the Initial Warrant Closing (“CP II”):*

- (i) the Shareholders having passed a resolution at the EGM to approve the issuance of the Warrants and the Specific Mandate;
- (ii) Stock Exchange having granted approval for the issuance and grant of the Warrants; and
- (iii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Warrant Shares that may be issued upon exercise of the Warrants and the Conversion Shares covered by the Specific Mandate, and the Stock Exchange having approved the issue of the Warrants, or the Company having not received any objection from the Stock Exchange to the issue of the Warrant Shares that may be issued upon exercise of the Warrants.

*C. In addition to the CP I, at each Subsequent Closing:*

- (i) the Initial Warrant shall have been issued and delivered to the Subscriber pursuant to the Subscription Agreement.

### **Non-Fulfilment**

If the relevant Conditions Precedent in relation to the Subscription Agreement are not either waived or satisfied on or before the Long Stop Date. The Subscription Agreement shall lapse and become null and void and the parties under the Subscription Agreement shall be released from obligations thereunder except that such termination shall not relieve the Company (i) from liability from any antecedent breach therein or (ii) from obligations under the Convertible Notes and the Warrants issued prior to the termination of the Subscription Agreement or (iii) obligations regarding indemnification and fees and expenses.

The Subscription Agreement provides that the Company shall use reasonable endeavours to obtain all approvals and consents from any regulatory authorities or other applicable third parties and promptly make all notifications, registrations and filings as may from time to time be required in relation to the issue of the Convertible Notes, the Warrants, the Conversion Shares and/or the Warrant Shares, and the effectiveness or validity of the transaction documents and transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### Long Stop Date

The Long Stop Date of 31 December 2021 was arrived at after arm's length negotiations between the Company and the Subscriber with regard to the Factors (as defined in the below section headed "SUBSCRIPTION") and all the terms and conditions of the Subscription Agreement as a whole.

### Closings

Subject to the fulfillment of the Conditions Precedent above, Closings shall take place with reference to the First Note Closing Date, Other Initial Notes Closing Date; Initial Warrants Closing Date and Subsequent Closing Dates as follow:-

- (i) the First Note Closing shall take place on the First Note Closing Date;
- (ii) the Other Initial Note Closings shall take place on the Other Initial Note Closing Dates, being the dates specified in the Closing Notices, which may be served by either the Company or the Subscriber to the other party, prior to the satisfaction of CP II;
- (iii) the Initial Warrant Closing shall take place on the Initial Warrant Closing Date, being the date specified in the Closing Notice, which may be served by the Subscriber to the Company after satisfaction of CP II;
- (iv) the Subsequent Closings shall take place on the Subsequent Closing Dates, being the dates specified in the Closing Notices, which may be served by either the Company or the Subscriber to the other party, after the satisfaction of CP II; and
- (v) in the event that on the date immediately prior to the Long Stop Date the aggregate principal amount of the Convertible Notes issued and subscribed pursuant to the Subscription Agreement prior to such date shall be less than the Total Commitment, then, a Closing Notice in the amount equivalent to such shortfall of the Total Commitment shall be deemed to be served by the Subscriber to the Company on the Long Stop Date and the parties shall proceed to the final Closing of Convertible Notes for such shortfall amount of the Total Commitment on the 10th Business Day after the Long Stop Date (unless otherwise agreed by the Company and the Subscriber in writing).

At the Closing, the Subscriber shall deliver or cause to be delivered to the Company via wire transfer of immediately available fund, cash in the closing principal amount of the Convertible Notes specified in the Closing Notice.

Despite that the Long Stop Date is 31 December 2021, the Company will serve Closing Notices on the Subscriber to request for Closings of the Other Initial Notes and the Subsequent Notes according to the schedule as set out under the section headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS" below, subject to the granting of the Specific Mandate by the Shareholders.

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## LETTER FROM THE BOARD

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### Assignability

Prior to the entering into of the Supplemental Agreement by the Company and the Subscriber, there is no restriction on the assignability of its rights and delegate or transfer any of its obligations under the Subscription Agreement except that the Subscriber may not assign any of its rights or interest under the Subscription Agreement to any connected persons of the Company.

On 25 February 2021, the Subscriber assigned its rights and interest in relation to the subscription of Convertible Note in the principal amount of US\$500,000 to EMA.

On 26 February 2021, the Subscriber assigned its rights and interest in relation to the subscription of Convertible Note in the principal amount of US\$500,000 to Masan Fund.

On 1 March 2021, the following Closings took place with EMA and Masan Fund as the assignees of the Subscriber:

<b>Description</b>	<b>Issue Date</b>	<b>Amount</b> <i>(US\$)</i>	<b>Name of Noteholder</b>
Other Initial Note	1 March 2021	500,000	EMA
Other Initial Note	1 March 2021	500,000	Masan Fund

Following the entering into of the Supplemental Agreement by the Company and the Subscriber, the Subscriber may not assign any of its rights and delegate or transfer any of its obligations under the Subscription Agreement without the prior written consent of the Company. The Company has no plan to provide such prior written consent to the Subscriber.

### Security

On 1 February 2021, the Chargor, the Subscriber and the Charged Company entered into the Share Charge whereby the Chargor has, by way of first legal charge, charged in favour of the Subscriber the entire issued share capital of Charged Company as continuing security for the payment and discharge of all of the obligations owing to the Subscriber by the Company under the Subscription Agreement including all obligations under or in connection with the Convertible Notes and the Warrants, being all indebtedness and other liabilities of any nature of the Company due, owing or incurred or in connection therewith, whether present or future, actual or contingent, matured or not matured, liquidated or unliquidated, whether incurred solely or jointly with any other person or in any other capacity whatsoever, and whether as principal or surety, in any currency or currencies (the “**Transaction Security**”) from the date of the Share Charge until being released on the date of termination upon all such obligations have been unconditionally and irrevocably paid and discharged in full including those obligations related to the Warrants and not merely upon the full repayment or conversion of the Convertible Notes.

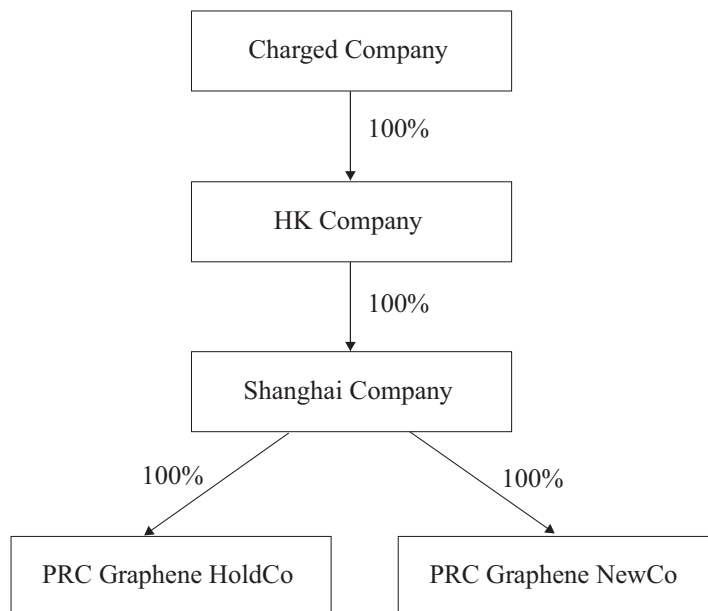


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## LETTER FROM THE BOARD

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The Charged Company is an investment holding company that holds the equity interests in the PRC Graphene HoldCo and the PRC Graphene NewCo through two intermediate wholly-owned subsidiaries. Set out below is a shareholding structure of the Charged Company and its Subsidiaries as at the Latest Practicable Date:



Set out below is the audited consolidated financial information of the Charged Company and its Subsidiaries for the period from 7 August 2019 (being the date the Charged Company became a member of the Group) to 31 December 2019 and for the year ended 31 December 2020, prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the period from 7 August 2019 (being the date the Charged Company became a member of the Group) to 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	123,473	215,461
Profit before tax	23,316	40,434
Profit after tax	20,838	35,417

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## LETTER FROM THE BOARD

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Set out below are the audited consolidated total assets and net assets of the Charged Company and its Subsidiaries as at 31 December 2019 and 31 December 2020, prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>As at</b> <b>31 December 2019</b> <i>HK\$'000</i>	<b>As at</b> <b>31 December 2020</b> <i>HK\$'000</i>
Total assets	154,656	172,874
Net assets	33,459	74,726

Pursuant to the Subscription Agreement, the Subscriber agreed that, upon the Company's written request, the Subscriber shall take such necessary action to share the Transaction Security *pari passu* with the financiers of any Next Qualified Debt Financing on terms and conditions reasonably satisfactory to the Subscriber and such financiers to effectuate the consummation of such Next Qualified Debt Financing.

As the Convertible Notes and the Warrants form integral parts of the Subscription Agreement and the issue of the Convertible Notes and the Warrants are part and parcel of the Company's obligations under the Subscription Agreement, the Subscriber requires the Share Charge to cover the Company's obligations under the Subscription Agreement relating to the issue of the Warrants even though under the terms of the Warrant, the Company does not owe any indebtedness or financial liabilities to the Subscriber.

Based on the above, the Directors are of the view that the terms of the Share Charge are fair and reasonable and are in line with market practice.

### SUBSCRIPTION

Pursuant to the Subscription Agreement and subject to fulfilment of the Conditions Precedent, either the Company or the Subscriber can serve Closing Notice to the other party to request for the subscription and issuance of the Convertible Notes in stages, the aggregate principal amount of the Convertible Notes to be issued and subscribed under the Subscription Agreement shall be the Total Commitment of US\$15,000,000 (there was a definition and provision of "Minimum Commitment" of US\$5,000,000 as defined and disclosed in the Company's announcement dated 19 January 2021 under the original subscription agreement dated 19 January 2021 and such definition and provision were deleted in their entirety by the Supplemental Agreement dated 24 May 2021) and the principal amount of each Convertible Note shall be in the minimum denomination of US\$500,000 and integral multiples of US\$10,000 in excess thereof. Subject to the satisfaction of the Conditions Precedent, the Subscriber is obliged to subscribe for Convertible Notes of the Total Commitment of US\$15,000,000.

The Convertible Notes shall be issued in tranches, namely the First Note, the Other Initial Notes and the Subsequent Notes. The Conversion Shares to be allotted and issued under the First Note and the Other Initial Notes will be under the General Mandate. The Conversion Shares to be allotted and issued under the Subsequent Notes will be under the Specific Mandate.

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## LETTER FROM THE BOARD

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The Total Commitment applies only to the subscription of the Convertible Notes. Each of the First Note and the Other Initial Notes will be proceeded independently irrespective of whether the Subsequent Notes, the Initial Warrants and Subsequent Warrants will be approved in the EGM.

The Warrants shall be issued in tranches, namely the Initial Warrant and Subsequent Warrants, all the Warrant Shares will be allotted and issued under the Specific Mandate.

Below are the chart summarised different types of Convertible Notes and Warrants issued or to be issued pursuant to the Subscription Agreement:

	<b>Aggregate Principal Amount of the Convertible Notes / Warrants</b>	<b>Time requirement for subscription</b>	<b>Shares to be allotted under General Mandate / Specific Mandate upon exercise of Conversion Rights / Warrant Subscription Rights</b>
First Note	US\$500,000	the First Note was issued by the Company to the Subscriber on 1 February 2021 on the satisfaction of CP I	General Mandate
Other Initial Notes	US\$7,590,000 at the Initial Conversion Price of HK\$0.65 per Conversion Share	any day during the time after the First Note Closing Date on the satisfaction of CP I and prior to the satisfaction of CP II	General Mandate
Initial Warrant	Initial Warrant Amount	any day during the period after the satisfaction of CP II and before the Long Stop Date	Specific Mandate
Subsequent Notes	Subsequent Note Amount	if the Initial Warrant has been occurred before the Long Stop Date on the satisfaction of CP I, any day during the period after the satisfaction of CP II and before the Long Stop Date	Specific Mandate
Subsequent Warrants	Subsequent Warrants Amount	to be issued with Subsequent Notes concurrently	Specific Mandate

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## LETTER FROM THE BOARD

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The structure of the transactions under the Subscription Agreement for the issuance and subscription of Convertible Notes in stages and with the right to subscribe for Warrant Shares equivalent to 50% of the principal amount of the subscribed Convertible Notes, the Long Stop Date and other terms and conditions of the Subscription Agreement were finalized by the Company and the Subscriber through bargains and arm's length negotiations. The Directors have considered the factors they deemed applicable including the following factors (the "**Factors**") in deciding to accept the Subscriber's proposal to issue of the Convertible Notes and Warrants at stages:

- (i) the volatility that the world economies are facing in the wake of the COVID-19 pandemic that has hard hit the world economies and causing uncertainties to the global financial markets;
- (ii) the Company's opportunities with respect to its fund raising in view of the experiences of the Company in conducting fund raising exercise referred to in the Sub-heading "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS".
- (iii) the initial Conversion Price of HK\$0.65 was at a 14.04% premium of the closing price of the Company's shares on the date of the Subscription Agreement;
- (iv) the Subscriber agreed to subscribe for the Convertible Notes in the Total Commitment of US\$15,000,000 (equivalent to HK\$116,250,000);
- (v) subject to the Shareholders' approval and granting of the Specific Mandate, the Company will have the certainty that the Total Commitment of US\$15,000,000 of Convertible Notes will be issued to and subscribed by the Subscriber at a fixed initial Conversion Price of HK\$0.65 on or before the Long Stop Date, even if the Company's Share price falls below the initial Conversion Price;
- (vi) the Warrants are related to the subscription of the Conversion Notes by the Subscriber and subject to Shareholders' approval and granting of the Specific Mandate, although it cannot generate immediate cash inflows to the Company, the Warrant Exercise Price was at a 14.04% premium of the closing price of the Company's Shares on the date of the Subscription Agreement and the future direction of the Company's Share price cannot be predicted with any reasonable assurance;
- (vii) either the Company or the Subscriber can serve Closing Notices to the other party to request for a Closing (other than the First Note Closing and the Initial Warrant Closing) which will allow the Company to proactively request the Subscriber for Closings to cater for the Company's financial obligations and needs as and when the Company determines necessary; and
- (viii) the cost and expenses to the exercise of Convertible Notes and Warrants under the Subscription Agreement are favourable and there is no agency fee or commission required to be paid by the Company for the subscription of the Convertible Notes and Warrant Shares.

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## LETTER FROM THE BOARD

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Set out below is a line chart showing the closing prices of the Shares since 1 December 2020 to the Latest Practicable Date:



Taking the Factors as a whole, the Directors determined that they are acting in the interests of the Company and the Shareholders as a whole in deciding to conduct the Subscription in stages as proposed by the Subscriber.

### Terms of the Convertible Notes

The principal terms of the Convertible Notes were arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

Aggregate principal amount of the Convertible Notes	:	US\$15,000,000
Principal amount	:	First Note — US\$500,000 Other Initial Notes — US\$7,590,000 Subsequent Notes — Subsequent Notes Amount
Issue price	:	100% of the principal amount
Maturity date	:	The date falling on the second (2nd) anniversary of the date of issue of the Convertible Notes (the “ <b>Maturity Date</b> ”)
Interest rate	:	5.5% per annum, payable quarterly on the 20th Business Day of March, June, September and December of each year. In the event of early redemption pursuant to event of default, the Convertible Note shall bear interest at a rate equal to 20% per annum above the interest rate from the date such sums are due but not paid until the day on which all sums due in respect of the Convertible Notes up to that day are received by the Noteholders.
Conversion Period	:	The period commencing on the issue date of the Convertible Notes to the close of business in Hong Kong on the date falling one Business Day prior to the Maturity Date (both days inclusive).

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## LETTER FROM THE BOARD

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Conversion Price : initially at HK\$0.65 per Conversion Share (subject to adjustment)

Adjustment events of the Convertible Notes : The initial Conversion Price will be subject to adjustments in the following events occurred to the Company:

(i) Share Dividends

In the event that the Company makes a dividend or other distribution in Shares to holders of Shares, the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to such dividend or distribution by a fraction, the numerator of which is the number of Shares in issue at the close of business on the date fixed for such determination and the denominator of which is such number of Shares plus the total number of Shares constituting such dividend or other distribution, such decrease in the Conversion Price to become effective immediately prior to the opening of business on the day following the date fixed for such determination.

(ii) Distributions

In the event that the Company distributes to holders of Shares (“**Distribution**”), by dividend or otherwise, evidences of its indebtedness, shares of any class of its capital stock, cash or other assets (including securities, but excluding (i) any dividend or distribution paid exclusively in cash out of the aggregate net profits (less losses) attributable to Shares for all financial periods after June 30, 2020 and (ii) any dividend or distribution referred to make dividends to the holders of the Shares), the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to such distribution by a fraction, the numerator of which is (x) such then current Conversion Price less (y) the aggregate fair market value on such date of the evidences of indebtedness, shares of capital stock, cash and other assets to be distributed divided by the number of Shares in issue at the close of business on such date, and the denominator of which is such then current Conversion Price, such reduction to become effective immediately prior to the opening of business on the day following such date.

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## LETTER FROM THE BOARD

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(iii) Subdivisions and Combinations

In the event that outstanding Shares are subdivided into a greater number of Shares (“**Subdivision**”), the Conversion Price in effect immediately prior to the effectiveness of such subdivision shall be proportionately reduced, and, conversely, in the event that outstanding Shares are combined into a smaller number of Shares (“**Combination**”), the Conversion Price in effect immediately prior to the effectiveness of such combination shall be proportionately increased.

(iv) Share Reclassifications

The reclassification of Shares into securities which include securities other than Shares shall be deemed to involve (i) a distribution of such securities other than Shares to all holders of Shares within the meaning of Distributions (and the effective date of such reclassification shall be deemed to be “the date fixed for the determination of shareholders entitled to such distribution” within the meaning of Distributions) and (ii) a subdivision of the number of Shares in issue immediately prior to such reclassification into the number of Shares in issue immediately thereafter within the meaning of Subdivisions and Combinations (and the effective date of such reclassification shall be deemed to be the date of effectiveness of such subdivision or combination, as the case may be, for purposes of Subdivisions and Combinations).

(v) Rights Issues

In the event that the Company offers to holders of any Shares new Shares for subscription by way of rights, or grants to holders of Shares any options or warrants to subscribe for new Shares, 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, such adjustment to become effective (if appropriate retroactively) immediately prior to the opening of business on the next day following the record date for the offer or grant.

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## LETTER FROM THE BOARD

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- (vi) Issuance of Shares Below Conversion Price or New Securities for Total Effective Consideration Below Conversion Price
- (a) In the event that the Company issues any Shares for consideration per share (“**New Share Issue Price**”) that is less than the Conversion Price in effect immediately prior to such issuance, the Conversion Price shall be reduced to equal the New Share Issue Price, such reduction to become effective on the date of the issuance;
  - (b) In the event that the Company issues any securities that by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares (“**Share Equivalents**”) and the Total Effective Consideration per Share receivable for such Share Equivalents at the time of issuance (“**New Share Equivalent Issue Price**”) is less than the Conversion Price in effect immediately prior to such issuance, the Conversion Price shall be reduced to equal the New Share Equivalent Issue Price, such reduction to become effective on the date of issuance;
  - (c) In the event that after the date of issuance of the Share Equivalents, the rights of conversion or exchange or subscription attached to any Share Equivalents are modified so that the Total Effective Consideration per Share receivable for such Share Equivalents (the “**New Share Equivalent Conversion Price**”) becomes less than the Conversion Price in effect immediately prior to the effectiveness of such New Share Equivalent Conversion Price, the Conversion Price shall be reduced to equal such New Share Equivalent Conversion Price. Such reduction shall become effective simultaneously with the effectiveness of such New Share Equivalent Conversion Price;



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## LETTER FROM THE BOARD

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(d) For the purposes of the Conversion in Convertible Notes, the “Total Effective Consideration” receivable for the Share Equivalents issued shall be deemed to be the consideration receivable by the Company for any such Share Equivalents plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the “Total Effective Consideration per Share” receivable for such Share Equivalents shall initially be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issuance.

(vii) Modification of Rights

If the Company or any Subsidiary shall in any way modify the rights attached to any share or loan capital so as wholly or partly to exchange or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved auditor to consider whether any adjustment to the Conversion Price is appropriate, and if such approved auditor shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly.

(viii) other changes that affect the Shares

If the Company at any time proposes to take any action affecting the Shares similar to or having an effect similar to any of the actions described in any of the situations under adjustment events of the Convertible Notes (but not including any action described in any adjustment events of the Convertible Notes), then the Board shall consider in good faith whether any adjustment of the Conversion Price is appropriate and, if so, the amount of such adjustment. The Company shall notify the Noteholders of the Board’s determination not less than ten (10) days prior to the effectiveness of such proposed action. If Majority Noteholders gives notice to the Company within thirty (30) days after delivery of such notice to the Noteholders, or if the Company fails to give such notice as required above, then upon the request of Majority Noteholders an approved auditor shall determine whether an adjustment of the Conversion Price is appropriate and, if so, the amount of such adjustment; or

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## LETTER FROM THE BOARD

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(ix) failure to issue and grant Warrants

if the Company is unable to obtain the Specific Mandate or approval from the Stock Exchange to grant and issue the Warrants and the Warrant Shares by the Long Stop Date and the Subscriber elects to terminate the Subscription Agreement, the initial Conversion Price shall be adjusted downward to the Adjusted Conversion Price.

- Adjusted Conversion Price : HK\$0.57 per Conversion Share under the circumstances as stated in the sub-section headed “THE CONVERSION PRICE AND THE WARRANT EXERCISE PRICE — Adjustment to the Conversion Price” below
- Conversion Rights : The Noteholder(s) are entitled to convert the outstanding principal amount of the Convertible Notes in whole or in part into fully paid Shares, at their option, at any time during the Conversion Period at the initial Conversion Price. The Conversion Rights may be exercised to convert in integral multiples of US\$10,000 of the outstanding principal amount of the Convertible Notes into Conversion Shares subject to the conditions that (i) any conversion will not result in the Company not fulfilling the public float requirements under Rule 8.08 of the Listing Rules; (ii) any conversion will not result in the holder of Convertible Notes triggering a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Notes and any parties acting in concert with it (as defined under the Takeovers Code); and (iii) the Company having sufficient mandate from its shareholders to issue the Conversion Shares.
- Redemption at maturity : The Company shall redeem all the outstanding Convertible Notes at 100 per cent of its outstanding principal amount plus the accrued but unpaid interest thereon as to the Maturity Date (inclusive).
- Early redemption : (i) The Company may not redeem any part of the Convertible Note prior to the Maturity Date without the consent of the Noteholder(s).
- (ii) Upon occurrence of the following specified relevant events, the Noteholder(s) are entitled to require the Company to redeem all but not part of the Convertible Notes at the Relevant Event Redemption Date at an amount equal to 125% of the principal amount outstanding on the Convertible Notes together with accrued but unpaid interest thereon as to such redemption date (inclusive):
- (a) the listing of the Shares on the Main Board is cancelled or withdrawn;

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## LETTER FROM THE BOARD

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- (b) the Company is delisted by the Stock Exchange;
- (c) approval from the Stock Exchange in respect to the listing of and dealing in the Shares arising from the conversion of the Convertible Notes is revoked or cancelled;
- (d) the Shares are suspended from trading on the Main Board for 10 consecutive Trading Days;
- (e) the Company is delayed in reporting its financial results resulting the Stock Exchange or SFC suspends the trading of Shares; or
- (f) the trading of Shares are suspended by the Stock Exchange as a result of irregular trading activities (other than merger and acquisition within its ordinary course of business).

- Events of Default : If any of the following events occurs and is continuing, the Majority Noteholders at their discretion may give notice to the Company that the Convertible Notes are immediately due and repayable by cash at an amount equal to 125% of the principal amount outstanding on the Convertible Notes together with accrued but unpaid interest thereon as to such redemption date (inclusive):
- (a) non-payment on any amount payable on the Convertible Notes when due;
  - (b) breach of covenant as set out in the Convertible Notes;
  - (c) failure to deliver Shares at Conversion;
  - (d) breach of terms of the Convertible Notes and the Transaction Document;
  - (e) where any financial indebtedness of the Company or any of its Subsidiaries the aggregate amount of which is no more than US\$500,000 when due;
  - (f) any enforcement proceedings against substantial part of the property or assets of the Company or any of its Subsidiaries and is not discharged or stayed within 60 days from the date of enforcement;
  - (g) winding up order or an insolvency event in relation to the Company or any of its Subsidiaries;

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## LETTER FROM THE BOARD

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- (h) any step is lawfully taken by any competent governmental authority with a view to the seizure, compulsory acquisition or nationalisation of all or substantially all of the asset of the Company and its Subsidiaries or the Company or any of its Subsidiaries is prevented by exercising normal control over all or substantially all of its assets or property;
  - (i) no authorisation or consents have been sought to enter into the Convertible Notes and Transaction Documents and to make such document legally binding and enforceable against the Company and to make it inadmissible in the relevant court and Hong Kong courts;
  - (j) the Company performs the Convertible Notes illegally;
  - (k) delisting of the Company;
  - (l) breach of law;
  - (m) intervention from any governmental authority from exercising control of the assets of the Company; or
  - (n) the Company ceases or threatens to cease to carry on its Graphene Business or any substantial part thereof.
- Listing : No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
- Status and ranking : The Convertible Notes constitute direct, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall at all times rank senior to all of its other present and future unsecured and unsubordinated obligations. The Conversion Shares will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant date of such allotment.
- Transferability : The Convertible Notes may be freely transferred without the consent of the Company in whole or in part at any time and from time to time to any person provided always that none of the Convertible Notes may be transferred to a connected person of the Company.

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## LETTER FROM THE BOARD

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### ISSUE OF WARRANTS

Pursuant to the Subscription Agreement, subject to the satisfaction (or waiver) of the CP I and CP II, including but not limited to the grant of the Specific Mandate at the EGM, the Company shall issue the Initial Warrants and Subsequent Warrants to the Subscriber on or before the Long Stop Date provided that the Subsequent Warrants will only be issued (i) concurrently with the Subsequent Notes; (ii) if the Initial Warrant has been issued and delivered to the Subscriber; and (iii) the aggregate principal amount of the First Note and the Other Initial Notes issued have not exceeded the Total Commitment.

The amount of the Warrant to be issued by the Company to the Subscriber shall be equivalent to 50% of the principal amount of the Convertible Notes issued by the Company to the Subscriber.

### Terms of the Warrants

The principal terms of the Warrants were arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

- Warrant purchase price : US\$1.00
- Warrant Expiration Date : The date falling on the fifth (5th) anniversary of the date of issue of the Warrants (the "**Expiration Date**")
- Warrant Exercise Price and adjustment events : initially at HK\$0.65 per Warrant Share. The initial Warrant Exercise Price will be subject to adjustments in the following events occurred to the Company:
- (i) Share Dividends

In the event that the Company makes a dividend or other distribution in Shares to holders of Shares, (a) the Warrant Exercise Price shall be reduced by multiplying the Warrant Exercise Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to such dividend or distribution by a fraction, the numerator of which is the number of Shares in issue at the close of business on the date fixed for such determination and the denominator of which is such number of Shares plus the total number of Shares constituting such dividend or other distribution, and (b) the number of Shares issuable upon exercise of the Warrant shall be increased when the Warrant Exercise Price is adjusted pursuant to making dividends, other distribution in Shares, subdivision or combination or reclassification of Shares, such decrease in the Warrant Exercise Price and increase in the number of Shares issuable become effective immediately prior to the opening of business on the day following the date fixed for such determination.

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## LETTER FROM THE BOARD

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(ii) Subdivisions and Combinations

In the event that outstanding Shares are subdivided into a greater number of Shares, the Warrant Exercise Price in effect immediately prior to the effectiveness of such subdivision shall be proportionately reduced, and, conversely, in the event that outstanding Shares are combined into a smaller number of Shares, the Warrant Exercise Price in effect immediately prior to the effectiveness of such combination shall be proportionately increased. If the Warrant Exercise Price is reduced or increased pursuant to the Subdivision and Combination, the number of Shares issuable upon exercise of this Warrant shall be increased or reduced to an amount equal to the number of Shares for which this Warrant was exercisable immediately prior to the effectiveness of such Subdivision and Combination multiplied by a fraction, the numerator of which is the Warrant Exercise Price in effect immediately prior to the effectiveness of Subdivision and Combination and the denominator of which is the Warrant Exercise Price in effect immediately after the effectiveness of Subdivision and Combination. Such reduction or increase of the Warrant Exercise Price, and such increase or reduction of the number of Shares issuable hereunder, shall become effective simultaneously with the effectiveness of such subdivision or combination.

(iii) Distributions

In the event that the Company distributes to holders of Shares, by dividend or otherwise, evidences of its indebtedness, shares of any class of its capital stock, cash or other assets (including securities, but excluding (i) any dividend or distribution paid exclusively in cash out of the aggregate net profits (less losses) attributable to Shares for all financial periods after June 30, 2020 and (ii) any dividend or distribution referred to the Share dividends, the Warrant Exercise Price shall be reduced by multiplying the Warrant Exercise Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to such distribution by a fraction, the numerator of which is (x) such then current Exercise Price less (y) the aggregate fair market value on such date of the evidences of indebtedness, shares of capital stock, cash and other assets to be distributed divided by the number of Shares in issue at the close of business on such date, and the denominator of which is such then current Warrant Exercise Price, such reduction to become effective immediately prior to the opening of business on the day following such date.

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## LETTER FROM THE BOARD

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(iv) Share Reclassifications

The reclassification of Shares into securities which include securities other than Shares (other than any reclassification upon a consolidation or merger) shall be deemed to involve (i) a distribution of such securities other than Shares to all holders of Shares (and the effective date of such reclassification shall be deemed to be “the date fixed for the determination of shareholders entitled to such distribution”) and (ii) a subdivision of the number of Shares in issue immediately prior to such reclassification into the number of Shares in issue immediately thereafter (and the effective date of such reclassification shall be deemed to be the date of effectiveness of such subdivision or combination).

(v) Rights Issues

In the event that the Company offers to holders of any Shares new Shares for subscription by way of rights, or grants to holders of Shares any options or warrants to subscribe for new Shares and the New Rights Issue Price is less than the Warrant Exercise Price, the Warrant Exercise Price shall be reduced to equal the New Rights Issue Price, such adjustment to become effective (if appropriate retroactively) immediately prior to the opening of business on the next day following the record date for the offer or grant.

(vi) Issuance of Shares Below Exercise Price or New Securities for Total Effective Consideration Below Exercise Price

(a) In the event that the Company issues any Shares for consideration per share and the New Share Issue Price is less than the Warrant Exercise Price in effect immediately prior to such issuance, the Warrant Exercise Price shall be reduced to equal the New Share Issue Price, such reduction to become effective on the date of the issuance.

(b) In the event that the Company issues any Share Equivalent and the New Share Equivalent Issue Price is less than the Warrant Exercise Price in effect immediately prior to such issuance, the Warrant Exercise Price shall be reduced to equal such New Share Equivalent Issue Price, such reduction to become effective on the date of issuance.

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## LETTER FROM THE BOARD

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- (c) In the event that after the date of issuance of the Share Equivalents, the New Share Equivalent Conversion Price becomes less than the Warrant Exercise Price in effect immediately prior to the effectiveness of such New Share Equivalent Conversion Price, the Warrant Exercise Price shall be reduced to equal such New Share Equivalent Conversion Price. Such adjustment shall become effective simultaneously with the effectiveness of such New Share Equivalent Conversion Price.
- (d) For the purposes of adjustment of Warrant Exercise Price and number of Shares issuable upon exercise, the “Total Effective Consideration” receivable for the Share Equivalents issued shall be deemed to be the consideration receivable by the Company for any such Share Equivalents plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the “Total Effective Consideration per Share” receivable for such Share Equivalents shall initially be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issuance.

(vii) Modification of Rights

If the Company or any Subsidiary shall in any way modify the rights attached to any share or loan capital so as wholly or partly to exchange or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved auditor to consider whether any adjustment to the Warrant Exercise Price is appropriate, and if such approved auditor shall certify that any such adjustment is appropriate the Warrant Exercise Price shall be adjusted accordingly.



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## LETTER FROM THE BOARD

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(viii) Other Changes

If the Company at any time proposes to take any action affecting the Shares similar to or having an effect similar to any of the actions described in any of situations of adjustment of Warrant Exercise Price and number of Shares issuable upon exercise (but not including any action described in any situations of adjustment of Warrant Exercise Price and number of Shares issuable upon exercise), then the Board shall consider in good faith whether any adjustment of the Warrant Exercise Price is appropriate and, if so, the amount of such adjustment. The Company shall notify the Warrantheolders of the Board's determination not less than ten (10) days prior to the effectiveness of such proposed action. If a Required Majority of Holders gives notice to the Company within thirty (30) days after delivery of such notice to the Warrantheolders, or if the Company fails to give such notice as required above, then upon the request of a Required Majority of Holders an approved auditor shall determine whether an adjustment of the Exercise Price is appropriate and, if so, the amount of such adjustment.

- Exercise of the Warrant : The Warrants may be exercised, in whole or in part, at any time or  
Subscription Rights : from time to time on or prior to the Expiration Date by delivering the following documents to the Company to subscribe the fully paid Warrant Shares from the Company:
- (i) the certificates of Warrants;
  - (ii) the form of election attached to the Warrant duly completed and signed by the Warrantheolder; and
  - (iii) payment evidence of the aggregate Warrant Exercise Price regarding such subscription of Warrants.
- Listing : No application will be made for the listing of the Warrants on the Stock Exchange or any other stock exchange.
- Application will be made to the Listing Committee for the listing of, and the permission to deal in, the Warrant Shares.
- Transferability : The Warrantheolders may transfer the Warrants to one or more transferees without the Company's consent.
- Covenant as to the : All Warrant Shares upon issue  
Warrant Shares
- (i) will be validly issued and fully paid;

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## LETTER FROM THE BOARD

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- (ii) will be free from all taxes, liens and charges with respect to the issue thereof;
  - (iii) will rank equally and be of the same class as the Shares outstanding on the conversion date; and
  - (iv) will be listed and continued to be traded on the Main Board.
- Restriction on exercise of the Warrant Subscription Rights : The Company should immediately notify the Warrantholder on the following restrictions on exercise the Warrant Subscription Rights:
- (i) the Company not being able to satisfy the Stock Exchange's public shareholding requirement (i.e. 25% public float) under Rule 8.08 of the Listing Rules; or
  - (ii) exercise all or part of the Warrants would trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the Warrantholder and/or other person(s) acting in concert with such Warrantholder.
- Rights on liquidation : If the Company is being wound up, all Warrants Subscription Rights which have not been exercised by the date of passing of requisite resolution shall lapse and any certificate for the Warrants shall cease for any purpose.

The Warrantholder has no right to participate in any distributions and/or offers of further securities made by the Company.

### **THE CONVERSION PRICE AND THE WARRANT EXERCISE PRICE**

#### **The initial Conversion Price and initial Warrant Exercise Price**

The initial Conversion Price and initial Warrant Exercise Price represents:

- (a) a premium of approximately 14.04% over the closing price of the Shares of HK\$0.570 per Share as quoted on the Stock Exchange on the last trading day of the Shares prior to the date of the Subscription Agreement;
- (b) a premium of approximately 15.04% over the average closing price per Share of HK\$0.565 for a period of 10 consecutive trading days up to and including the trading day immediately preceding the date of the Subscription Agreement;
- (C) a discount of approximately 29.35% to the closing price of the Shares of HK\$0.92 per Share on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The price to purchase the Warrants is US\$1.00 which will entitle to the Warrantholders, subject to the granting of the Specific Mandate by the Shareholders at the EGM, to subscribe for such number of Warrant Shares by dividing 50% of the principal amount of the Convertible Notes subscribed by the Subscriber by the Warrant Exercise Price upon the Warrantholders exercising the Warrant Subscription Rights attached to the Warrants, the Warrantholders will have to pay the Company the Warrant Exercise Price per each Warrant Share for the allotment and issue of the Warrant Shares to the Warrantholders.

The Conversion Price and the Warrant Exercise Price were determined after arm's length negotiation between the Company and the Subscriber with reference to, among others, the prevailing market price and the historical price performance of the Shares on the date of the Subscription Agreement. The Directors consider that the Conversion Price and the Warrant Exercise Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Adjustment to the Conversion Price**

The Directors at this stage may not estimate the future direction of the Company's Share price with certainty, in part because the Subscriber is prepared to subscribe the Conversion Shares at the initial Conversion Price of HK\$0.65 which was at approximately 14.04% premium of the closing price of the Company's shares at the date of the Subscription Agreement was because of the possibility of obtaining the Warrant through the subscription of the Convertible Notes should the Company be able to obtain the Specific Mandate, which would allow the Warrantholders the rights to subscribe the Warrant Shares from the Company at the Warrant Exercise Price of HK\$0.65 which again was at approximately 14.04% premium of the closing price of the Company's Shares at the date of the Subscription Agreement.

In the event the Company was unable to obtain the Specific Mandate for the Company to allot and issue the Warrant Shares by the Long Stop Date, which reflect that a condition for the transaction under the Subscription Agreement cannot be fulfilled and the Subscriber could not obtain the benefit from the potential allotment and issue of the Warrant Shares under the Subscription Agreement, the Subscriber is still obligated to subscribe for the Convertible Notes up to an amount with the maximum number of Conversion Shares that may be issued under the General Mandate, but it was agreed by the Company and the Subscriber, after arm's length negotiation, that the initial Conversion Price will be adjusted downward to the Adjusted Conversion Price of HK\$0.57 which represents the benchmarked price of the Shares under Rule 13.36(2) of the Listing Rules as at the date of the Subscription Agreement and was the closing price of the Shares at the date of the Subscription Agreement.

The Company will not take any corporate action that may trigger the downward adjustment of the Conversion Price under the terms and conditions of the Convertible Notes that will result in the number of Conversion Shares issuable under the Convertible Notes exceeding the limit under the General Mandate.

In the event there is any obligation for any excess Conversion Shares which are not authorized under the General Mandate, the Company will seek to settle the obligation with the holder of the Convertible Notes in cash.

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## LETTER FROM THE BOARD

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Taking the Factors and the background circumstances as a whole, the Directors determined that they are acting in the interests of the Company and the Shareholders as a whole in deciding to downward adjust the initial Conversion Price to the Adjusted Conversion Price in the event the Company is unable to obtain the Specific Mandate or approval to grant the Warrants and the Warrant Shares by the Long Stop Date and the Subscriber elects to terminate the Subscription Agreement.

### **Adjustment to the Warrant Exercise Price**

The Company will not take any corporate action that may trigger the downward adjustment of the Warrant Exercise Price under the terms and conditions of the Warrants that will result in the number of Warrant Shares issuable under the Warrants exceeding the limit imposed by Rule 15.02(1) of the Listing Rules.

In the event there is any obligation for additional Warrant Shares exceeding the requirement limit of Rule 15.02(1) of the Listing Rules resulting from downward adjustment event being triggered, the Company will seek to settle the obligation with the Warranholders in cash.

## **THE CONVERSION SHARES AND WARRANT SHARES**

### **The Conversion Shares**

The Conversion Shares under the First Note and Other Initial Notes will be allotted and issued under the General Mandate.

The Conversion Shares under the Subsequent Note will be allotted and issued under the Specific Mandate. The Directors proposed to seek approval from the Shareholders at the EGM to issue the Conversion Shares under the Subsequent Note.

As at the Latest Practicable Date, the Company has a total of 488,251,538 issued Shares which includes 5,961,538 Conversion Shares being issued by the Company to Masan Fund on 5 March 2021 at the initial Conversion Price of HK\$0.65 per Conversion Share upon the exercise of the Conversion Rights under the Other Initial Note with principal amount of US\$500,000.

In the event the Subscriber has subscribed for the Convertible Notes up to the maximum number of Conversion Shares that may be issued under the General Mandate (excluding the Other Initial Notes subscribed by EMA and Masan Fund) and assuming all Conversion Shares are converted in full at the initial Conversion Price of HK\$0.65 per Conversion Share, approximately 84,534,614 Conversion Shares will be allotted and issued which would represent (i) approximately 17.31% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.76% of the total issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares in full (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Conversion Shares in full).

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## LETTER FROM THE BOARD

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For illustration purpose only, assuming the Subscriber has subscribed for the Convertible Notes up to the Total Commitment (excluding the Other Initial Notes subscribed by EMA and Masan Fund) and assuming all Conversion Shares are converted in full at the initial Conversion Price of HK\$0.65 per Conversion Share, 166,923,075 Conversion Shares will be allotted and issued which would represent (i) approximately 34.19% of the total issued share capital of the Company as at the date of the Latest Practicable Date; and (ii) approximately 25.48% of the total issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares in full (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Conversion Shares in full).

The Conversion Shares to be issued under the Subscription Agreement based on the initial Conversion Price of HK\$0.65 per Conversion Share have an aggregate nominal value of up to HK\$1,788,461.53.

### **The Warrant Shares**

Assuming the Specific Mandate is being granted and the Subscriber has subscribed for the Convertible Notes up to the Total Commitment, the amount of Warrants to be issued by the Company to the Subscriber will be US\$7,500,000, and assuming the Warrant Subscription Rights attached to the Warrants are exercised in full at the initial Warrant Exercise Price of HK\$0.65 per Warrant Share, 89,423,076 Warrant Shares shall be allotted and issued, which would represent (i) approximately 18.31% of the total issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 15.48% of the enlarged issued share capital of the Company, as enlarged by the allotment and issue of the Warrant Shares in full (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Warrant Shares in full).

The Warrant Shares to be issued under the Subscription Agreement based on the initial Warrant Exercise Price of HK\$0.65 per Warrant Share have an aggregate nominal value of up to HK\$894,230.76.

### **Conversion of all Convertible Notes at the initial Conversion Price and exercise of all the Warrant Subscription Rights at the initial Warrant Exercise Price**

For illustration purpose only, if all the Conversion Rights on the Convertible Notes up to the Total Commitment are converted in full at the initial Conversion Price of HK\$0.65 per Conversion Share and all the Warrant Subscription Rights on the corresponding Warrants are exercised in full at the initial Warrant Exercise Price of HK\$0.65 per Warrant Share, a total of 268,269,227 new Shares will be allotted and issued, which would represent (i) approximately 54.94% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 35.46% of the total issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the Warrant Shares (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Conversion Shares and Warrant Shares in full).

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## LETTER FROM THE BOARD

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### Conversion of all Convertible Notes at the Adjusted Conversion Price

Under the Adjusted Conversion Price, the maximum principal amount of Other Initial Notes which can be issued by the Company will have to be reduced from US\$7,590,000 to US\$6,590,000.

Set out below is the summary of the number of the Conversion Shares to be issued under the First Note and Other Initial Notes under General Mandate and with reference to (i) the initial Conversion Price of HK\$0.65 and (ii) the Adjusted Conversion Price of HK\$0.57:

Convertible Notes	With reference to the Conversion Price of HK\$0.65 Under General Mandate		With reference to the Adjusted Conversion Price of HK\$0.57 Under General Mandate	
	Principal Amount	Number of Conversion Shares	Principal Amount	Number of Conversion Shares
<i>First Note</i>	US\$500,000	5,961,538	US\$500,000	6,798,245
<i>Other Initial Note</i>	US\$7,590,000	90,496,154	US\$6,590,000	89,600,877
<b>Total</b>	<b>US\$8,090,000</b>	<b>96,457,692</b>	<b>US\$7,090,000</b>	<b>96,399,122</b>

Assuming all Conversion Shares are converted in full under the First Note at the Adjusted Conversion Price of HK\$0.57, 6,798,245 Conversion Shares will be allotted and issued under the First Note which would represent (i) approximately 1.39% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.37% of the total issued share capital of the Company as enlarged by the allotment and issue of Conversion Shares in full under the First Note (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Conversion Shares under the First Note in full).

Assuming all Conversion Shares are converted in full under the First Note and the Other Initial Notes up to the principal amount of US\$6,590,000 at the Adjusted Conversion Price of HK\$0.57 (excluding the Other Initial Notes of US\$500,000 held by Masan Fund and converted at the initial conversion price of US\$0.65), 89,600,877 Conversion Shares will be allotted and issued under the First Note and such Other Initial Notes which would represent (i) approximately 18.35% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.51% of the total issued share capital of the Company as enlarged by the allotment and issue of Conversion Shares in full under the First Note and such the Other Initial Notes (assuming there will be no changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Conversion Shares under the First Note and Other Initial Notes in full).

### Ranking of the Conversion Shares and the Warrant Shares

The Conversion Shares and the Warrant Shares shall rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue on their issue date.

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## LETTER FROM THE BOARD

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### Listing Approvals

The approval for the listing of, and the permission to deal in 96,457,692 Conversion Shares upon conversion of the First Note and the Other Initial Notes has been granted by the Listing Committee of the Stock Exchange.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares under the Subsequent Notes and the Warrant Shares subject to the granting of the Specific Mandate by the Shareholders at the EGM.

No application will be made for the listing of the Convertible Notes or the Warrants on the Stock Exchange or any other stock exchange.

### CLOSINGS

As at the Latest Practicable Date, the Company and the Subscriber had closed the First Note of the amount of US\$500,000 and eight Other Initial Notes with an aggregate amount of US\$5,000,000 under the General Mandate. Set out below is a table showing the dates of the closing of the First Note and the said eight Other Initial Notes and their respective Noteholders:-

<b>Description</b>	<b>Issue Date</b>	<b>Principal amount</b> <i>(US\$)</i>	<b>Name of Noteholder</b>
First Note	1 February 2021	500,000	The Subscriber
Other Initial Note	1 March 2021	500,000	EMA ( <i>Note 1</i> )
Other Initial Note	1 March 2021	500,000	Masan Fund ( <i>Note 2</i> )
Other Initial Note	15 March 2021	500,000	The Subscriber
Other Initial Note	12 April 2021	500,000	The Subscriber
Other Initial Note	26 April 2021	500,000	The Subscriber
Other Initial Note	10 May 2021	500,000	The Subscriber
Other Initial Note	27 May 2021	1,250,000	The Subscriber
Other Initial Note	7 June 2021	750,000	The Subscriber

#### *Notes*

1. EMA is an assignee of the Subscriber under the Subscription Agreement to be the holder of the Other Initial Note for the principal amount of US\$500,000 subscribed by the Subscriber. To the best of the Director's information, EMA is 100% owned by Felicia Preston.
2. Masan Fund is an assignee of the Subscriber under the Subscription Agreement to be the holder of the Other Initial Note for the principal amount of US\$500,000 subscribed by the Subscriber. To the best of the Director's information, Masan Fund is ultimately owned as to 55% by Hui Nok Yi, 25% by Liem Chi Kit Kevin and 20% by Yau Wai Chung.

To the best of the Directors' information, EMA and its ultimate beneficial owner are independent investors not connected to the Subscriber and they are Independent Third Parties.

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## LETTER FROM THE BOARD

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To the best of the Directors' information, the Masan Fund and its holding companies and its ultimate beneficial owners are independent investors not connected to the Subscriber and they are Independent Third Parties.

As at the Latest Practicable Date, the amount of unsubscribed Convertible Notes was US\$9,500,000. Set out below is a schedule of unsubscribed Convertible Notes to be issued under the General Mandate and proposed to be issued under the Specific Mandate by the Company with their expected time of issue:-

<b>Expected month of Issue</b>	<b>Intended closing amount of unsubscribed Convertible Notes</b>	<b>Mandate to issue</b>
June 2021	US\$1,250,000	General Mandate
July 2021	US\$1,340,000	General Mandate
	US\$6,910,000	Specific Mandate

On 2 March 2021, the Company received a conversion notice from Masan Fund as Noteholder in respect of the exercise of the Conversion Rights attached to the Other Initial Note in the principal amount of US\$500,000 at the initial Conversion Price of HK\$0.65 per Conversion Share and a total of 5,961,538 Conversion Shares were allotted and issued by the Company to Masan Fund on 5 March 2021.

Up to the Latest Practicable Date, the Subscriber has not exercised any Conversion Rights on the Convertible Notes that it holds.

Further announcements will be made by the Company upon further Closings and exercise of the Conversion Rights under the Convertible Notes.

### **EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY**

For illustrative purpose only, set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under the First Note and the Other Initial Notes under General Mandate; (iii) immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under Convertible Notes with principal amount up to the Total Commitment; (iv) immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under Convertible Notes with principal amount up to the Total Commitment and all Warrant Shares at the initial Warrant Exercise Price under the corresponding Warrants whereas the maximum number of Shares the Subscriber entitled to subscribe (i.e. less than 30%); and (v) for illustrated purpose only, immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under Convertible Notes with principal amount up to the Total Commitment and all Warrant Shares at the initial Warrant Exercise Price under the corresponding Warrants:



## LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under the First Note and the Other Initial Notes under General Mandate		Immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under Convertible Notes with principal amount up to the Total Commitment		Immediately upon the initial Warrant Exercise Price under the corresponding Warrants whereas the maximum number of Shares the Subscriber entitled to subscribe (i.e. less than 30%) (Note 3)		For illustration purpose only, immediately upon the allotment and issuance of all Conversion Shares at the initial Conversion Price under Convertible Notes with principal amount up to the Total Commitment and all Warrant Shares at the initial Warrant Exercise Price under the corresponding Warrants whereas the maximum number of Shares the Subscriber entitled to subscribe (i.e. less than 30%) (Note 3)	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
Chan Yick Yan Andross <sup>(1)</sup>	97,920,887	20.06	97,920,887	16.92	97,920,887	14.81	97,920,887	13.87	97,920,887	13.05
PBLA Limited	75,223,669	15.41	75,223,669	13.00	75,223,669	11.38	75,223,669	10.66	75,223,669	10.02
Lau Hing Tat Patrick <sup>(2)</sup>	55,215,444	11.31	55,215,444	9.54	55,215,444	8.35	55,215,444	7.82	55,215,444	7.36
The Subscriber	—	—	84,534,614	14.61	166,923,075	25.25	211,704,758	29.99	256,346,151	34.15
EMA (Note 4)	—	—	5,961,538	1.03	5,961,538	0.90	5,961,538	0.84	5,961,538	0.79
Other Public Shareholders (Note 5)	259,891,538	53.22	259,891,538	44.90	259,891,538	39.31	259,891,538	36.82	259,891,538	34.63
<b>Total</b>	<b>488,251,538</b>	<b>100</b>	<b>578,747,690</b>	<b>100</b>	<b>661,136,151</b>	<b>100</b>	<b>705,917,834</b>	<b>100</b>	<b>750,559,227</b>	<b>100</b>

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## LETTER FROM THE BOARD

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*Notes:*

1. Mr. Chan Yick Yan Andross, is an Executive Director and the Chief Executive Officer of the Company, holds 4,204,000 Shares by himself and 93,716,887 Shares through CYY Holdings Limited, a company wholly owned by him.
2. Mr. Lau Hing Tat, Patrick, is the Chairman and an Executive Director of the Company, holds 7,232,000 Shares by himself, 46,003,444 Shares through LSBJ Holdings Limited, a company wholly owned by him and is interested in 1,980,000 Shares held by his spouse.
3. Under the conditions of both the Convertible Notes and the Warrants, the exercise of the Conversion Rights and the Warrant Subscription Rights are restricted should the exercise of such rights may result in (i) the Company not fulfilling the public float requirements under rule 8.08 of the Listing Rules; or (ii) result in the holder of Convertible Notes or the Warrants triggering a mandatory offer obligation under rule 26 of the Takeovers Code on the part of the holders of the Convertible Notes or the Warrants and any parties acting in concert with it (as defined under the Takeovers Code).
4. EMA and its ultimate beneficial owner being independent investors are not connected to the Subscriber and being Independent Third Parties are being classified as public Shareholders.
5. Masan Fund, its holding companies and its ultimate beneficial owners being independent investors not connected to the Subscriber and being Independent Third Parties are being classified as public Shareholders. The Other Initial Note in the principal amount of US\$500,000 held by Masan Fund was converted into 5,961,538 Conversion Shares on 5 March 2021 at initial Conversion Price of HK\$0.65 per Conversion Share and they are included in “Other Public Shareholders”.

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## LETTER FROM THE BOARD

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For illustrative purpose only, set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issuance of all Conversion Shares at the Adjusted Conversion Price under the First Note and the Other Initial Notes under General Mandate:

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Immediately upon the allotment and issuance of all Conversion Shares at the Adjusted Conversion Price under the First Note and the Other Initial Notes under General Mandate (Note 4)</b>	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
Chan Yick Yan Andross <sup>(1)</sup>	97,920,887	20.06	97,920,887	16.95
PBLA Limited	75,223,669	15.41	75,223,669	13.02
Lau Hing Tat Patrick <sup>(2)</sup>	55,215,444	11.31	55,215,444	9.56
The Subscriber	—	—	82,802,630	14.33
EMA (Note 3)	—	—	6,798,245	1.18
Other Public Shareholders (Note 4)	<u>259,891,538</u>	<u>53.22</u>	<u>259,891,538</u>	<u>44.96</u>
<b>Total</b>	<u>488,251,538</u>	<u>100</u>	<u>577,852,413</u>	<u>100</u>

Notes:

1. Mr. Chan Yick Yan Andross, is an Executive Director and the Chief Executive Officer of the Company, holds 4,204,000 Shares by himself and 93,716,887 Shares through CYY Holdings Limited, a company wholly owned by him.
2. Mr. Lau Hing Tat, Patrick, is the Chairman and an Executive Director of the Company, holds 7,232,000 Shares by himself, 46,003,444 Shares through LSBJ Holdings Limited, a company wholly owned by him and is interested in 1,980,000 Shares held by his spouse.
3. EMA and its ultimate beneficial owner being independent investors are not connected to the Subscriber and being Independent Third Parties are being classified as public Shareholders.
4. Masan Fund, its holding companies and its ultimate beneficial owners being independent investors not connected to the Subscriber and being Independent Third Parties are being classified as public Shareholders. The Other Initial Convertible Note in the principal amount of US\$500,000 held by Masan Fund was converted into 5,961,538 Conversion Shares on 5 March 2021 at initial Conversion Price of HK\$0.65 per Conversion Share and they are included in "Other Public Shareholders".

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board. The Group is principally engaged in the Graphene Business and landscape architecture business.

Whilst the Company remains committed to its strategy of achieving leadership and investing in the Graphene Business, the Company will maintain its existing landscape architecture business and the Company does not have any intention on plan, or under any arrangement or negotiation to scale down or dispose the landscape architecture business.

The founding management team of the Group's landscape architecture business consisting of Mr. Lau Hing Tat Patrick (Chairman of the Board) ("**Mr. Lau**"), Mr. Chan Yick Yan Andross (Executive Director and CEO) ("**Mr. Chan**") and Mr. Tian Ming (Executive Director) ("**Mr. Tian**") have remained with the Company.

Mr. Lau has over 58 years of experiences in landscape architecture business and he has been served as president of Hong Kong Institute of Landscape Architects as well as the Association of Landscape Consultants of Hong Kong. Mr. Lau is a registered landscape architect in Hong Kong and Fellow Members of Hong Kong Institute of Landscape Architect as well as Chartered Member of Landscape Institute of UK.

Mr. Chan has over 36 years of experiences in landscape architecture business and he has served as president of Hong Kong Institute of Landscape Architects. Mr. Chan is a registered landscape architect in Hong Kong and Fellow members of Hong Kong Institute of Landscape Architect as well as Professional member of American Society of Landscape Architects, Canadian Society of Landscape Architects, Ontario Association of Landscape Architects and Chartered member of Landscape Institute of the United Kingdom.

Mr. Tian is a professional architect who has over 15 years of experiences in the management and operation of the Group's landscape architecture business in the PRC and over 30 years of experiences in the industry.

In addition to abovementioned founding management team members of the Group's landscape architecture business, Mr. Ma Lida (Non-executive Director) has over 10 years of experiences in the management and operation of Pubang Landscape Architecture Co., Ltd, a company listed on the Shenzhen Stock Exchange of the PRC and Mr. Wang Yuncai (Independent Non-executive Director) is a professor in the Tongji University of the PRC, teaching and practice landscape architecture for over 20 years.

The Company has no plan to scale down the Group's business of landscape architecture and will continue to ensure the sustainable operation of this segment. For the year ended 31 December 2020, although the revenue for the landscape architecture segment slightly dropped by 3.2% from HK\$154.1 million to HK\$149.2 million which was mainly due to the slow-down of the projects as a result of the COVID 19 pandemic in the PRC, the adjusted EBITDA of this segment for the period had slightly dropped by approximately 5% from HK\$21.3 million to HK\$20.2 million.

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## LETTER FROM THE BOARD

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The Group has obtained Class A Landscape Architecture qualification in the PRC in 2018 and has successfully won major contracts from the government of the PRC despite the real estate market in the PRC has been on the decline in recent years. Subject to the policy of the government of the PRC for wholly-foreign owned enterprises in the PRC, the Group has plan to apply for Class B City Planning qualification in the PRC to expand the scope of the Group's landscape architecture business, moreover, the Group has recently set up an office in Qingdao City of the PRC to expand the Group's landscape architecture business in northern part of the PRC.

The Directors believe that the Group's Graphene Business has the synergy with the Group's landscape architecture business. The current global clean energy trend provides the opportunities for integrated development of the two business segments of the Group in new city planning and urban design theory in clean energy application. The landscape architecture business of the Group has combined the knowledge and expertise of the Group's Graphene Business in clean energy storage and has developed a theory of rechargeable city and rechargeable park and the Group is currently applying this theory in the design process of major projects in the PRC.

The Company will continue to ensure market leadership of the Group's landscape architecture business.

Reference is made to the LOI Announcement, the Company as the intended subscriber and Shenzhen KYSS entered into the non-legally binding LOI on 4 March 2021. Shenzhen KYSS is a company established in the PRC with limited liability and is engaged in the application, production and sales of grapheme lithium-ion battery, cells, power banks, replaceable battery modules for mopeds and related products.

Under the LOI and subject to the satisfaction by the Company on the due diligence review on the legal, financial and business aspects of Shenzhen KYSS to be conducted by the Company and the valuation of Shenzhen KYSS, the Company intends to subscribe for new shares to be issued by Shenzhen KYSS and on completion of such subscription, the Company intends to be the majority shareholders of Shenzhen KYSS and to operate its grapheme lithium-ion battery business.

The Company considers the possible subscription of new shares in Shenzhen KYSS, if materialised, will provide an opportunity for the Company to expend its products and services downstream from the Group's current grapheme business and to reinforce the Company's position in the new energy section.

The Board wishes to emphasis that the possible subscription of new shares in Shenzhen KYSS is subject to, amongst others, the entering into a legally binding formal agreement, the terms and conditions of which are yet to be agreed between the Company and Shenzhen KYSS. As such the possible transaction may or may not proceed or materialise.

Save and except for the LOI as mentioned above, the Company does not have any plan of acquisition in the foreseeable future.

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## LETTER FROM THE BOARD

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The Company has been engaging in fund raising exercise in Hong Kong and in the United States since the last quarter of 2020 for the purpose of settling the debt instruments due in 2021 issued by the Company and the development of the Group's Graphene Business and had reached out to at least six investors or brokers in Hong Kong since November 2020 but no agreement was entered by the Company with any of them as the Company had not received any commitment from them.

Set out below is the summary of the Company's outstanding debt securities to be repaid in the remainder of 2021, including number of debt holders, amounts and the month of maturity and how such amount was reflected in the Company's accounts:-

<b>Month of Maturity</b>	<b>Amount (HK\$)</b>	<b>Number of bondholders</b>
June 2021	8,500,000	5
July 2021	62,500,000	16
August 2021	—	—
September 2021	11,500,000	4
October 2021	—	—
November 2021	—	—
December 2021	42,000,000	6

The abovementioned outstanding debt securities are reflected in the Company's balance sheet for the year ended 31 December 2020 as to HK\$124,500,000 as interest-bearing other borrowings under current liabilities.

The Directors had also considered the possibility of obtaining debt financing from bank or other financial institutions and consider that would not be viable in view of the lack of realty collaterals that the Group could provide for any secured debt financing and the high rate of interests that would be charged for any unsecured debt financing.

On 31 December 2020, the Subscriber approached the Company and indicated its interest on subscribing convertible notes and warrants from the Company. The Company considered the offer by the Subscriber as an available opportunity for the Company to raise funds that the Company had been seeking and allows at a lower interest rate at 5.5% per annum to pay off higher debt instruments that the Company had issued ranging from 6% to 9% as well as an opportunity to further enlarge the Shareholders base of the Company.

As informed by the Subscriber, the Subscriber is a 14.29% substantial shareholder of URU Metal Limited, an exploration and development company which identifies and invests in quality mineral projects worldwide that is listed on AIM market of the London Stock Exchange in the United Kingdom.

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## LETTER FROM THE BOARD

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To the best of the directors' information, the Subscriber and its ultimate beneficial owner, Mr. Jeffrey Abramovitz, are Independent Third Parties and not related to the Company and its connected persons, and neither of them has any relationship (business or otherwise), or entered into any arrangement with the Company and its connected persons, and the parties involved in the Company's major transaction as disclosed in the Company's announcement dated 1 February 2018.

As mentioned above, the Company had been engaging in fund raising exercise in Hong Kong and in the United States since the last quarter of 2020 for the purpose of settling the debt instruments due in 2021 issued by the Company and the development of the Group's Graphene Business. The Directors noted that the closing prices of the Shares had fallen from HK\$3.53 on 28 December 2020 to HK\$0.42 on 29 December 2020 and then followed by a period of fluctuation of closing price from HK\$0.50 to HK\$0.83 per Share between the period from 30 December 2020 to 19 January 2021, being the date of entering into the Subscription Agreement, and an average closing price of HK\$0.612 per Share over that period.

When the Subscriber approached the Company and indicated its interest on subscribing convertible notes and warrants from the Company of up to the maximum of the Total Commitment of US\$15 million, the Board had considered the possible dilution effect under the Subscription and the Shares to be issued on possible full conversion of the Convertible Notes and full exercise of the Warrants of 35.74% of the Company's enlarged share capital and the Directors had weighted the dilution effect against the (a) facts that the future direction of the price of the Share cannot be predicted with any reasonable assurance; (b) facts that the initial Conversion Price and the initial Warrant Exercise Price of HK\$0.65 represents a premium of approximately 15.04% over the average closing price per Share of HK\$0.565 for the period of 10 consecutive trading days up to and including the trading day immediately preceding the date prior to the Subscription Agreement and a premium of approximately 14.04% over the closing price of the Shares of HK\$0.570 per Shares on the last trading day of the Shares prior to the date of the Subscription Agreement and was fair and reasonable at the date of the Subscription Agreement; (c) the benefit of the fund that can be raised from the Subscription on or before the Long Stop Date of 31 December 2021 under the Subscription Agreement with the certainty of the Total Commitment of US\$15 million which can help and ease off the Company's funding need of settling the debt instruments due in 2021; and (d) either the Company or the Subscriber can serve Closing Notices to the other party to request for Closings (other than the First Note Closing and the Initial Warrant Closing), it will allow the Company to proactively request the Subscriber for Closings to cater for the Company's financial obligations and needs as and when the Company determines necessary.

The Directors consider that with the uncertainty and volatility of the global and Hong Kong market conditions, it is only prudent and beneficial for the Company to be able to secure funding as early as possible to meet with its financial obligations and needs.

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## LETTER FROM THE BOARD

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Subject to the granting of the Specific Mandate by the Shareholders, the Company will serve Closing Notices on the Subscriber to request for Closings of the Other initial Notes and the Subsequent Notes under the following schedule:-

Month	Debt securities	Intended closing amount		Mandate to issue
	maturity amount (HK\$)	(US\$)	(equivalent HK\$)	
June 2021	8,500,000	1,250,000	9,687,500	General Mandate
July 2021	62,500,000	1,340,000	10,385,000	General Mandate
		6,910,000	53,552,500	Specific Mandate
August 2021	—			
September 2021	11,500,000			
October 2021	—			
November 2021	—			
December 2021	4,200,000			

The Directors further consider that the subscription for the Warrants is part and parcel of the transaction under the Subscription Agreement which provided for the subscription of the Convertible Notes and the subscription of the Warrants that formed the commercial consideration of the Subscriber for entering into the transaction with the Company under the Subscription Agreement and demonstrated the Subscriber's confidence in the future of the Company.

The Directors further consider that the issue of the Convertible Notes and the Warrants will not impose immediate dilution on the shareholding of existing Shareholders. If the Conversion Rights and the Warrants Subscription Rights are exercised, that will result in additional proceeds for the Company, raise further capital for the Company for financing the existing projects and repay the existing indebtedness of the Company.

Taking the abovementioned factors into consideration, the Directors are of the view that the size of the Subscription under the Subscription Agreement is in the interest of the Company and its Shareholders as a whole.

The Share closing price had rebounded from HK\$0.55 on 3 February 2021 to HK\$1.45 on 4 February 2021. Thereafter and up to the Latest Practicable Date, the Share closing price fluctuated between HK\$0.92 and HK\$1.56.

From 4 February 2021 onward, the Company reached out to three stock brokers in Hong Kong to solicit for interest in equity-link fund raising exercise with the Company. There was no positive response by any of the approached parties in Hong Kong that could develop into any meaningful discussion with the Company for possible equity-linked fund-raising exercise including issue of shares of the Company, rights issue/open offer and securities convertible into shares of the Company.



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## LETTER FROM THE BOARD

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From 4 February 2021 onward, the Company also had discussions with the following parties for possible equity-linked fund raising exercises of the Company:

- (i) An investment bank based in the United States, who was the Company's financial adviser for the application of the Company's American Depositary Receipts to be traded on OTCQX in the United States (the "US iBank"). The Company has engaged the US iBank as financial adviser for the purpose of seeking investors in respect of the Company's possible fund-raising exercises since the end of October 2020. Since then, the US iBank approached its clients and reported to the Company on a continuous basis. The US iBank approached its clients but none of them shown interest in investing in the Company.
- (ii) A venture capital firm based in United States (the "US Venture Capital"). The Company introduced the Group's Graphene Business (including key product lines, product application and sector growth drivers) to the US Venture Capital. The Company expressed that it is considering possible fund-raising exercises and asked the US Venture Capital for consideration. The Company is still waiting for feedback from the US Venture Capital.
- (iii) A social media platform promoting micro-cap companies to investors in United States and a research institution focusing on micro-cap companies in United States. Both parties have substantial subscription bases which include investment funds, institutional investors and private investors. The Company introduced the Group's businesses (including history, key business units, graphene products application, competitors and macro growth drivers) to the aforesaid parties and invited them to promote the Company and inform the Company if there is any investor who is interested in investing in the Company. The Company is still waiting for feedback from both parties.

None of the abovementioned approaches has been materialised.

Apart from the abovementioned effort by the Company to seek for other equity-linked fund-raising opportunities, in early January 2021, the Company had also explored the possibility of conducting rights issue as being one of the possible financing alternatives for the Company, however, the Company did not receive positive response from the substantial Shareholder that the Company had approached. The possibility of conducting rights issue was raised by the Company again with all the substantial Shareholders in mid-May 2021, but again, the Company did not receive any positive response from any of the substantial Shareholders.

The Directors noted that the initial Conversion Price and the initial Warrant Exercise Price represents a discount of approximately 29.35% to the closing price of the Shares of HK\$0.92 per Share on the Stock Exchange on the Latest Practicable Date and that an additional amount of fund of approximately HK\$48 million could be raised should the same number of Conversion Shares were being issued at the closing price of the Shares on the Latest Practicable Date, nonetheless, in view of (a) the abovementioned attempts of the Company in conducting fund raising exercises, (b) the Factors (as defined above in the section headed "SUBSCRIPTION") and (c) the funding requirements of the Company, the Directors considers the entering into the Subscription Agreement can allow the

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## LETTER FROM THE BOARD

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Company to secure the funding needs to meet with its repayment obligations over the Company's outstanding debt securities due to mature up to and including July 2021 with certainty and the terms and conditions of the Subscription Agreement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Directors are open to any forms of fund raising exercises when such opportunities arises, however, the Subscription is the only fund raising opportunity identified by the Company since November 2020 and up to the Latest Practicable Date that is being materialised. The Company will continue to seek for fund raising opportunities to fulfill its future financing needs (including debt repayment obligation).

The Directors believe the introduction of the Subscriber to the Group shall empower the Group's financing.

The Company does not have intention or plan to appoint Mr. Jeffrey Abramovitz as its Director.

It is expected that, after the deduction of the estimated expenses of about HK\$1,238,000, net proceeds of about (i) HK\$115,012,000 will be raised from the subscription of Convertible Notes up to the Total Commitment; and, (ii) about HK\$58,125,000 will be raised for the subscription of the Shares on full exercises of the Warrant Subscription Rights under the Warrants.

Pursuant to the Subscription Agreement, the Company will use the net proceeds from the issue of the Convertible Notes for (i) redemption of the Company's outstanding debt securities issued to any third party; and (ii) the Group's working capital purposes provided that at least 75% of the proceeds received from the issuance of each Convertible Note shall be used for redemption of the outstanding debt securities issued to any third party.

The Company intends to use the proceeds from the issue of the Warrants Shares as to 75% for the redemption of the Company's outstanding debt securities issued to any third party and as to 25% for the Group's working capital.

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## LETTER FROM THE BOARD

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Set out below is a summary of the total funds that may be raised under each of the (i) First Note; and (ii) the Convertible Notes issuable up to the Total Commitment all at the initial Conversion Price of HK\$0.65 per Conversion Share and the exercise of the Warrants showing the (i) specific amount of proceeds and (ii) usage of net proceeds raised:

Event	Gross Proceed (HK\$)	Net Proceed (HK\$)	Usage of Net Proceed		
			Redemption of outstanding debt securities issued to third parties (HK\$)	Group's general working capital Development of the Group's Business (HK\$)	Administrative Expenses (HK\$)
1. First Note	3,875,000	2,637,000	1,977,750	—	659,250
2. The Other Initial Notes and Subsequent Notes issuable up to Total Commitment	112,375,000	112,375,000	84,281,250	25,093,750	3,000,000
3. Maximum exercise of Warrant Subscription Rights under event no.2 above at the initial Warrant Exercise Price of HK\$0.65 per Warrant Share	58,125,000	58,125,000	43,593,750	14,531,250	—

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## LETTER FROM THE BOARD

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Set out below is a summary of the total funds that may be raised under each of (i) the First Note; and (ii) the Convertible Notes issuable under the General Mandate at the Adjusted Conversion Price of HK\$0.57 per Conversion Shares showing the (i) specific amount of proceeds and (ii) usage of net proceeds raised:

Event	Gross Proceed (HK\$)	Net Proceed (HK\$)	Usage of Net Proceed		
			Redemption of outstanding debt securities issued to third parties (HK\$)	Group's general working capital Development of the Group's Business (HK\$)	Administrative Expenses (HK\$)
1. First Note	3,875,000	2,637,000	1,977,750	—	659,250
2. The Other Initial Notes issuable under the General Mandate	51,072,500	51,072,500	38,304,375	9,768,125	3,000,000

As the possible transaction under the LOI may or may not proceed or materialise, at present the Company does not intend to apply the proceeds generated from the Subscription to settle the consideration of the possible subscription of new shares in Shenzhen KYSS.

### EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity during the past twelve months immediately preceding the Latest Practicable Date.

### IMPLICATIONS UNDER THE LISTING RULES

Under the General Mandate, the Company is authorized to issue up to 96,458,000 Shares. Since the date of the annual general meeting of the Company held on 15 June 2020 and up to the Latest Practicable Date, the Company has allotted and issued 5,961,538 Conversion Shares to Masan Fund on 5 March 2021 under the General Mandate.

Under the Subscription Agreement, based on the initial Conversion Price of HK\$0.65 per Conversion Share, (i) up to 96,457,692 Conversion Shares are to be allotted and issued under the General Mandate and (ii) an amount of US\$7,590,000 of Other Initial Notes can be issued by the Company to the Subscriber. Accordingly, the General Mandate is sufficient for the allotment and issue of the Conversion Shares to be allotted and issued under the First Note and the Other Initial Notes and the allotment and issue of which is not subject to the Shareholder's approval.

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## LETTER FROM THE BOARD

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The Specific Mandate is required by the Company to allot and issue the Conversion Shares under the Subsequent Notes and the Warrant Shares.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercising of the Warrants must not, when aggregated with all other equity securities remaining to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As at the Latest Practicable Date, the Company does not have any equity securities with subscription rights outstanding and not yet exercised. Assuming full exercise of the subscription rights attaching to the Warrants, the maximum number of the Warrant Shares to be issued is 89,423,076 Shares, representing approximately 18.31% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.48% of the issued share capital of the Company as enlarged by the allotment of issue of Warrant Shares in full. Accordingly, the issuance of Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

### **SPECIFIC MANDATE**

The Company will seek the approval of the Specific Mandate from the Shareholders at the EGM to allot and issue the Conversion Shares under the Subsequent Notes and the Warrant Shares. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares converted under the Subsequent Notes and the Warrant Shares. No application will be made for the listing of the Convertible Notes or the Warrants on the Stock Exchange or any other stock exchange.

### **EGM**

The EGM will be convened and held on Wednesday, 21 July 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, *inter alia*, (i) the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights of Subsequent Notes; (ii) the allotment and issue of the Warrant Shares upon the exercise of the Warrant Subscription Rights; and (iii) the grant of the Specific Mandate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no Directors or other Shareholders has any material interest in the Subscription and is required to abstain from voting on the proposed resolution to approve (i) the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights of Subsequent Notes; (ii) the allotment and issue of the Warrant Shares upon the exercise of the Warrant Subscription Rights; and (iii) the grant of the Specific Mandate; at the EGM.

A form of proxy at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's

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## LETTER FROM THE BOARD

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Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolution put to the vote at the EGM will be taken by way of poll.

Notice of the EGM is set out on pages 58 to 60 of this circular.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 16 July 2021 to Wednesday, 21 July 2021 (both days inclusive) during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM. To be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 July 2021.

### **RECOMMENDATIONS**

The Directors consider that the Subscription and the Specific Mandate are fair and reasonable so far as the Shareholders are concerned and the terms are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the relevant ordinary resolution as set out in the notice of the EGM.

### **GENERAL**

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

Yours faithfully,  
For and on behalf of the board of  
**Graphex Group Limited**  
**Lau Hing Tat Patrick**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interest of Directors

As at Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), were as follows:

#### (i) Long positions in the Shares

Name	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date <sup>(1)</sup>
Chan Yick Yan Andross <sup>(2)</sup>	97,920,887	20.06%
Lau Hing Tat Patrick <sup>(3)</sup>	55,215,444	11.31%
Tian Ming	4,930,000	1.01%
Tu Wenzhe	1,000,000	0.20%

*Notes:*

- As at the Latest Practicable Date, the total number of issued Shares was 488,251,538.
- Mr. Chan Yick Yan Andross, is an Executive Director and the Chief Executive Officer of the Company, holds 4,204,000 Shares by himself and 93,716,887 Shares through CYY Holdings Limited, a company wholly-owned by him.
- Mr. Lau Hing Tat, Patrick, is the Chairman and an Executive Director of the Company, holds 7,232,000 Shares by himself, 46,003,444 Shares through LSBJ Holdings Limited, a company wholly-owned by him and is interested in 1,980,000 Shares held by his spouse.

*(ii) Options*

Options granted to the Directors under the Company's share option scheme and remained outstanding as at the Latest Practicable Date were as follows:

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Number of underlying Shares comprised in the options</b>	<b>Exercise price per Share (HK\$)</b>	<b>Exercise period</b>
Lau Hing Tat Patrick	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026
Chan Yick Yan Andross	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026
Tian Ming	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026
Qiu Bin	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026
Yang Liu	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026
Tu Wenzhe	28 January 2021	4,000,000	HK\$0.65	28 January 2021 to 27 January 2026

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



**(b) Interest of Substantial Shareholders**

As at the Latest Practicable Date, to the best knowledge of the Directors, the following person (other than a Director and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

*(i) Long positions:*

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares</b>	<b>Approximate % of shareholding</b>
CYY Holdings Limited ( <i>Note 1</i> )	Beneficial owner	93,716,887	19.19%
PBLA Limited ( <i>Note 2</i> )	Beneficial owner	75,223,669	15.41%
Pubang Landscape Architecture (HK) Company Limited ( <i>Note 2</i> )	Interest of controlled corporation	75,223,669	15.41%
Pubang Landscape Architecture Company Limited ( <i>Note 2</i> )	Interest of controlled corporation	75,223,669	15.41%
LSBJ Holdings Limited ( <i>Note 4</i> )	Beneficial owner	46,003,444	9.42%
Gao Xin ( <i>Note 3</i> )	Beneficial owner, interest of controlled corporation	31,848,000	6.52%
Profit King Investment Development Limited ( <i>Note 3</i> )	Beneficial owner	27,000,000	5.53%

*Notes*

1. CYY Holdings Limited is 100% beneficially owned by Mr. Chan Yick Yan Andross. Accordingly, Mr. Chan Yick Yan Andross is deemed to be interested in the shares of the Company held by CYY Holdings Limited under the SFO.
2. PBLA Limited is 100% beneficially owned by Pubang Landscape Architecture (HK) Company Limited, which is in turn 100% beneficially owned by Pubang Landscape Architecture Company Limited. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited and Pubang Landscape Architecture Company Limited is deemed to be interested in the Shares held by PBLA Limited under the SFO.
3. Mr. Gao Xin holds 4,848,000 Shares by himself and 27,000,000 Shares through Profit King Investment Development Limited, a company incorporated in the British Virgin Islands. The issued share of Profit King Investment Development Limited is wholly owned by Mr. Gao Xin.
4. LSBJ Holdings Limited is 100% beneficially owned by Mr. Lau Hing Tat Patrick. Accordingly, Mr. Lau Hing Tat Patrick is deemed to be interested in the shares of the Company held by LSBJ Holdings Limited under the SFO.

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, the Company had not been notified of any other interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

### 3. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance known by the Directors to be pending or threatened against any member of the Group.

### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

### 5. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

### 6. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware, save as Mr. Ma Lida and Mr. Tu Wenzhe, non-executive Directors nominated by Pubang Landscape Architecture Company Limited (“**Pubang**”), whom are required to declare their conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang, none of the Directors or controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group nor does any of them has or may have any other conflicts of interest with the Group.

**7. DISCLOSURE OF OTHER INTEREST**

As at the Latest Practicable Date:

- (a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up); and
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Subscription Agreement
- (b) the Share Charge
- (c) the Supplemental Agreement; and
- (d) this circular.

**9. GENERAL**

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business in Hong Kong is 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The company secretary of the Company is Mr. Kwok Ka Hei, who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over its respective Chinese text in case of inconsistency.

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## NOTICE OF EGM

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# GRAPHEX

## GRAPHEX GROUP LIMITED

### 烯石電動汽車新材料控股有限公司

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

**(Stock Code: 6128)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** an extraordinary general meeting (the “EGM”) of Graphex Group Limited (the “Company”) will be held at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 21 July 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, without modifications, the following ordinary resolution of the Company. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 30 June 2021 (the “Circular”).

### ORDINARY RESOLUTION

1. “THAT the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue (i) the Conversion Shares to the relevant holder(s) of the Subsequent Notes upon the exercise of the Conversion Rights of the Subsequent Notes in accordance with the terms of the Subsequent Notes and (ii) the Warrant Shares to the relevant holder(s) of the Warrant(s) upon the exercise of the Warrant Subscription Rights of the Warrants in accordance with the terms of the Warrants, where such Conversion Shares under the Subsequent Notes and the Warrant Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The aforementioned specific mandate is in addition to and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution.”

By order of the board  
**Graphex Group Limited**  
**Lau Hing Tat Patrick**  
*Chairman*

Hong Kong, 30 June 2021

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## NOTICE OF EGM

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

*Headquarter, head office and principal place of  
business in Hong Kong:*  
11/F, COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

*Notes:*

1. All resolutions (except for procedural and administrative matters) at the EGM will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote on his/her/its behalf. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the above meeting. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
3. In case of joint registered holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the in respect of the Shares.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the offices of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof should he so wish and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 16 July 2021 to Wednesday, 21 July 2021 (both days inclusive), during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM. To be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 July 2021.
6. If "extreme condition" caused by super typhoon or a black rainstorm warning signal is in force or a tropical cyclone warning signal number 8 or above remains hoisted at 8:00 a.m. on 21 July 2021, the above meeting will be postponed. Shareholders of the Company are requested to read the website of the Company at [www.graphexgroup.com](http://www.graphexgroup.com) for details of alternative meeting arrangements. If shareholders of the Company have any queries concerning the alternative meeting arrangements, please call the Company at (852) 2559 9438 during business hours from 9:30 a.m. to 6:30 p.m. on Monday to Friday, excluding public holidays.
7. The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.
8. Shareholders of the Company should make their own decision as to whether they would attend the above meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

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## NOTICE OF EGM

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9. In view of the ongoing COVID-19 pandemic and in accordance with the recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:
- (i) compulsory body temperature checks will be conducted on all persons attending the EGM. Any person with a body temperature of 37 degrees Celsius or above or who has any flulike symptoms, or is otherwise apparently unwell will not be admitted to the EGM venue;
  - (ii) all attendees must wear face masks at all times inside the EGM venue and maintain a safe distance between seats. Any person who does not comply with this requirement will be required to leave the EGM venue;
  - (iii) seating at the EGM venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
  - (iv) no refreshment or drinks will be served at the EGM; and
  - (v) no guest will be allowed to enter the EGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong.

As at the date of this notice, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Tian Ming, Mr. Yang Liu and Mr. Qiu Bin, the non-executive Directors are Mr. Ma Lida and Mr. Tu Wenzhe; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang, Mr. Tang Zhaodong and Mr. Chan Anthony Kaikwong.